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Part 4

COMMUNITY FINANCIAL REPORT

The Community Financial Report is a simplified version of Council's audited financial statements. The aim of the report is to assist readers in evaluating Council's financial performance and position for the 2019/20 financial year without the need to interpret the annual financial statements.

Council's financial statements are audited each year by the Queensland Audit Office. Our goal is an unmodified audit opinion which essentially means 'a clean bill of health' for our financial statements. This year our financial statements were unmodified.

The key statements that are summarised in the Community Financial Report are:

- Statement of comprehensive income
- Statement of financial position
- Statement of changes in equity
- Statement of cash flows
- Financial sustainability ratios

The key financial highlights include:

- Unmodified financial statements
- Operating result – a surplus of $2.137 million
- Net result – a surplus of $23.043 million
- Capital expenditure - $54.5 million
- Cash, cash equivalents and investments - $81.352 million with $1.499 million earned in interest and investment revenue
- New borrowings of $2.825 million

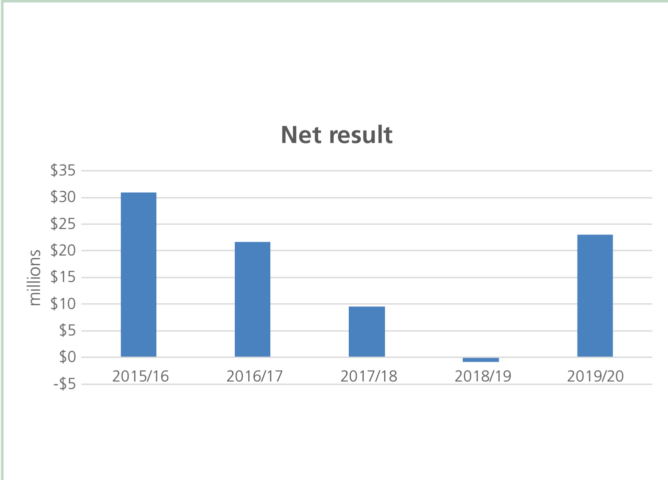
Council's annual financial statements are included in Part 4 - Financial information.

5 year financial summary	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Capital expenditure	52,087	43,974	41,200	47,645	54,521
Net result (income less expenses)	30,931	21,659	9,532	(801)	23,043
Increase/(decrease) in net assets (total comprehensive income)	(49,256)	(88,401)	96,718	(7,255)	21,406
Income - recurrent (operating) revenue	75,694	82,500	73,531	81,562	85,956
Income - capital revenue	50,224	19,794	24,910	30,007	29,361
Capital income / (loss)	(317)	160	93	49	157
Expenses - recurrent (operating)	89,548	79,343	78,085	77,524	83,819
Expenses - capital	5,122	1,452	10,917	34,895	8,612
Cash, cash equivalents and investments	70,291	66,062	72,988	84,973	81,352
Restricted cash, cash equivalents and investments (external and internal restrictions)	52,084	41,710	40,530	51,566	53,882
Borrowings	14,425	12,964	14,321	17,385	18,920
Work in progress	30,892	48,005	45,709	38,486	40,951
	%	%	%	%	%
Percentage of total revenue from rates, levies and charges	22.31%	29.67%	31.62%	30.39%	31.66%

Statement of comprehensive income

The statement of comprehensive income measures how Council performed in relation to income and expenses for the year. For 2019/20, there was a net result of $23.043 million (2018/19 – ($0.801) million) which is the difference between total income and total expenses. The increase from last year was largely due to a decrease in capital expenses – namely the initial recognition of the refuse restoration provision of $24.876 million in 2018/19, which was a once off cost.

The statement of comprehensive income shows both cash transactions and non-cash transactions. For example, all rates issued are included as income even though some ratepayers have not paid. The amount not paid would show in the statement of financial position as an amount owed to Council. In accounting terms this is referred to as accrual (rather than cash) accounting.



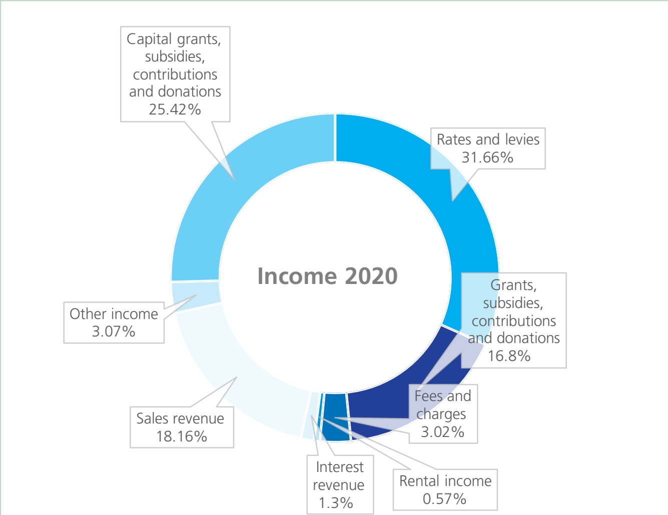
5 year summary of income and expenses					
Income	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Rates, levies and charges (net of discounts)	28,090	30,347	31,126	33,923	36,559
Fees and charges	2,682	2,038	2,212	2,499	3,493
Rental income	643	603	644	643	656
Interest and investment revenue	2,381	2,034	2,029	2,036	1,499
Sales revenue - Saleyards	3,672	3,699	4,053	4,420	4,054
Sales revenue - Other	15,561	12,135	12,147	13,703	16,915
Grants (general purpose)	16,416	25,504	16,882	17,693	16,720
Grants (project based)	12,284	12,190	12,673	19,449	17,098
Contributions (recurrent and capital)	40,230	11,121	14,269	14,522	14,940
Other income and donations	3,959	2,623	2,406	2,681	3,383
Capital income	(317)	160	93	49	157
Total income	**125,601**	**102,454**	**98,534**	**111,618**	**115,474**

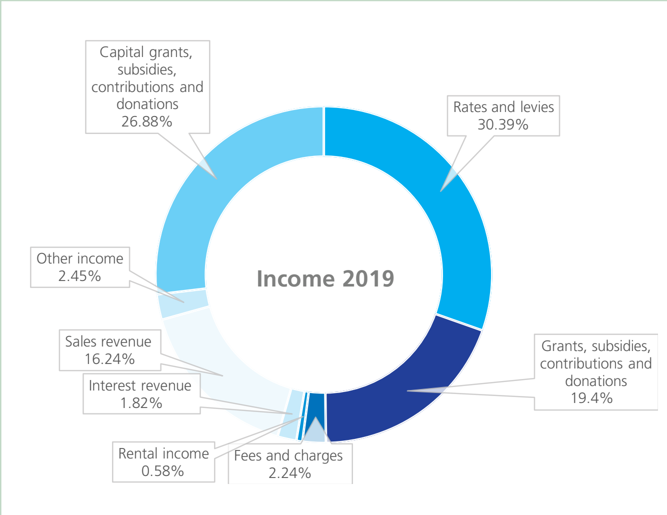
Expenses	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Expenses - recurrent (operating):					
Employee costs	33,088	29,861	28,924	27,646	28,915
Materials and services	30,060	28,338	27,317	28,431	33,749
Finance cost	1,440	973	1,126	1,638	1,391
Depreciation	24,960	20,171	20,718	19,809	19,764
Expenses - capital	5,122	1,452	10,917	34,895	8,612
Total expenses	**94,670**	**80,795**	**89,002**	**112,419**	**92,431**
Net result	**30,931**	**21,659**	**9,532**	**(801)**	**23,043**

Income

Council's total income for the financial year was $115.474 million.

A breakdown of Council's 2019/20 income is shown below.





Roma's CBD.

Net rates, levies and charges - $36.559 million

- General rates levied totalled $27.059 million less discounts allowed of $1.172 million and Council pensioner remissions of $0.292 million.
- Special rates and charges from wild dog management, state government precept and rural fire brigades -$0.736 million.
- Water charges of $3.44 million for access infrastructure charges and $2.477 million for water usage (consumption) and other water revenue (rental, sundries).
- Sewerage charges of $2.751 million
- Waste charges of $1.560 million

Fees and charges - $3.493 million

This amount includes user fees and charges of $1.301 million, with the balance comprising:

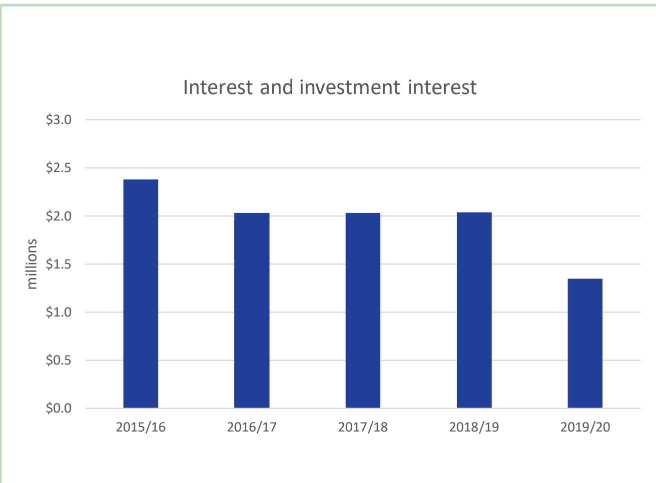
- Town planning, building and development fees - $0.263 million
- Animal registrations - $0.126 million
- Infringements - $0.052 million
- Licences and registrations - $0.091 million
- Cemetery fees - $0.125 million
- Other statutory fees - $1.375 million
- Other fees and charges - $0.16 million

Interest revenue - $1.499 million

This comprises:

- Interest on investments - $1.349 million
- Interest on outstanding rates and charges - $0.141 million
- Bank interest - $0.009 million

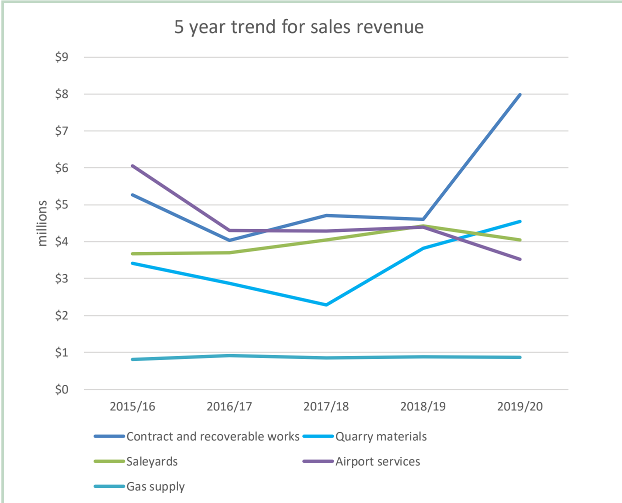
Council actively managed its cash investments in 2019/20 following Council's investment policy which allows for a diversified portfolio of investments used to maximise returns, while minimising risk. During 2019/20 record low interest rates have adversely affected the amount of interest earned compared to prior years.



Sales revenue - $20.969 million

Sales revenue accounted for a significant portion of Council income ($18.123 million in 2018/19).

- Quarry materials - $4.546 million
- Airport services - $3.524 million
- Saleyards - $4.054 million
- Contract and recoverable works - $7.977 million
- Gas supply - $0.868 million.



Operating grants, subsidies, contributions and donations - $19.397 million

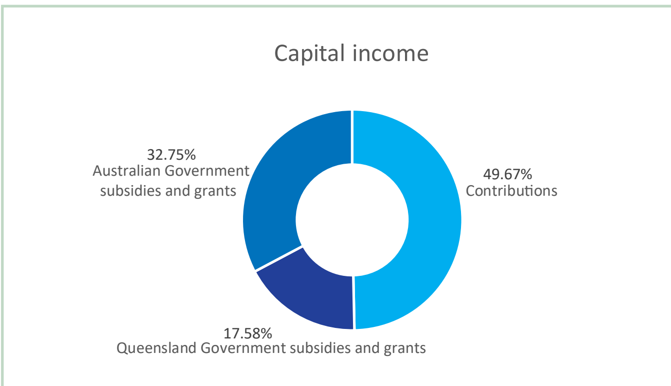
- The majority of Council's operating grants came from the Australian Government in the form of an annual Financial Assistance Grant of $16.720 million.
- Other grant revenue included $0.22 million for flood damage
- Contributions - $0.356 million
- Australian Government subsidies and grants - $0.854 million
- Queensland Government subsidies and grants - $1.243 million

Capital revenue - $29.361 million

Capital revenue varies from year to year depending on the level of grant funding secured and also the level of upgrade works funded by the energy sector (in the form of contributions).

- Queensland Government subsidies and grants - $5.162 million (17.58%)
- Australian Government subsidies and grants - $9.615 million (32.75%)
- Contributions - $14.584 million (49.67%)

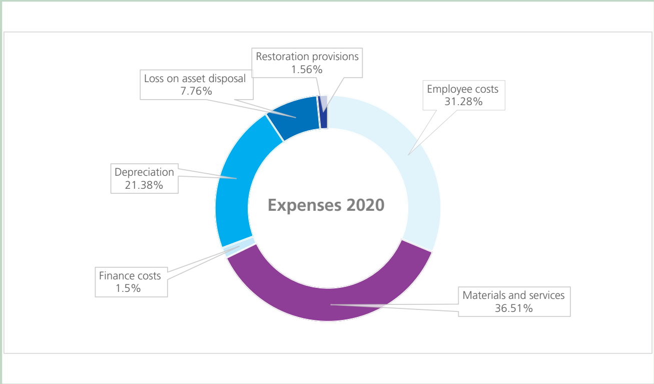
The following chart indicates the sources of capital revenue received in 2019/20.

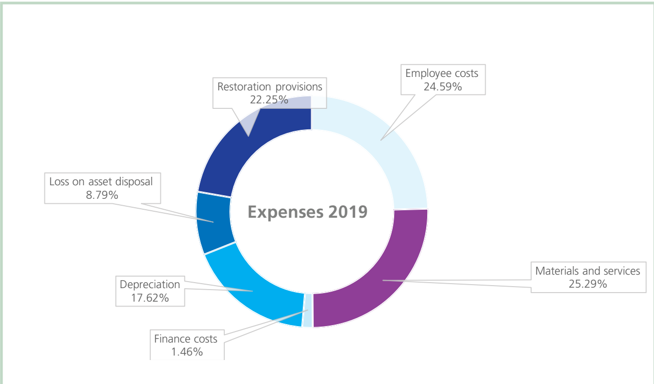


Expenses

Council's total expenses for 2019/20 were $92.431 million.

Expenses consist of materials and services, employee costs, depreciation, capital expenses and finance costs. A breakdown of Council's 2019/20 expenses is shown below.





Council provides a wide range of services to the community. This work is performed by Council staff and in some instances contractors. Where there are local suppliers and local contractors that provide the goods or service, and value for money can be achieved, these are used so that the money flows back into the local community.

The three major expense categories are materials and services, employee costs and depreciation.

Materials and services accounted for $33.749 million of all recurrent (operating) expenses. The costs for materials and services incorporate our payments to suppliers for the provision of hundreds of services and projects to the community such as roads, parks, water, sewerage, footpaths, libraries, pools, airports, community halls and compliance and includes payments for purchases like bitumen materials, electricity, fuel and other operational costs.

Employee costs of $28.915 million included employee salaries and wages, superannuation, leave entitlements and councillors' remuneration.

Council's depreciation expense this year was $19.764 million. Although this does not represent cash spent, it recognises the value of our assets 'consumed' during the period.

Operating result	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Operating (recurrent) revenue	75,694	82,500	73,531	81,562	85,956
Operating (recurrent) expenses	89,548	79,343*	78,085	77,524	83,819
Operating surplus / (deficit)	(13,854)	3,157	(4,554)	4,038	2,137
Operating surplus ratio	-18.30%	3.83%	-6.19%	4.95%	2.49%

* *restated.*

Statement of cash flows

Cash and cash equivalents was $81.352 million as at 30 June 2020. This cash balance is sufficient to cover Council's restricted assets and commitments including unspent government grants and subsidies of $8.673 million, contract liabilities of $8.919 million, unspent developer contributions $5.166 million, unspent loan monies $4.016 million and internally imposed expenditure restrictions – reserves for future projects $27.108 million.

The statement of cash flows is similar to your personal bank statement. If you summarised your bank statements for the year it would be your cash flow statement.

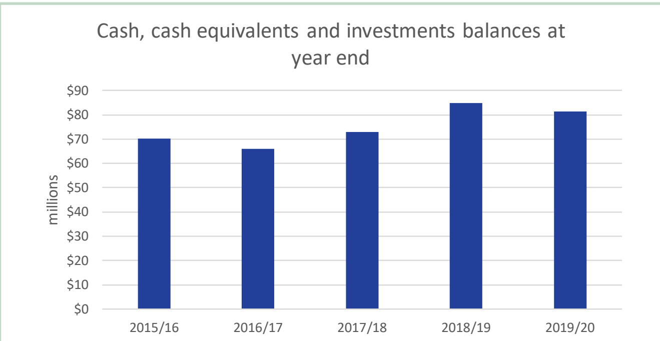
Council's cash flow statement only reports on cash movements and shows:

1. How much money we started the year with;
2. Where the incoming money came from;
3. Where the money was spent;
4. How much money we had left at the end of the year.

The statement of cash flows quantifies the inflows and outflows of cash during the financial year.

Cash flows for the period are separated into operating, investing and financing activities.

- Operating activities – includes all areas such as rates, fees and charges, grants, employee costs (operating), material and services, interest – Net inflow of $24.179 million.
- Investing activities - includes money Council receives and spends when buying or selling property, plant and equipment and invests cash – Net outflow of $46.332 million.
- Financing activities – incorporates cash received if Council takes out new loans or repays loans – Net inflow of $1.535 million.



Statement of changes in equity

Community equity:

Asset revaluation surplus - $275.078 million

This amount represents an accumulation of the net increase in value of Council's non-current assets having regard to asset condition, useful life and time value of money.

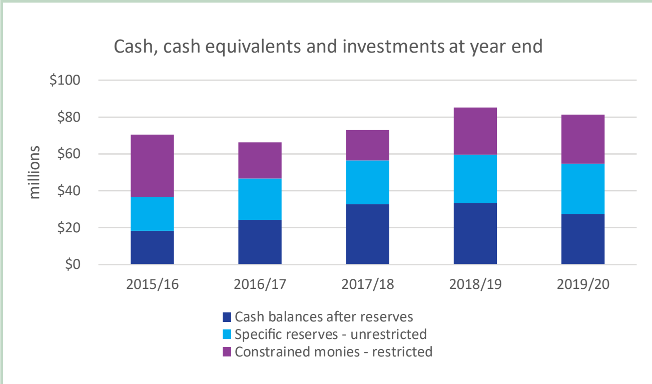
Retained surplus - $563.036 million

This amount represents Council's estimated net wealth at the end of the year.

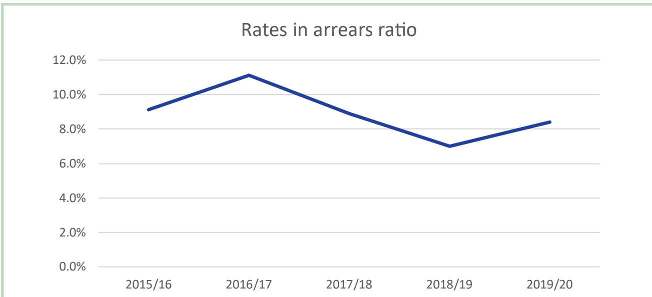
Statement of financial position

Current assets - $98.156 million

The major component of current assets was cash, cash equivalents and investments totalling $81.352 million at 30 June 2020. Of these funds, $26.774 million has external restrictions on how it is spent (i.e. specific grants, subsidies and contributions not spent) while a further $27.108 million has internally imposed restrictions (specific Council reserves).



The other component is rates and trade receivables. Below are the rates arrears over the last five years. The rates arrears ratio was 8.4% in 2019/20, an increase of 1.4% on the prior year. Although there was a small increase, rates arrears are still well below the 2016/17 level of 11.1%. Council continues to actively manage rates in arrears.



Cash flow	2015/16	2016/17	2017/18	2018/19	2019/20
	$'000	$'000	$'000	$'000	$'000
Opening cash and cash equivalents balance	32,501	27,452	28,177	21,880	54,521
Net cashflow from operating activities - net inflow	19,624	20,499	21,126	25,719	24,179
Net cashflow from investing activities - net inflow / (net outflow)	(22,592)	(18,313)	(28,780)	3,858	(46,332)
Net cashflow from financing activities - net inflow / (net outflow)	(2,081)	(1,461)	1,357	3,064	1,535
Closing cash balance	27,452	28,177	21,880	54,521	33,902
Plus investments on hand	42,839	37,885	51,108	30,452	47,450
Total cash, cash equivalents and investments	70,291	66,062	72,988	84,973	81,352

Council also runs its own stores which supply goods across all depots in the region. The current inventories held (including quarry stock) has decreased by $101,000 to $1.844 million. Council plans to continue to monitor and review the level of these goods and materials.

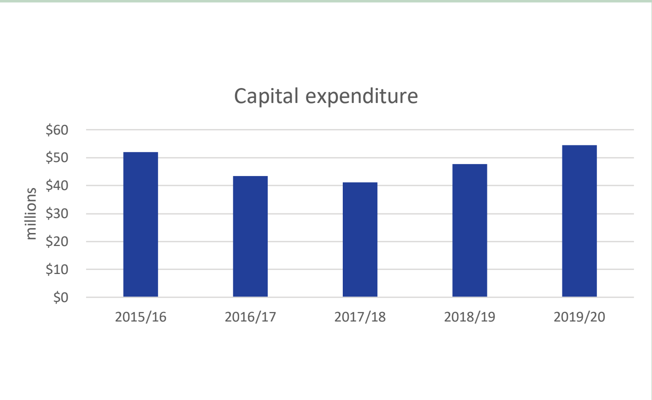
Non-current assets - $813.286 million

This figure is the value of Council's land, buildings, plant and equipment, infrastructure assets and capital works in progress at 30 June 2020.

Our infrastructure (assets) delivers essential services to our community. It is extremely important to have effective management of our assets (including long term planning) to meet community needs for current and future generations. Council adopted Asset Management Plans (AMP) for rural roads and urban streets (roads and drainage) in 2017/18 and water, sewerage and gas in 2019/20.

Asset group	$'000
Land and site improvements	45,337
Buildings	97,040
Plant and equipment	25,980
Road, drainage and bridge network	461,621
Water	46,189
Sewerage	50,161
Other infrastructure	27,436
Airport	18,571
Work in progress	40,951
Total	813,286

Council's asset management plans contain strategies on how we will upgrade and renew our existing assets. The chart below shows what we have spent on replacing and improving our infrastructure over the past five years.



Liabilities

Council owes $18.920 million in loans

Local governments, in general, have a very large number (and value) of assets under their control but are limited in revenue raising opportunities. This means that the majority of councils in Queensland have to rely on borrowing or substantial grants to fund major capital works, while using their general revenue (rates, fees and charges) to provide services and maintain community assets.

Details of all loan balances as at 30 June 2020 are as follows:

Loan balances	
Description of purpose	**$**
Levee	2,225,472
Water infrastructure (Roma)	3,069,571
Roma Saleyards Precinct - truck stop infrastructure	1,899,758
Roma Saleyards Precinct - land purchase and washdown facility	2,111,989
Roma Airport runway	2,370,224
Water bores	325,325
Sewer relining	2,882,646
Energy upgrade facilities	1,209,431
Bigger Big Rig Tourism Infrastructure	2,825,111
Total	**$18,919,526**

There was an additional $2.825 million borrowed in 2020. Our total repayments of borrowings was $1.29 million.

Financial sustainability ratios

Operating surplus ratio

The Operating Surplus Ratio indicates the extent to which operational (recurrent) revenues raised cover operating (recurrent) expenses.

Calculated as: Net operating result/Total operating revenue (excluding capital items).

The Financial Management Sustainability Guideline 2013 has set the target of between 0% and 10%. Council's performance when compared to the last few years has been negatively impacted in part due to loss of sales revenue and maintaining service levels to customers at previous levels. The ratio for 2019/20 is 2.49% and within the target range.

Asset sustainability ratio

The Asset Sustainability Ratio indicates the extent to which assets are being replaced as they reach the end of their useful lives.

Calculated as: Capital expenditure on replacement infrastructure assets (renewals)/Depreciation expense on infrastructure assets.

The Financial Management Sustainability Guideline 2013 has set the target at greater than 90%. Achieving this target indicates that Council is renewing and replacing its assets at a greater rate than they are wearing out.

The ratio was 188.01% in 2019/20, which is within target range. Council has made a concerted effort to achieve within the recommend target.

Net financial liabilities ratio

The Net Financial Liabilities Ratio indicates the extent to which operating revenue (including grants and subsidies) can cover net financial liabilities (usually loans and leases).

Calculated as: (Total liabilities – current assets)/Total operating revenue.

The Financial Management Sustainability Guideline 2013 has set the target as not greater than 60%.

Councils that have net financial liabilities that are greater than 60 per cent of operating revenue have a limited capacity to increase loan borrowings and may experience stress in servicing current debt.

Council has a negative 28.88% ratio, which means that Council has ability to increase its loan borrowing. In the case of this particular ratio, a negative ratio is a strength.

Key local government financial indicators		2019 actual result	Benchmark	Within limits
Ratio	**Description**			
Operating surplus ratio	This is the indicator of the extent to which operating (recurrent) revenue raised cover operational expenses only or is available for capital funding.	2.49%	0-10%	Yes
Asset sustainability ratio	This ratio helps to show whether Council is replacing assets as their service potential is used up.	188.01%	Greater than 90%	Yes
Net financial liability	This ratio explains the extent to which operating revenue can cover net financial liabilities.	-28.88%	Less than 60%	Yes

5 year trend - local government financial indicators

Ratio	2015/16	2016/17	2017/18	2018/19	2019/20
Operating surplus ratio	-18.3%	3.83%*	-6.19%	4.95%	2.49%
Asset sustainability ratio	23.08%	52.2%*	44.55%	205.94%	188.01%
Net financial liability	-68.83%*	-63.3%	-71.85%	-42.68%	-28.88%

* Restated

Maranoa Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Maranoa Regional Council

General Purpose Financial Statements
for the year ended 30 June 2020

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Maranoa Regional Council

Statement of Comprehensive Income
for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3a	36,559	33,923
Fees and charges	3b	3,493	2,499
Sales revenue	3c	20,969	18,123
Grants, subsidies, contributions and donations	3d	19,397	21,657
Other revenue		3,383	2,681
Total recurrent revenue		83,801	78,883
Recurrent other income			
Rental income		656	643
Interest received		1,499	2,036
Total recurrent other income		2,155	2,679
Total recurrent revenue and other income		85,956	81,562
Capital revenue			
Grants, subsidies, contributions and donations	3d	29,361	30,007
Capital other income			
Capital income	4	157	49
Total capital revenue and other income		29,518	30,056
Total income		115,474	111,618
Expenses			
Recurrent expenses			
Employee and councillor costs	5	28,915	27,646
Materials and services	6	33,749	28,431
Finance costs	7	1,391	1,638
Depreciation and amortisation	12	19,764	19,809
Total recurrent expenses		83,819	77,524
Other expenses			
Capital expenses	8	8,612	34,895
Total other expenses		8,612	34,895
Total expenses		92,431	112,419
Net result		23,043	(801)
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus	12	(1,637)	(6,454)
Total other comprehensive income for the year		**(1,637)**	**(6,454)**
Total comprehensive income for the year		21,406	(7,255)

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

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

Maranoa Regional Council

Statement of Financial Position
as at 30 June 2020

	Notes	2020 $'000	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	33,902	54,521
Investments	9	47,450	30,452
Receivables	10	13,418	10,391
Inventories		1,844	1,945
Contract assets	13	1,170	-
Other assets	11	372	214
Total current assets		**98,156**	**97,523**
Non-current assets			
Property, plant and equipment	12	813,286	788,550
Total non-current assets		**813,286**	**788,550**
TOTAL ASSETS		911,442	886,073
LIABILITIES			
Current liabilities			
Payables	14	11,811	14,420
Contract liabilities	13	8,919	-
Borrowings	15	1,536	1,314
Provisions	16	4,117	3,915
Total current liabilities		**26,383**	**19,649**
Non-current liabilities			
Borrowings	15	17,384	16,071
Provisions	16	29,561	26,992
Total non-current liabilities		**46,945**	**43,063**
TOTAL LIABILITIES		73,328	62,712
Net community assets		**838,114**	**823,361**
COMMUNITY EQUITY			
Asset revaluation surplus	17	275,078	276,715
Retained surplus/(deficiency)		563,036	546,646
Total community equity		**838,114**	**823,361**

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

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

Maranoa Regional Council

Statement of Changes in Equity
for the year ended 30 June 2020

	Notes	Asset revaluation surplus $'000	Retained surplus $'000	Total equity $'000
2020				
Balance as at 1 July 2019		276,715	546,646	**823,361**
Adjustment on initial application of AASB 15 / AASB 1058	22	-	(6,653)	**(6,653)**
Restated balance as at 1 July 2019		**276,715**	**539,993**	**816,708**
Net result		**-**	23,043	**23,043**
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	12	(1,637)	-	**(1,637)**
Other comprehensive income		**(1,637)**	**-**	**(1,637)**
Total comprehensive income for the year		**(1,637)**	**23,043**	**21,406**
Balance as at 30 June 2020		**275,078**	**563,036**	**838,114**
2019				
Balance as at 1 July 2018		283,169	547,505	**830,674**
Adjustment on initial application of AASB 9		-	(58)	**(58)**
Restated balance at 1 July 2018		**283,169**	**547,447**	**830,616**
Net result		-	(801)	**(801)**
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	12	(6,454)	-	**(6,454)**
Other comprehensive income		**(6,454)**	**-**	**(6,454)**
Total comprehensive income for the year		**(6,454)**	**(801)**	**(7,255)**
Balance as at 30 June 2019		**276,715**	**546,646**	**823,361**

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

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

Maranoa Regional Council

Statement of Cash Flows
for the year ended 30 June 2020

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		67,026	60,325
Payments to suppliers and employees		(72,950)	(58,950)
		(5,924)	1,375
Receipts:			
Interest received		1,499	2,036
Rental income		656	643
Non capital grants and contributions		28,811	23,303
Payments:			
Borrowing costs		(864)	(1,638)
Net cash - operating activities	21	24,179	25,719
Cash flows from investing activities			
Receipts:			
Proceeds from sale of property, plant and equipment		1,586	840
Grants, subsidies, contributions and donations		23,594	30,007
Other investing activity receipts		-	20,656
Payments:			
Payments for investment securities		(16,998)	-
Payments for property, plant and equipment		(54,514)	(47,645)
Net cash - investing activities		(46,332)	3,858
Cash flows from financing activities			
Receipts:			
Proceeds from borrowings		2,825	4,500
Payments:			
Repayment of borrowings		(1,290)	(1,436)
Net cash flow - financing activities		1,535	3,064
Net increase/(decrease) for the year		(20,619)	32,641
plus: **cash and cash equivalents - beginning**		54,521	21,880
Cash and cash equivalents - closing	9	**33,902**	**54,521**
Additional information:			
plus: **investments on hand - end of year**	9	47,450	30,452
Total cash, cash equivalents and investments		**81,352**	**84,973**

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

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

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

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

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

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

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

(1.b) New and revised Accounting Standards adopted during the year

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

Refer to the change in accounting policy Note 22 for transition disclosures for AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities.

(1.c) Standards issued by the AASB not yet effective

The AASB has issued a number of Australian Accounting Standards and Interpretations which are not yet effective at 30 June 2020. Council has not elected to early adopt any of these standards and accordingly they will be applied from their future effective date. There are no such standards or interpretations expected to have a significant impact on Council's financial statements in the period of initial application.

(1.d) Estimates and Judgements

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

- Valuation and depreciation of Property, Plant & Equipment - Note 12
- Provisions - Note 16
- Contingent Liabilities - Note 19
- Financial instruments and financial risk management – Note 24
- Revenue - Note 3

(1.e) Rounding and Comparatives

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

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

(1.f) Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

(1.g) Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic and found there were no material implications for the financial year ending 30 June 2020.

However, Council acknowledges that the COVID-19 restrictions have impacted some industries within the region and has initiated the following financial incentives:

- Rates discount period was extended by one month for the second levy.
- Debt recovery was put on hold for all outstanding rates and charges (including gas).
- Lease payments payable under commercial lease agreements were waived for impacted businesses.
- Fee waivers have been provided for selected Council Fees & Charges.

Note 2(a). Council functions - component descriptions

Details relating to the Council's functions / activities as reported in Note 2(b) are as follows:

OFFICE OF THE CEO

The objective of this function is to provide open and accountable leadership through our Corporate Vision of Quality, Safety, Environment and Affordability. It includes organisational development, recruitment and onboarding, and human resource management.

CORPORATE & COMMUNITY SERVICES

The objective of this function is to provide professional corporate and community services including financial management, information and communication technology, information management, customer service, animal control and community safety, elected member services, communications, cemeteries and integrated quality, safety and environment (including enterprise risk) and asset management.

DEVELOPMENT, FACILITIES & ENVIRONMENT

The objective of this function is to provide emergency management, town planning, building control and pool safety, environmental and public health, facilities, rural land management, economic development, tourism, sport and recreation, local development and events, arts and culture, libraries, council housing, affordable land and housing across our region.

ENERGY SECTOR ROADWORKS

The objective of this function is to deliver identified road projects that mitigate energy sector impacts ensuring they are undertaken within time, cost and scope of expectations, with a high level of monitoring and supervision.

ROAD NETWORK

The objective of this function is to administer, maintain, renew and upgrade the region's road network, incorporating the related functional areas of kerb and channel, stormwater drainage, lighting, footpaths and other pathways.

INFRASTRUCTURE SERVICES

The objective of this function is to demonstrate best practice in our service and delivery. Includes depots, commercial road activities, quarry pits, town and surrounds (including parks, gardens and reserves), street lighting and public space lighting and flood mitigation.

WASTE

The objective of this function is to provide affordable collection, receipt and disposal of waste generated by households, businesses and industry that is compliant with legislation and the agreed service levels for presentation and maintenance of Council's waste facilities.

Note 2(a). Council functions - component descriptions

GAS

The objective of this function is to provide a safe and reliable retail supply to an expanding distribution network within a commercially viable framework.

PLANT, FLEET & WORKSHOPS

The objective of this function is to provide a competitively priced, reliable and fit for purpose plant that enables the delivery of Council's services and programs.

WATER INFRASTRUCTURE

The objective of this function is to provide water for domestic, commercial and industrial use in accordance with legislation and Council standards, established for the safety and benefit of the community.

SEWERAGE INFRASTRUCTURE

The objective of this function is to provide for the transporting and treating of effluent from domestic, commercial and industrial properties within defined urban areas in accordance with legislation and Council standards, established for safety and benefit of the community.

QUARRY (ROMA)

The objective of this function is to provide Council and external customers, within our region and beyond, aggregate road base and rock suitable for use in asphalt, concrete, road construction and infrastructure construction works.

AIRPORTS

The objective of this function is to provide an air transport gateway to the Maranoa region that supports the commercial expansion and social connection of the region.

SALEYARDS (ROMA)

The objective of this function is to provide an accredited centre for store, prime, stud and special sales, private weighing and spelling services.

Notes to the Financial Statements
for the year ended 30 June 2020

Note 2(b). Council functions - analysis of results by function

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital								
	Grants	Other	Grants	Other		Recurring	Capital				
2020	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Office of the CEO	87	145	-	-	232	(1,543)	-	(1,543)	(1,311)	(1,311)	-
Corporate and community services	16,833	28,086	68	-	44,987	(9,725)	(12)	(9,737)	35,194	35,250	99,177
Development, facilities and environment	893	2,396	1,232	-	4,521	(15,527)	(421)	(15,948)	(12,238)	(11,427)	127,553
Energy sector roadworks	331	5,011	14,006	-	19,348	(4,364)	-	(4,364)	978	14,984	-
Road network	262	373	6,904	-	7,539	(22,304)	(4,762)	(27,066)	(21,669)	(19,527)	505,298
Infrastructure services	6	3,867	-	-	3,873	(5,773)	-	(5,773)	(1,900)	(1,900)	3,807
Waste	325	3,233	-	-	3,558	(3,859)	(1,396)	(5,255)	(301)	(1,697)	2,326
Gas	-	921	-	-	921	(768)	(96)	(864)	153	57	4,468
Plant, fleet and workshops	660	40	-	157	857	834	(311)	523	1,534	1,380	20,552
Water infrastructure	-	6,585	1,137	-	7,722	(6,209)	(831)	(7,040)	376	682	48,293
Sewerage infrastructure	-	2,872	-	-	2,872	(2,431)	(31)	(2,462)	441	410	51,205
Quarry (Roma)	-	5,271	-	-	5,271	(4,765)	(95)	(4,860)	506	411	2,566
Airports	-	3,531	282	-	3,813	(3,462)	(360)	(3,822)	69	(9)	24,633
Saleyards (Roma)	-	4,228	5,732	-	9,960	(3,923)	(297)	(4,220)	305	5,740	21,564
Total	**19,397**	**66,559**	**29,361**	**157**	**115,474**	**(83,819)**	**(8,612)**	**(92,431)**	**2,137**	**23,043**	**911,442**

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital								
	Grants	Other	Grants	Other		Recurring	Capital				
2019	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Office of the CEO	66	169	-	-	235	(1,321)	-	(1,321)	(1,086)	(1,086)	-
Corporate and community services	14,077	25,938	42	-	40,057	(11,890)	(3)	(11,893)	28,125	28,164	98,510
Development, facilities and environment	1,425	2,424	1,103	-	4,952	(16,090)	(463)	(16,553)	(12,241)	(11,601)	125,406
Energy sector roadworks	368	4,897	13,699	-	18,964	(4,746)	-	(4,746)	519	14,218	-
Road network	4,132	114	11,257	-	15,503	(19,753)	(8,205)	(27,958)	(15,507)	(12,455)	502,398
Infrastructure services	-	775	-	-	775	(3,259)	-	(3,259)	(2,484)	(2,484)	3,772
Waste	-	2,408	145	-	2,553	(2,284)	(24,876)	(27,160)	124	(24,607)	1,452
Gas	-	890	-	-	890	(820)	(195)	(1,015)	70	(125)	4,996
Plant, fleet and workshops	1,589	15	-	49	1,653	1,029	(242)	787	2,633	2,440	18,444
Water infrastructure	-	6,202	1,169	-	7,371	(5,265)	(55)	(5,320)	937	2,051	46,734
Sewerage infrastructure	-	2,785	154	-	2,939	(2,001)	(46)	(2,047)	784	892	43,188
Quarry (Roma)	-	4,288	-	-	4,288	(3,738)	(136)	(3,874)	550	414	2,301
Airports	-	4,403	1,600	-	6,003	(3,424)	(664)	(4,088)	979	1,915	25,062
Saleyards (Roma)	-	4,597	838	-	5,435	(3,962)	(10)	(3,972)	635	1,463	13,810
Total	**21,657**	**59,905**	**30,007**	**49**	**111,618**	**(77,524)**	**(34,895)**	**(112,419)**	**4,038**	**(801)**	**886,073**

Note 3. Revenue

	Notes	AASB 15 2020 $'000	AASB 1058 2020 $'000

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

	Notes	AASB 15 2020 $'000	AASB 1058 2020 $'000
Revenue recognised at a point in time			
Rates, levies and charges	3a	-	36,559
Fees and charges (excluding infringements)	3b	3,441	-
Fees and charges - Infringements	3b	-	52
Sale of goods and services	3c	12,992	-
Grants, subsidies, donations and contributions	3d	-	19,138
		16,433	55,749
Revenue recognised over time			
Sales of goods and services	3c	7,977	-
Grants, subsidies, donations and contributions	3d	259	29,361
		8,236	29,361
Total revenue		24,669	85,110

(a). Rates, levies and charges

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

2019 accounting policy
Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	2020 $'000	2019 $'000
General rates	27,059	24,585
Water	3,440	3,317
Water consumption, rental and sundries	2,477	2,323
Sewerage	2,751	2,701
Waste management	1,560	1,542
Special rates and charges	736	749
Total rates and utility charge revenue	38,023	35,217
Less: discounts	(1,172)	(1,007)
Less: pensioner remissions	(292)	(287)
TOTAL RATES, LEVIES AND CHARGES	36,559	33,923

Note 3. Revenue (continued)

	2020 $'000	2019 $'000

(b). Fees and charges

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

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

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

2019 accounting policy
Fees and charges are recognised when Council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

	2020 $'000	2019 $'000
Building and development fees	118	106
Infringements	52	48
Licences and registrations	91	63
Town planning fees	145	95
Animal registrations	126	137
Cemetery fees	125	126
Other statutory fees	1,375	622
User fees and charges	1,301	1,088
Other fees and charges	160	214
TOTAL FEES AND CHARGES	3,493	2,499

Note 3. Revenue (continued)

(c). Sales revenue

2020 accounting policy
Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

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

2019 accounting policy
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 revenues from a number of services including general private works 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. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

	2020 $'000	2019 $'000
Sale of services		
Contract and recoverable works	7,977	4,608
Saleyards	4,054	4,420
Gas supply	868	888
Airport services	3,524	4,389
Total sale of services	16,423	14,305
Sale of goods		
Quarry materials	4,546	3,818
Total sale of goods	4,546	3,818
TOTAL SALES REVENUE	20,969	18,123

Note 3. Revenue (continued)

(d) Grants, subsidies, contributions and donations

2020 accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include rural services projects, such as noxious weed spraying and collaborative feral pest initiatives. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's fair value when the asset are received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

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

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

2019 accounting policy

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Note 3. Revenue (continued)

(d) Grants, subsidies, contributions and donations (continued)

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

(i) Recurrent

	2020 $'000	2019 $'000
General purpose grants	16,720	17,693
Queensland government subsidies and grants	1,243	955
Australian government subsidies and grants	854	2,104
Donations	4	1
Contributions	356	388
Flood damage grants	220	516
TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	19,397	21,657

(ii) Capital

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

	2020 $'000	2019 $'000
Queensland government subsidies and grants	5,162	13,561
Australian government subsidies and grants	9,615	2,312
Contributions	14,584	14,134
TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	29,361	30,007

Note 4. Capital income

	Notes	2020 $'000	2019 $'000
Gain / loss on disposal of non-current assets			
Proceeds from the disposal of property, plant and equipment		820	163
Less: book value of property, plant and equipment disposed	12	(663)	(114)
Gain on disposal of non-current assets		157	49
TOTAL CAPITAL INCOME		157	49

Note 5. Employee and councillor costs

	Notes	2020 $'000	2019 $'000
Wages and salaries		20,031	19,384
Councillors remuneration		788	782
Annual, sick and long service leave entitlements		4,828	4,497
Superannuation	20	2,915	2,850
		28,562	27,513
Other employee related expenses		353	133
TOTAL EMPLOYEE AND COUNCILLOR COSTS		28,915	27,646

Additional information:

Councillors and Council employees at the reporting date:

		2020	2019
Total elected members		9	9
Total full time equivalent employees		324.63	331

Note 6. Materials and services

	Notes	2020 $'000	2019 $'000
Advertising and marketing		122	205
Administration supplies and consumables		60	50
Audit of annual financial statements by the Auditor-General of Queensland		97	103
Communications and IT		1,417	1,674
Consultants		83	210
Contractors		8,825	6,125
Donations paid		159	202
Power		1,924	2,175
Subscriptions and registrations		125	155
Travel		9	11
Insurance		988	1,303
Commercial waste levy		707	-
Legal services		724	523
Materials issued from store		1,532	1,351
Plant and vehicle running costs		1,992	2,035
Operations and maintenance		13,499	10,432
Other materials and services		1,486	1,877
TOTAL MATERIALS AND SERVICES		33,749	28,431

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are $101,000 (2019: $104,400).

Note 7. Finance costs

		2020	2019
Finance costs charged by the Queensland Treasury Corporation		587	743
Bank charges		124	108
Impairment of receivables		189	746
Change in expected credit loss		(36)	-
Quarry rehabilitation		26	41
Landfill rehabilitation		501	-
TOTAL FINANCE COSTS		1,391	1,638

Note 8. Capital expenses

(a) Loss on disposal of non-current assets

	Notes	2020	2019
Proceeds from the disposal of property, plant and equipment		758	677
Less: book value of property, plant and equipment disposed	12	(1,157)	(966)
Loss on disposal of non-current assets		399	289

Note 8. Capital expenses (continued)

	Notes	2020 $'000	2019 $'000
(b) Provision for restoration of land	16		
Discount rate adjustment to refuse restoration provision		1,346	-
Discount rate adjustment to quarry rehabilitation liability		95	136
Initial recognition of refuse restoration		-	24,876
		1,441	25,012

The discount rate adjustment to the quarry rehabilitation liability was adjusted against expenses as there was an insufficient asset revaluation reserve in the relevant asset class.

(c) Other capital expenses

	2020 $'000	2019 $'000
Loss on write-off of assets	6,772	9,594
	6,772	9,594
TOTAL CAPITAL EXPENSES	8,612	34,895

Note 9. Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and on hand	2,379	2,073
Deposits at call	31,523	52,448
Net cash and cash equivalents	33,902	54,521

Investment securities - current

	2020 $'000	2019 $'000
Term deposits	47,450	30,452
Total current investment securities	47,450	30,452
TOTAL CASH AND CASH EQUIVALENTS	81,352	84,973

Note 9. Cash and cash equivalents (continued)

	2020 $'000	2019 $'000
Restricted cash and cash equivalents		

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

	2020 $'000	2019 $'000
Unspent government grants and subsidies	8,673	16,178
Waste refund received in advance	-	711
Contract liabilities	8,919	-
Unspent loan monies	4,016	3,765
Unspent developer contributions	5,166	4,806
Total external restrictions	26,774	25,460

Internally imposed expenditure restrictions at the reporting date:

	2020 $'000	2019 $'000
Future capital works	27,108	26,106
Total internal restrictions	27,108	26,106
Total unspent restricted cash	53,882	51,566

All term deposits comply with the Investment Policy and are less than 12 months in maturity. Some grants and contributions included in the restricted cash disclosures are not sufficiently specific to be recognised as contract liabilities.

Trust funds

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012,* a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include 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). The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements since Council has no control over the assets.

Trust funds held for outside parties

	2020 $'000	2019 $'000
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	265	61
Security deposits	496	471
	761	532

Note 10. Receivables

	2020 $'000	2019 $'000

Receivables, loans and advances are amounts owed to Council at year end. They are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued. Terms for loans and advances are usually a maximum of five years with interest charged at non-commercial rates. Security is not normally obtained.

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

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.

Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

	2020 $'000	2019 $'000
Rates and charges	3,294	2,586
Other debtors	10,272	6,816
GST recoverable	203	397
Accrued revenues	-	983
Total	13,769	10,782
less: allowance for impairment		
Other	(351)	(391)
Total allowance for impairment - receivables	(351)	(391)
TOTAL CURRENT RECEIVABLES	13,418	10,391

Movement in allowance for expected credit losses:

	2020 $'000	2019 $'000
Opening balance at 1 July	391	187
Adjustment to opening balance upon application of AASB 9	-	58
Add		
Increases (or decreases) in the allowance for expected credit loss	(36)	149
Less		
Impaired receivables written-off during the year	(4)	(3)
Balance at the end of the year	351	391

Refer also to Note 24 for further information about credit risk.

Interest is charged on outstanding rates (8.95% per annum from 1 July 2019, previously 11% per annum). No interest is charged on other debtors.

Note 11. Other assets

	2020 $'000	2019 $'000
Prepayments	372	214
TOTAL CURRENT OTHER ASSETS	372	214

Notes to the Financial Statements
for the year ended 30 June 2020

Note 12. Property, plant and equipment

30 June 2020	Note	Land and site improvements	Buildings	Plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure	Airport	Works in progress	**Total**
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Measurement basis	Note	Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
Opening gross balance - at cost		-	-	43,059	-	-	-	-	-	38,486	**81,545**
Opening gross balance - at fair value		41,911	124,611	-	638,272	80,019	65,232	43,013	24,059	-	**1,017,117**
Opening gross balance		41,911	124,611	43,059	638,272	80,019	65,232	43,013	24,059	38,486	**1,098,662**
Additions - new		-	-	-	-	-	-	-	-	54,514	**54,514**
Disposals	4, 8	(32)	(135)	(4,687)	-	-	-	-	-	-	**(4,854)**
Write-offs	4, 8	-	(1,216)	-	(6,816)	(1,647)	(2,803)	(464)	(644)	-	**(13,590)**
Revaluation decrements to equity (ARS)		-	-	-	(12,716)	-	-	(1,136)	(111)	-	**(13,963)**
Revaluation increments to equity (ARS)		1,476	2,376	-	-	1,985	5,938	-	-	-	**11,775**
Work in progress transfers		1,895	8,319	7,272	26,265	2,683	3,768	1,349	498	(52,049)	**-**
Adjustments and other transfers		223	-	-	-	-	-	-	-	-	**223**
Total gross value of property, plant and equipment - at cost		**-**	**-**	**45,644**	**-**	**-**	**-**	**-**	**-**	**40,951**	**86,595**
Total gross value of property, plant and equipment - at fair value		**45,473**	**133,955**	**-**	**645,005**	**83,040**	**72,135**	**42,762**	**23,802**	**-**	**1,046,172**
Total gross value of property, plant and equipment		**45,473**	**133,955**	**45,644**	**645,005**	**83,040**	**72,135**	**42,762**	**23,802**	**40,951**	**1,132,767**
Opening accumulated depreciation		107	35,111	20,169	177,018	35,261	23,069	14,557	4,820	-	**310,112**
Depreciation expense		29	2,120	2,520	11,016	1,402	732	997	948	-	**19,764**
Disposals	4, 8	-	(4)	(3,025)	-	-	-	-	-	-	**(3,029)**
Write-offs	4, 8	-	(656)	-	(2,054)	(818)	(2,771)	(232)	(284)	-	**(6,815)**
Revaluation decrements to equity (ARS)		-	-	-	(2,596)	-	-	-	(253)	-	**(2,849)**
Revaluation increments to equity (ARS)		-	344	-	-	1,006	944	4	-	-	**2,298**
Total accumulated depreciation of property, plant and equipment		**136**	**36,915**	**19,664**	**183,384**	**36,851**	**21,974**	**15,326**	**5,231**	**-**	**319,481**
Total net book value of property, plant and equipment		**45,337**	**97,040**	**25,980**	**461,621**	**46,189**	**50,161**	**27,436**	**18,571**	**40,951**	**813,286**
Other information											
Range of estimated useful life (years)		Not Depreciated	8 -130	3 -100	10 - 200	6 - 210	6 - 210	10 - 200	13 - 210	Not Depreciated	
*Asset additions comprise											
Asset renewals on infrastructure		-	-	-	-	-	-	-	-	32,366	**32,366**
Asset renewals on other asset classes		-	-	-	-	-	-	-	-	9,249	**9,249**
Other additons		-	-	-	-	-	-	-	-	12,899	**12,899**
Total asset additions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**54,514**	**54,514**

Notes to the Financial Statements
for the year ended 30 June 2020

Note 12. Property, plant and equipment

30 June 2019	Note	Land and site improvements	Buildings	Plant and equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure	Airport	Works in progress	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Measurement basis		Fair value	Fair value	Cost	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	
Opening gross balance - at cost		-	-	42,153	-	-	-	-	-	45,709	**87,862**
Opening gross balance - at fair value		43,274	127,050	-	607,729	76,632	60,252	42,536	18,738	-	**976,211**
Opening gross balance		43,274	127,050	42,153	607,729	76,632	60,252	42,536	18,738	45,709	**1,064,073**
Additions - new		-	-	-	-	-	-	-	-	47,645	**47,645**
Disposals	4, 8	(102)	(200)	(2,545)	-	-	-	-	-	-	**(2,847)**
Write-offs	4, 8	(5)	(430)	(52)	(12,077)	(143)	(73)	(587)	(3,412)	-	**(16,779)**
Revaluation decrements to equity (ARS)		(2,958)	(3,438)	-	-	-	-	(3,654)	-	-	**(10,050)**
Revaluation increments to equity (ARS)		-	-	-	11,954	1,025	3,418	-	223	-	**16,620**
Work in progress transfers		1,702	1,629	3,503	30,666	2,505	1,635	4,718	8,510	(54,868)	**-**
Total gross value of property, plant and equipment - at cost		**-**	**-**	**43,059**	**-**	**-**	**-**	**-**	**-**	**38,486**	**81,545**
Total gross value of property, plant and equipment - at fair value		**41,911**	**124,611**	**-**	**638,272**	**80,019**	**65,232**	**43,013**	**24,059**	**-**	**1,017,117**
Total gross value of property, plant and equipment		**41,911**	**124,611**	**43,059**	**638,272**	**80,019**	**65,232**	**43,013**	**24,059**	**38,486**	**1,098,662**
Opening accumulated depreciation		107	30,047	19,534	163,015	33,528	19,302	13,850	6,847	-	**286,230**
Depreciation expense		-	2,187	2,423	11,263	1,323	711	1,125	777	-	**19,809**
Disposals	4, 8	-	(3)	(1,763)	-	-	-	-	-	-	**(1,766)**
Write-offs	4, 8	-	(116)	(25)	(3,876)	(87)	(27)	(305)	(2,749)	-	**(7,185)**
Revaluation decrements to equity (ARS)		-	-	-	-	-	-	(113)	(55)	-	**(168)**
Revaluation increments to equity (ARS)		-	2,996	-	6,616	497	3,083	-	-	-	**13,192**
Total accumulated depreciation of property, plant and equipment		**107**	**35,111**	**20,169**	**177,018**	**35,261**	**23,069**	**14,557**	**4,820**	**-**	**310,112**
Total net book value of property, plant and equipment		**41,804**	**89,500**	**22,890**	**461,254**	**44,758**	**42,163**	**28,456**	**19,239**	**38,486**	**788,550**
Other information											
Range of estimated useful life (years)		Not Depreciated	8 -130	3 -100	10 - 200	6 - 210	6 - 210	10 - 200	13 - 210	Not Depreciated	
*Asset additions comprise											
Asset renewals on infrastructure		-	-	-	-	-	-	-	-	35,804	**35,804**
Asset renewals on other asset classes		-	-	-	-	-	-	-	-	2,471	**2,471**
Other additons		-	-	-	-	-	-	-	-	9,370	**9,370**
Total asset additions		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**47,645**	**47,645**

Note 12. Property, plant and equipment (continued)

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, accumulated depreciation and accumulated impairment losses.

(a) Recognition

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

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

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

(b) Measurement

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, design fees and all other establishment costs.

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

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 the asset in an orderly transaction between market participants at the measurement date.

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.

Note 12. Property, plant and equipment (continued)

(c) Depreciation

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

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

Road formation and earthworks are considered to be a non depreciable asset under AASB Interpretation 1055 – *Accounting for Road Earthworks.*

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

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

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

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

Key judgements and estimates
Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(d) Valuation

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

Valuation Processes
Council's valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

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

In the intervening years, Council uses independent qualified valuers, internal engineers and asset managers to assess the 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 site improvements and buildings classes in the intervening years, management engage independent qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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

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

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly,

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair value measurement using: Level 1 Quoted prices in active mkts $'000	Level 2 Significant observable inputs $'000	Level 3 Significant unobservable inputs $'000	Total $'000
2020					
Property, plant and equipment					
- Land and Site Improvements	30/06/20	-	45,337	-	45,337
- Buildings - Residential	30/06/20	-	5,569	-	5,569
- Buildings - Other	30/06/20	-	-	91,471	91,471
- Road, Drainage and Bridge Network	30/06/20	-	-	461,621	461,621
- Water	30/06/20	-	-	46,189	46,189
- Sewerage	30/06/20	-	-	50,161	50,161
- Other Infrastructure	30/06/20	-	-	27,436	27,436
- Airport	30/06/20	-	-	18,571	18,571
Total property, plant and equipment		**-**	**50,906**	**695,449**	**746,355**
2019					
Property, plant and equipment					
- Land and Site Improvements	30/06/19	-	41,804	-	41,804
- Buildings - Residential	30/06/19	-	5,496	-	5,496
- Buildings - Other	30/06/19	-	-	84,004	84,004
- Road, Drainage and Bridge Network	30/06/19	-	-	461,254	461,254
- Water	30/06/19	-	-	44,758	44,758
- Sewerage	30/06/19	-	-	42,163	42,163
- Other Infrastructure	30/06/19	-	-	28,456	28,456
- Airport	30/06/18	-	-	19,239	19,239
Total property, plant and equipment		**-**	**47,300**	**679,874**	**727,174**

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Land and site improvements (level 2)

Land and site improvements assets were comprehensively valued by APV Valuers as at 30 June 2019. A desktop revaluation update was subsequently undertaken effective 30 June 2020.

Level 2 valuation inputs were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes, which is restricted in use under current zoning rules. The direct comparison to sales approach is the preferred and most commonly used approach in land valuations. In this approach to value, the property is compared to recently sold properties which are of a similar type. This comparison is adjusted to take into consideration the characteristics of the land, such as size, zoning, topography, configuration etc. The most significant inputs into this valuation approach are price per square metre.

Buildings (level 2 and 3)

Buildings assets were comprehensively valued by APV Valuers as at 30 June 2019. A desktop revaluation update was subsequently undertaken effective 30 June 2020.

Level 2 inputs were used to determine the fair value of a range of properties. This included the bulk of residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Some residential properties were located in isolated locations where there was no evidence to support a market approach. These properties were valued using the cost approach and due to the range of assumptions used to determine the fair value have been classified as Level 3.

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

In determining the level of accumulated depreciation the assets have been disaggregated into significant components, and further disaggregated into short and long-term components, which exhibit different useful lives and service potential patterns. Allowance has been made for the typical asset life cycle and renewal treatments of each component, and the condition of the asset. When assessing the level of remaining service potential or the rate of consumption of that service potential (depreciation) a range of factors are considered including condition, obsolescence, restrictions and other relevant factors. They can generally be described and spilt into two types, holistic and component specific. Holistic factors impact at the whole asset level and include factors such as functionality, capacity, utilisation, safety and obsolescence. Component specific factors include physical condition and breakage and repair history.

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

The consumption score methodology is based on assessing the relative level of remaining service potential.
The scale is as follows:

Phase Points	Description
0.00 → 0.99	New or very good condition - very high level of remaining service potential.
1.00 → 1.99	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2.00 → 2.99	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.
3.00 → 3.99	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.
4.00 → 4.99	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term. Very low level of remaining service potential.
5.00	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.

The Indexation Percentage for the Building Valuations has been derived from reference to actual costs where details have been provided of recent construction, costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook), Construction Data from the Australian Bureau of Statistics and APV's own internal market research and costings. Our analysis of these construction cost guides and research has determined that the approximate increase in building costs over the period from the 30 June 2019 to 30 June 2020 for each building type is:

Building Category	Index %
Residential	2.75% - 2.85%
Commercial	2.75% - 3.2%
Industrial	2.00%
Civic	2.5% - 3.2%
Amenities	2.0% - 2.5%
Other Structure	1.0% - 4.0%

Infrastructure assets (level 3)

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

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

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

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

Roads and airport

Current replacement cost:
Roads, drainage and bridge and airport assets were comprehensively valued by APV Valuers as at 30 June 2018. A desktop revaluation update was subsequently undertaken effective 30 June 2020.

The indexation percentage for the infrastructure desktop valuations effective 30 June 2020 has been derived from reference to costing guides issued by the Australian Institute of Quality Surveyors, Rawlinson's (Australian Construction Handbook), construction data from the Australian Bureau of Statistics and APV's own internal market research and costings.

The analysis of these construction cost guides and research has determined that the approximate increase in infrastructure costs over the period from 1 July 2019 to 30 June 2020 is as following:

Infrastructure Category	Index %
Airport	0.0%
Roads	0.0%

Unit rates for some major subcomponents were reviewed by Council and supplied to APV based on internal construction estimates where management considers there is a representative population of internal works on which to base estimates.

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. Roads are split into segments which vary in length depending on the attributes of each segment and the previous construction history – as described below. 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.

All road network infrastructure assets were valued using Level 3 valuation inputs using the cost approach.

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

Roads and airport (continued)

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Segment lengths and widths and pavement depths are actual where known from design plans and/or construction records, or are confirmed by field measure. Unconfirmed pavement depths are assumed constructed to 200mm for sealed roads and 150mm for unsealed roads. Council also assumes that all raw materials can be sourced from local quarries. For internal constructions estimates, material and services prices were based on existing supplier contract rates and supplier price lists while labour wage rates were based on Council's Certified Agreement. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years, where sufficiently representative capital works have been undertaken; otherwise, these were based on rates supplied by an independent valuer determined using professional judgement, and externally available cost data.

CRC for airport assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Accumulated depreciation:
In determining the level of accumulated depreciation, roads and airports were disaggregated into significant components which exhibited different useful lives and bridges are summarised into one lump sum item.

Useful lives are an estimate of the total service capacity in years for that type of asset. The remaining useful life of the asset is determined based on an asset condition rating, which reflects both physical characteristics (e.g. age and physical condition) as well as holistic factors such as functionality, capability, utilisation and obsolescence. Accumulated depreciation represents the decline in service potential (i.e. the difference between useful life and remaining useful life) for an asset. In periods when a comprehensive valuation is not undertaken, the remaining useful of the asset is then calculated based purely on the time elapsed since the previous valuation, as adjusted for any known improvements or deterioration in asset condition.

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Roads and airport (continued)

In order to assess the level of remaining service potential the following consumption scoring methodology was applied.

Phase Points	Description
0.00 ↓ 0.99	New or very good condition - very high level of remaining service potential.
1.00 ↓ 1.99	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2.00 ↓ 2.99	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.
3.00 ↓ 3.99	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.
4.00 ↓ 4.99	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short-term. Very low level of remaining service potential.
5.00	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.

Water, sewerage and gas infrastructure

Current replacement cost:
Water, sewerage and gas infrastructure assets were comprehensively valued by APV Valuers as at 30 June 2019. A desktop revaluation update was subsequently undertaken effective 30 June 2020.

All water, sewerage and gas network infrastructure assets were valued using Level 3 valuation inputs using the cost approach. CRC was calculated using a range of sources including actual construction or purchase prices for recent projects, appropriate APV databases where APV record details of actual costs from recent projects that are sourced directly from their clients. Preference is provided to nearby locations. Rawlinson's Construction Guide or similar guide and benchmarking against other valuations. An allowance was then made to adjust for condition and comparability.

The indexation percentage for the infrastructure desktop valuations effective 30 June 2020 has been derived from reference to costing guides issued by the Australian Institute of Quality Surveyors, Rawlinson's (Australian Construction Handbook), construction data from the Australian Bureau of Statistics and APV's own internal market research and costings.

Note 12. Property, plant and equipment (continued)

(d) Valuation (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

Water, sewerage and gas infrastructure (continued)

The analysis of these construction cost guides and research has determined that the approximate increase in infrastructure costs over the period from 1 July 2019 to 30 June 2020 is as following:

Infrastructure Category	Index %
Water active assets	0.50%
Water passive assets	0.50%
Sewerage active assets	0%
Sewerage passive assets	0% - 0.5%
Gas infrastructure	0.50%

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

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 consumption assessment, which was used to estimate remaining useful life. Refer to consumption scoring methodology in Roads and airport section.

For assets that are not available for visual inspection the useful life remaining was based on age and adjusted where there were known factors to impact on the condition.

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Buildings	Total
	$'000	$'000
Opening balance - 1/7/18	90,703	90,703
Additions	1,588	1,588
Depreciation	(2,000)	(2,000)
Revaluation adjustment (ARS)	(6,296)	(6,296)
Disposals	(301)	(301)
Transfers from level 2	310	310
Closing balance - 30/6/19	**84,004**	**84,004**
Additions	8,298	8,298
Depreciation	(1,938)	(1,938)
Revaluation adjustment (ARS)	1,777	1,777
Disposals	(551)	(551)
Transfers to level 2	(119)	(119)
Closing balance - 30/6/20	**91,471**	**91,471**

Note 13. Contract balances

	2020 $'000	2019 $'000

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

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

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

(a) Contract assets

	2020 $'000	2019 $'000
Contract assets	1,170	
TOTAL CONTRACT ASSETS	1,170	
Classified as:		
Current contract assets	1,170	
Non-current contract assets	-	
Total contract assets	**1,170**	
Contracts with customers	1,170	
Contracts to construct Council's own assets	-	

(b) Contract liabilities

	2020 $'000	2019 $'000
Funds received upfront to construct Council controlled assets	8,325	
Deposits received in advance of services provided	594	
TOTAL CONTRACT LIABILITIES	8,919	
Classified as:		
Current contract liabilities	8,919	
Non-current contract liabilities	-	
Total contract liabilities	**8,919**	

Revenue recognised that was included in the contract liability balance at the beginning of the year

	2020 $'000	2019 $'000
Funds to construct Council controlled assets	1,455	
Deposits received in advance of services provided	55	
Total revenue included in the contract liability	1,510	

Note 13. Contract balances (continued)

	2020 $'000	2019 $'000

(c) Significant changes in contract balances

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position. Note 22 discloses the changes in accounting policy on adoption of AASB 15 and AASB 1058.

Note 14. Payables

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

	2020 $'000	2019 $'000
Creditors and accruals	5,420	8,662
Prepaid rates	607	-
Employee related accruals	585	326
Waste levy refund received in advance	-	711
Annual leave entitlements	4,582	4,015
Other	617	706
TOTAL CURRENT PAYABLES	11,811	14,420

The State Government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which took effect from 1 July 2019. The Council is liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council funds the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 was for a refund of Council's 2019-20 Levy expense, the full amount was recognised as a liability at 30 June 2019.

Note 15. Borrowings

	2020 $'000	2019 $'000

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

All borrowings are in $A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2024 to 15 June 2039. There have been no defaults or breaches of the loan agreement during the period.

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

Current

	2020 $'000	2019 $'000
Loans - Queensland Treasury Corporation	1,536	1,314
TOTAL CURRENT BORROWINGS	1,536	1,314

Non-current

	2020 $'000	2019 $'000
Loans - Queensland Treasury Corporation	17,384	16,071
TOTAL NON-CURRENT BORROWINGS	17,384	16,071

Reconciliation of loan movements for the year

Loans - Queensland Treasury Corporation

	2020 $'000	2019 $'000
Opening balance at beginning of financial year	17,385	14,321
Loans raised	2,825	4,500
Principal repayments	(1,290)	(1,436)
Book value at end of financial year	18,920	17,385

The QTC loan market value at the reporting date was $20,773,173 (2019: $18,873,319). 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.

Note 16. Provisions

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 the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The yields attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Restoration Provisions
A provision is made for the cost of restoration in respect of refuse dumps and quarries where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

Within each restoration provision there may be many site locations some of which can be on Council controlled land and some that are not. The following account treatments apply depending on the site location:

Restoration on land not controlled by Council
Where the restoration site is on State reserves which Council does not control, the cost of the provisions for restoration of these sites is treated as an expense in the year the provision is first recognised. Changes in the provision due to either time, discount rate or expected future costs are treated as a capital expense or capital income in the reporting period in which they arise.

Restoration on land controlled by Council
A provision is recognised for the estimated discounted cost of restoration, where required. The estimated cost of restoration is capitalised within land and improvement assets and is not immediately expensed.

As land and improvement assets are measured at fair value, the effects of a change in the measurement of a restoration provision that results from changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or change in the discount rate are recognised within the asset revaluation surplus as follows:

Changes in the provision not arising from the passage of time are added to or deducted from the asset revaluation surplus for land. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases (if any). Changes to the provision resulting from the passage of time (the unwinding of the discount) are treated as a finance cost.

Note 16. Provisions (continued)

	2020 $'000	2019 $'000

The Council has the following restoration provisions:

Quarry Rehabilitation
The provision represents the present value of the anticipated future costs associated with the closure of the quarries, refilling the basin, and reclamation and rehabilitation of these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for quarry rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. All Council quarries are situated on Council controlled land.

Refuse Sites Rehabilitation
The provision represents the present value of the anticipated future costs associated with the closure of the refuse sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for refuse rehabilitation is reviewed at least annually and updated based on the facts and circumstances available at the time. The Mitchell and part of Roma refuse sites are on Council controlled land. All other refuse sites are on State reserves.

Current

	2020 $'000	2019 $'000
Long service leave	4,117	3,915
TOTAL CURRENT PROVISIONS	4,117	3,915

Non-current

	2020 $'000	2019 $'000
Long service leave	856	479
Quarry rehabilitation	1,982	1,637
Refuse restoration	26,723	24,876
TOTAL NON-CURRENT PROVISIONS	29,561	26,992

Note 16. Provisions (continued)

	Notes	2020 $'000	2019 $'000
Quarry rehabilitation			
Balance at beginning of financial year		1,637	1,460
Increase in provision due to unwinding of discount	7	26	41
Increase/(decrease) in provision due to change in discount rate	8	95	136
Change in provision arising from revision of future cost	12	224	-
Balance at end of financial year		1,982	1,637
Refuse restoration			
Balance at beginning of financial year		24,876	-
Additional provision		-	24,876
Increase in provision due to unwinding of discount	7	501	-
Increase/(decrease) in provision due to change in discount rate	8	1,346	-
Balance at end of financial year		26,723	24,876

Quarry rehabilitation

This is the present value of the estimated cost of restoring the quarry site to a useable state at the end of its useful life which is expected to be 2036.

Refuse restoration

This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The sites are expected to close from 2021 to 2080 and the rehabilitation costs incurred from 2026 to 2111 to allow a period for settlement.

Note 17. Asset revaluation surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

Note 18. Commitments for expenditure

	2020 $'000	2019 $'000
(a) Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Waste Collection Contracts (per year) - Expiry 30 June 2023	723	723
Software Licences & ICT Services (per year) - Various Expiry 8 December 2020 to 30 June 2023	246	339
Airport Services (per year) - Expiry 16 April 2021	894	957
Saleyard Services (per year) - Various Expiry 31 March 2021 to 1 May 2023	1,356	1,470
Facilities Management (per year) - Various Expiry 19 September 2020 to 4 October 2023	533	474
Communication Services - Expires 30 June 2022	89	15
Quarry Services - Expires 31 August 2019	-	279
	3,841	4,257
(b) Capital commitments (exclusive of GST)		
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:		
Property, plant and equipment		
Infrastructure	6,984	13,321
Total commitments	6,984	13,321
These expenditures are payable as follows:		
Within the next year	6,984	13,321
Total Payable	6,984	13,321

Note 19. 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 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government workers 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 $480,519 (2019: $465,710).

Note 20. Superannuation - regional defined benefit fund

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

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

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

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

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

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

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

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

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

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

	Notes	2020 $'000	2019 $'000
Superannuation contributions made to the Regional Defined Benefits Fund		133	157
Other superannuation contributions for employees		2,782	2,693
Total superannuation contributions paid by Council for employees	5	2,915	2,850

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

	2020 $'000	2019 $'000
Net operating result from income statement	23,043	(801)
Non-cash items		
Depreciation and amortisation	19,764	19,809
	19,764	19,809
Investing and development activities		
Net (profit)/loss on disposal of assets	242	240
Loss on write-off of assets	6,772	9,595
Non cash capital grants and contributions	(23,594)	(30,007)
Capital expenses	1,441	25,012
Unwinding of discount provision on restoration provisions	527	41
	(14,612)	4,881
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(2,987)	(1,955)
Increase/(decrease) in credit loss allowance	(40)	146
(Increase)/decrease in inventories	101	(156)
(Increase)/decrease in contract assets	(1,158)	-
Increase/(decrease) in payables	(3,241)	2,451
Increase/(decrease) in contract liabilities	2,255	-
Increase/(decrease) in employee leave entitlements	579	286
Increase/(decrease) in other liabilities	633	1,058
(Increase)/decrease in prepayments	(158)	-
	(4,016)	1,830
Net cash provided from/(used in) operating activities from the statement of cash flows	24,179	25,719

Note 22. Changes in accounting policy

Initial application of of new accounting standards

During the year ended 30 June 2020, Council has adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-profit Entities* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with *AASB 111 Construction Contracts*, *AASB 118 Revenue, AASB 1004 Contributions* and associated Accounting Interpretations. *AASB 16 Leases* is also applicable to Council for the first time from 1 July 2019, however as Council is not a lessee under any lease arrangements the initial application of this standard does not have a material impact on Council's financial statements.

All adjustments on initial application of AASB 15 and AASB 1058 have been taken to retained surplus at 1 July 2019.

The following options have been applied on transition to AASB 15 and AASB 1058:
- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019.

Changes in accounting policy on adoption of AASB 15 and AASB 1058
The initial application of the new standards has resulted in a number of changes to Council's accounting polices for revenue. Details of these changes are set out in Note 3.

	Balance at 1-Jul-19 $'000
Opening contract balances on transition at 1 July 2019	
Contract assets	
Under AASB 15	12
Total contract assets	12
Contract liabilities	
Under AASB 15	210
Under AASB 1058	6,455
Total contract liabilities	6,665

Note 22. Changes in accounting policy (continued)

	Carrying amount per statement of comprehensive income Dr / (Cr) $'000	Adjustments Dr / (Cr) $'000	Carrying amount if previous standards had been applied Dr / (Cr) $'000

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

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

Statement of comprehensive income for the year ended 30 June 2020

Revenue			
Operating grants	19,397	384	19,781
Rates, levies and charges	36,559	(278)	36,281
Capital revenue	29,361	1,597	30,958

	Carrying amount per statement of financial position Dr / (Cr) $'000	Adjustments Dr / (Cr) $'000	Carrying amount if previous standards had been applied Dr / (Cr) $'000

Statement of financial position at 30 June 2020

Contract assets	1,170	(1,170)	-
Contract liabilities	(8,919)	8,919	-
Payables	11,811	(607)	11,204
Retained earnings	563,036	(7,142)	555,894

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

Statement of cash flows for the year ended 30 June 2020

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

Note 23. Events after the reporting period

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

Note 24. Financial instruments and financial risk management

(a) Financial assets and financial liabilities

Council has exposure to the following risks arising from financial instruments; **(i)** interest rate risk, **(ii)** credit risk, and **(iii)** liquidity risk.

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

Financial risk management

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

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

Note 24. Financial instruments and financial risk management (continued)

Financial risk management (continued)

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

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

Council does not enter into derivatives.

Credit risk

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

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

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

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

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

Cash and cash equivalents

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

Other financial assets

Other investments are held with financial institutions, which are rated A1+ to A2 based on rating agency Standard & Poor's ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as low. Some investments were held with unrated Authorised Deposit-taking Institutions only to the value of the Government guarantee on deposits and only one deposit per institution.

Note 24. Financial instruments and financial risk management (continued)

Credit risk (continued)

Receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk. Council considers that debtors with an outstanding balance greater than 90 days to be in default.

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

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

The exposure to credit risk for trade receivables by type of counterparty was as follows:

	2020 $'000	2019 $'000
Rates and utility charges	3,294	2,586
Sales of services or goods	570	-
Funding	5,296	-
Other debtors	3,360	7,408
GST recoverable	203	397
Expected credit loss	(351)	-
Total	12,372	10,391

Refer to Note 10 for further details.

Receivables are measured at amortised cost which approximates fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

When Council has no reasonable expectation of recovering an amount owned by a debtor, and has ceased enforcement activity, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Accounting for impairment losses is dependent upon the individual group of receivables subject to impairment. The loss allowance for grouped receivables reflects lifetime expected credit losses (ECL) and incorporates reasonable and supportable forward-looking information. Economic changes impacting debtors, and relevant industry data form part of the impairment assessment.

Note 24. Financial instruments and financial risk management (continued)

Credit risk (continued)

Council has identified 4 distinctive groupings of its receivables: rates and charges, sales of services or goods, funding and other debtors.

Rates and charges: Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts and therefore the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.

Sales of services or goods: included in this group are charges for airport services, saleyards and quarry materials. Council recognises impairment on these sales based on historical analysis.

Funding: payable by State and Commonwealth governments and their agencies. A credit enhancement exists as these payments are effectively government guaranteed and both the State and Commonwealth Governments have high credit ratings, accordingly Council determines the level of credit risk exposure to be immaterial and therefore does not record an expected credit loss for these counterparties. Also includes Energy Sector funding under contract agreements which Council determines the level of credit risk exposure to be immaterial.

Other debtors: Council identifies other debtors as receivables which are not rates and charges; sales of services or goods; or grants.

Council uses a provision matrix to measure the expected credit losses on statutory charges and other debtors. Loss rates are calculated separately for groupings with similar loss patterns. The calculations reflect historical observed default rates calculated using credit losses experienced on past transactions from the last 6 years for each group. Loss rates are based on actual credit loss experience over the past 6 years, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

In Council's statements after reviewing macro economic conditions, Council reached the conclusion that forward looking conditions indicated no foreseeable expected deviations from historically calculated ratios, thus no forward looking adjustments were made. Council does not expect that the rate of loss on debtors outstanding as at 30 June 2020 will materially increase as a result of the COVID-19 pandemic.

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

Note 24. Financial instruments and financial risk management (continued)

Credit risk (continued)

The following tables provide information about the expected losses for trade receivables for each group of receivables as at 30 June 2020 and 30 June 2019.

Ageing	2020 Closing balance $'000	2020 Loss given default %	2020 Lifetime expected credit loss $'000
Sales of services or goods			
Current	529	0.79%	4
31-60 days	11	6.87%	1
61-90 days	2	28.79%	1
90+ days	28	74.28%	21
Total	570		27
Other debtors			
Current	2,868	1.63%	47
31-60 days	57	13.91%	8
61-90 days	121	34.94%	42
90+ days	314	72.39%	227
Total	3,360		324

Ageing	2019 Closing balance $'000	2019 Loss given default %	2019 Lifetime expected credit loss $'000
All debtors			
Current	5,233	2.17%	114
31-60 days	620	16.31%	101
61-90 days	54	40.73%	22
90+ days	209	73.66%	154
Total	6,116		391

Refer to Note 10 for the movement in the allowance for impairment for receivables during the year.

Note 24. Financial instruments and financial risk management (continued)

Liquidity risk

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

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

Exposure to liquidity risk

Council is exposed to liquidity risk through its normal course of business and through its borrowings with Queensland Treasury Corporation.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposit, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 15.

Council does not have any overdraft facilities at the reporting date.

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

	0 to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total contractual cash flows $'000	Carrying amount $'000
2020					
Payables	5,420	-	-	5,420	5,420
Loans - QTC	2,111	7,682	13,454	23,247	18,920
	7,531	7,682	13,454	28,667	24,340
2019					
Payables	8,662	-	-	8,662	8,662
Loans - QTC	1,896	7,602	12,460	21,958	17,385
	10,558	7,602	12,460	30,620	26,047

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 indices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

Interest rate risk

The Council is exposed to interest rate risk through investments and borrowings with Queensland Treasury and/or other financial institutions.

Note 24. Financial instruments and financial risk management (continued)

Market risk (continued)

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

Sensitivity

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

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

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

	Net carrying amount $'000	Net result 1% increase $'000	Net result 1% decrease $'000	Equity 1% increase $'000	Equity 1% decrease $'000
2020					
QTC cash fund	31,523	315	(315)	315	(315)
Other investments	47,450	475	(475)	475	(475)
Loans - QTC	(18,920)	(189)	189	(189)	189
Net	60,053	601	(601)	601	(601)
2019					
QTC cash fund	52,448	525	(525)	525	(525)
Other investments	30,452	305	(305)	305	(305)
Loans - QTC	(17,385)	(174)	174	(174)	174
Net	65,515	656	(656)	656	(656)

In relation to the QTC loans held by the Council, the following has been applied:

QTC fixed rate loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

QTC generic debt pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

QTC client specific pool - client specific pool products are often rebalanced to a target benchmark duration. This partially exposes clients to the level of interest rates at the time of rebalancing. Sensitivity on these products is provided by QTC through calculating the interest effect over the period.

(b) Fair value

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

The fair value of Council's borrowings has been disclosed in note 15.

Note 25. Transactions with related parties

	Details	Amount of transactions during year $ '000	Outstanding balance (incl. commitments) $ '000

(a) Associates

Transactions with associates

	Details	Amount of transactions during year $ '000	Outstanding balance (incl. commitments) $ '000
2020			
Associates total	i	22	-
		22	-
2019			
Associates total	i	-	-
		-	-

i Annual contribution to Regional Economic Development Association

(b) Other related parties

Transactions with other related parties

	Details	Amount of transactions during year $ '000	Outstanding balance (incl. commitments) $ '000
2020			
Purchase of materials and services from entities controlled by KMP	i	10	-
Purchase of materials and services from entities controlled by a close family member of KMP	ii	36	-
Payments to non-profit associations a KMP is a controlling committee member	iii	35	-
Purchase of materials and services from entities controlled by a close family member of KMP	iv	1	-
		81	-

Note 25. Transactions with related parties (continued)

	Details	Amount of transactions during year $ '000	Outstanding balance (incl. commitments) $ '000
(b) Other related parties (continued)			
Transactions with other related parties (continued)			
2019			
Purchase of materials and services from entities controlled by KMP	i	12	-
Purchase of materials and services from entities controlled by a close family member of KMP	ii	76	-
Payments to non-profit associations a KMP is a controlling committee member	iii	27	-
		115	-

i Maranoa Regional Council purchased travel and accommodation booking services from an entity controlled by a member of key management personnel. All purchases were at arm's length and were in the normal course of council operations.

ii Maranoa Regional Council purchased building and construction services from an entity controlled by a close family member of key management personnel. All purchases were at arm's length and were in the normal course of council operations.

iii Community funding assistance payments were made to non-profit community organisations of which key management personnel are committee (controlling) members.

iv Maranoa Regional Council purchased stationery items and used postal services from an entity controlled by a close family member of key management personnel. All purchases were at arm's length and were in the normal course of council operations.

Note 25. Transactions with related parties (continued)

(c) Key management personnel

Transactions with key management personnel

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

The compensation paid to key management personnel comprises:

	2020 $000	2019 $000
Short-term employee benefits	1,458	1,468
Post-employment benefits	158	154
Long-term benefits	5	29
Total	1,621	1,651

Maranoa Regional Council

General Purpose Financial Statements
for the year ended 30 June 2020

Management Certificate
for the year ended 30 June 2020

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

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

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages 2 to 52, 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.

Tyson Golder
MAYOR

7 October 2020

Julie Reitano
CHIEF EXECUTIVE OFFICER

7 October 2020

Queensland Audit Office
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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Maranoa Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Maranoa 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 2020, and of their financial performance and cash flows for the year then ended

b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor’s responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

9 October 2020

Dale Hassell
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Maranoa Regional Council

Current Year Financial Sustainability Statement
for the year ended 30 June 2020

	Actual 2020	Target 2020

Measures of financial sustainability

Council's performance at 30 June 2020 against key financial ratios and targets.

Performance indicators

	Actual 2020	Target 2020
1. Operating surplus ratio Net result (excluding capital items) Total operating revenue (excluding capital items) An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.	**2.49%**	**0 - 10%**
2. Asset sustainability ratio Capital expenditure on the replacement of assets (renewals) Depreciation expense An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.	**188.01%**	**more than 90%**
3. Net financial liabilities ratio Total liabilities less current assets Total operating revenue (excluding capital items) An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.	**-28.88%**	**less than 60%**

Note 1 - basis of preparation

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

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Racing and Multicultural Affairs.

Maranoa Regional Council

Current Year Financial Sustainability Statement
for the year ended 30 June 2020

Certificate of Accuracy
for the year ended 30 June 2020

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.

Tyson Golder	Julie Reitano
MAYOR	**CHIEF EXECUTIVE OFFICER**
7 October 2020	7 October 2020

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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Maranoa Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Maranoa Regional Council (the council) for the year ended 30 June 2020 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Maranoa Regional Council for the year ended 30 June 2020 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

9 October 2020

Dale Hassell
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Maranoa Regional Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	Forecast 2025	2026	2027	2028	2029	2030
Measures of financial sustainability												
Council's performance at 30 June 2020 against key financial ratios and targets.												
Performance indicators												
1. Operating surplus ratio Net result (excluding capital items) [1] / Total operating revenue (excluding capital items) [2]	0 - 10%	2.49%	0.10%	2.17%	1.84%	1.76%	1.65%	1.46%	1.30%	1.07%	0.84%	0.72%
An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.												
2. Asset sustainability ratio Capital expenditure on the replacement of assets (renewals) / Depreciation expense	> 90%	188.01%	103.30%	107.20%	105.10%	103.90%	102.80%	104.40%	103.20%	107.20%	106.00%	104.70%
An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.												
3. Net financial liabilities ratio Total liabilities less current assets / Total operating revenue (excluding capital items) [2]	< 60%	-28.94%	-11.70%	-14.50%	-20.20%	-26.50%	-32.00%	-37.30%	-40.50%	-44.50%	-49.80%	-53.00%
An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.												

Unaudited Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2020

Maranoa Regional Council 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.

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. We have the above three sustainability indicators that have been set by the then Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all councils across Queensland. In summary, our operating surplus ratio has been adversely affected by depreciation expenditure. Over the coming year, Council anticipates receipt of contributions from the Resource Sector towards Council road network with the impact showing in the asset sustainability ratio.

Notes

(1) Includes only recurrent revenue and recurrent expenditure disclosed in the income statement. Excludes capital revenue grants, contributions, donations and subsidies received for capital acquisitions, capital Income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to Note 5 for exclusions), and any capital expenditure such as write-off of assets, movements in provisions for restoration and rehabilitation and revaluation decrements that hit the statement of comprehensive income.

(2) Includes only recurrent revenue disclosed in the income statement. Excludes capital revenue grants, contributions donations and subsidies received for capital acquisitions. Also excludes any capital income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to Note 5 for exclusions).

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012.*

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Racing and Multicultural Affairs.

Maranoa Regional Council

Unaudited Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2020

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

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

Tyson Golder	Julie Reitano
MAYOR	**CHIEF EXECUTIVE OFFICER**
7 October 2020	7 October 2020