

Photo by Janette Lawler



ANNUAL REPORT

**Blackall-Tambo
Regional
Council**

1 JULY 2015 – 30 JUNE 2016

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Message from the Mayor

Financial End of Year Report

We have arrived at the end of one year of total extremes. The start saw the entire central west of Queensland in the 4th Year of unquestionably the worst drought in our recorded history, coupled with the most demoralising market place for our core products.

The end of it has seen the most benign and perfect ending to that drought, coupled with a staggering recovery in the market place for all of our commodities.

Add to that the turnaround in the way our council region community has taken progress and positivity under its wing, we, I think have turned a major corner in our being.

New or re-vitalized businesses are springing up in both towns, people are coming back into the community bringing families and jobs with them. The proposed re-opening of the sawmill in Tambo, the new airport terminal in Blackall, the refurbishing of the Woolscour are just a few of the projects your new Blackall-Tambo Regional Council have in the pipeline to add to that progressive vibe around the place.

No one would be tempted to believe it is all roses from here on, it will most certainly not be, but it is positive and it is a reversal of a nasty period in our history and we will be out there looking to keep the momentum and make living in the region of our choice a progressively more rewarding experience.

Our business community have once again come together with enthusiasm and a vision for the future that is exciting and very satisfying to all of us.

Tourism is at the front of a lot of our vision and your council is working hard as it is able to set the scene for an even greater lift in staying visitors for not just the season to come, but for the future in general.

You newly elected council treat their responsibility as your council with great humility and enthusiasm and look forward to serving our wonderfully resilient and resourceful region in the next financial year.

Andrew Martin
Mayor

Chief Executive Officer's Report

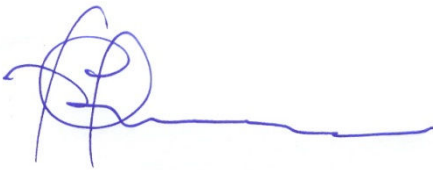
This report covering the 12 month period ending 30th June 2016 precedes my appointment as CEO in July 2016. The report shows that Council is in a sound financial position and complying with the many regulations and statutes that local government must deal with. I acknowledge the efforts of my predecessor and his team for their efforts and commitment during this period.

The new financial year sees a completely new executive team serving a new Mayor and six new Councillors. This will be a challenging next twelve months for all of us as we review our operations and processes and get on with the delivery of services to our community.

In the short time that I have been in the region I have been impressed by the resilience and confidence of the residents living in the Blackall-Tambo region. Five years of drought have hit hard in almost all aspects of our economy and quality of life. The recent rains hopefully are a precursor of many good seasons for our agricultural community with flow on benefits across the board.

I hope that I can make Council operations more prominent in our community and that we emphasise our ability to assist and improve the amenity of our region.

I would like to thank the Mayor and Councillors for their support and trust during these early days and acknowledge the efforts and dedication of all Council staff.

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

C D Blanch PSM LGMA

Chief Executive Officer

Community Financial Report (section 184 Local Government Regulation 2012)

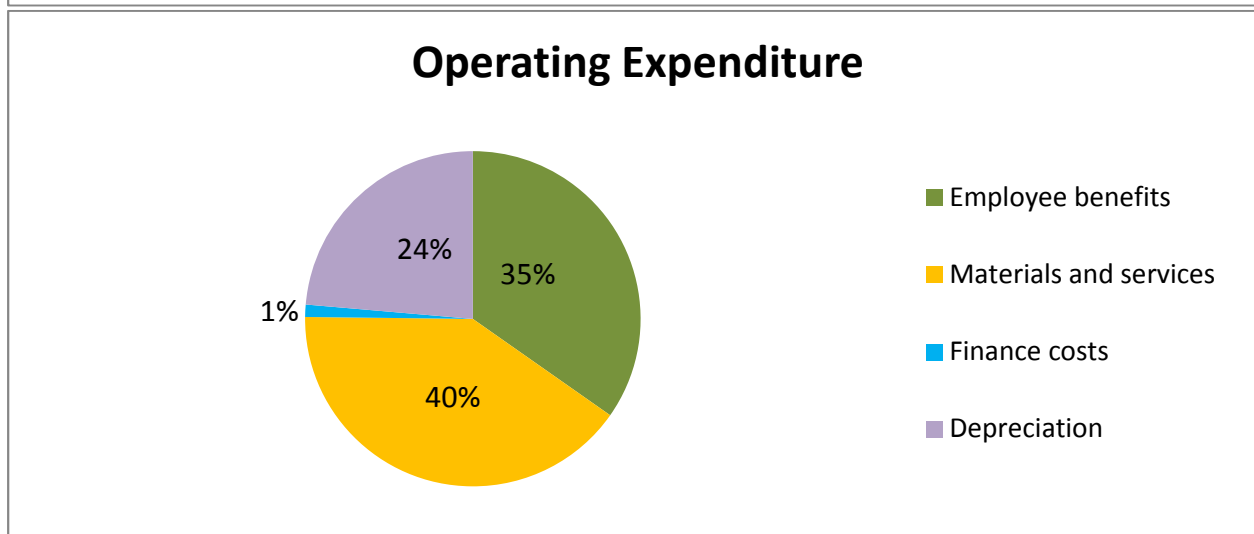
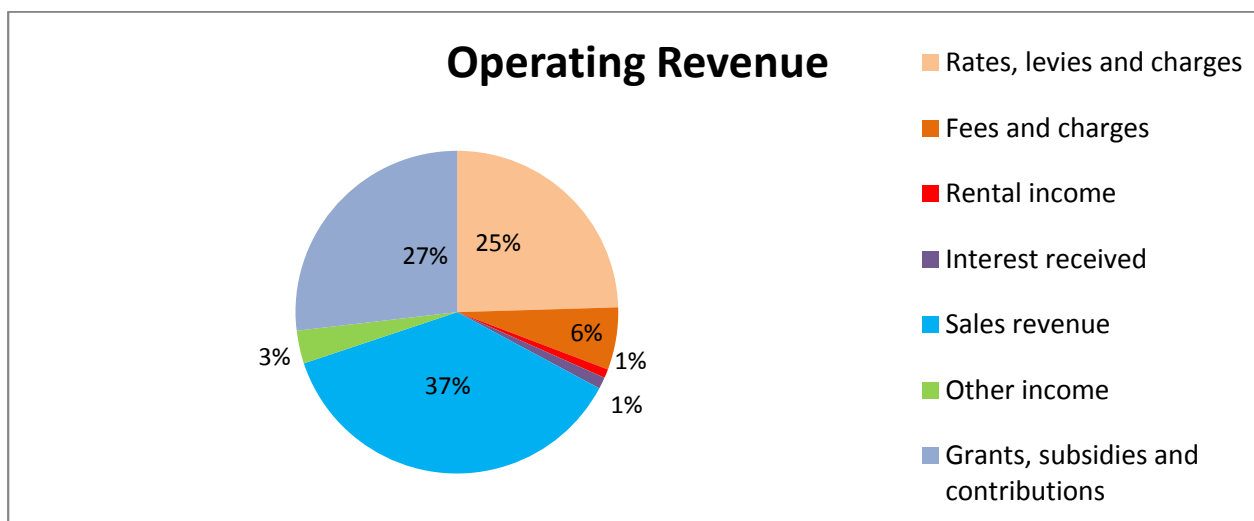
An analysis of the revenue compared to expenditure is as follows:

With the constrained financial position of both Federal and State governments, local governments cannot expect recurrent grants to increase by the amounts as in the earlier years. Recurrent grants for 2016 were significantly lower when compared to the previous year. Capital grants were also significantly lower when compared to the previous year and are variable by nature.

The ongoing drought experienced throughout the Region was a major factor in adopting a 2.5% general rates levy increase. Utility charges also increased by 2.5% to provide for the increase in operational and maintenance costs. Other fees and charges increases were also kept to a minimum. The actual fees and charges revenue for the year were down 20% with the major reduction in saleyard fees.

With the recurrent revenue base under increasing pressure, Council continues to seek external funds as well as tendering for external roadwork jobs to supplement local funds. Council managed to secure and undertake significant road construction and maintenance works. However, there were no major flood damage event works during the year which reduced the overall recoverable works revenue when compared to the previous year.

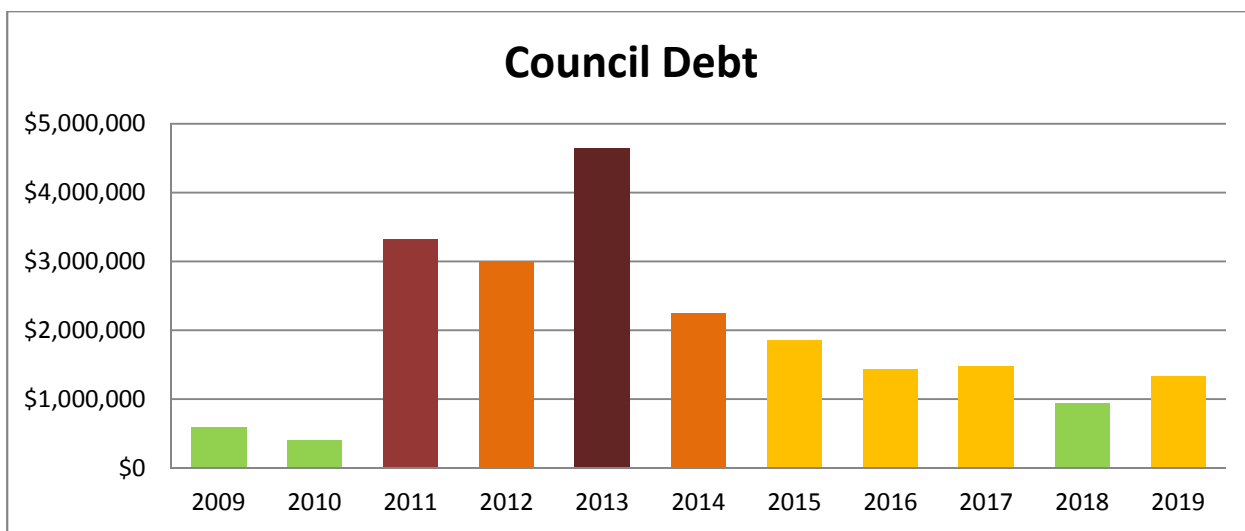
The Council road network continues to be well maintained through funding from the Financial Assistance Grant and the Roads to Recovery program. Water, sewerage and waste management infrastructure assets are also maintained and renewed to meet service delivery. Council continues to face sustainability challenges when it comes to asset management and service delivery.



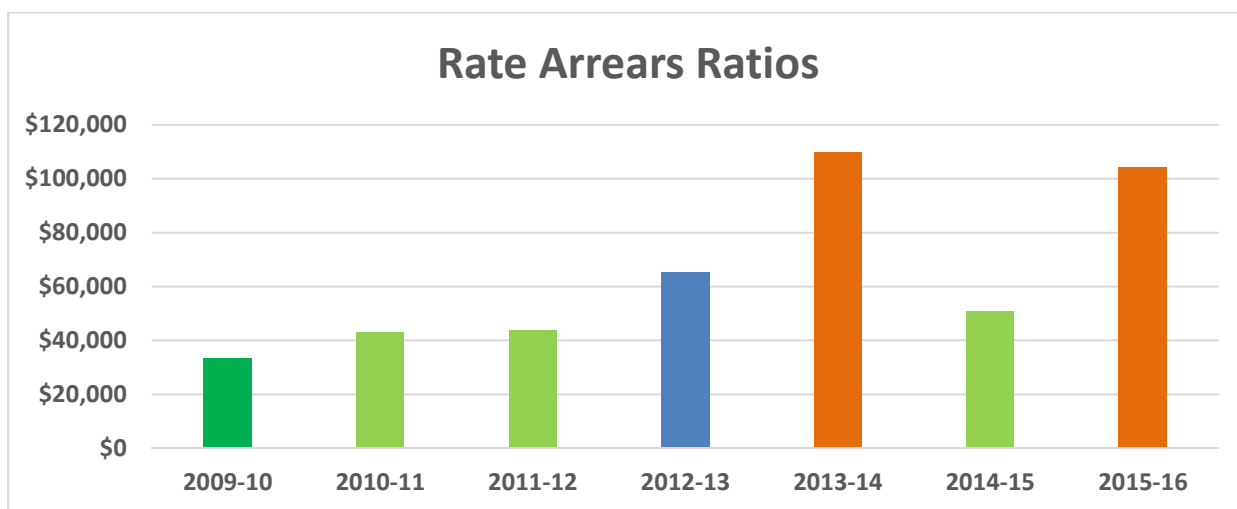
In relation to expenses; employee costs make up 35% and materials and services make up 40% of Council’s operating costs. Employee costs include staff and related employee expenses while materials and services include such items as general operating costs to maintain and operate services to the region.

Depreciation consists of 24% of all operating costs and has increased as a result of the removal of residual values from 1 July 2015 for asset components that are re-used at the end of their useful life with no consideration receivable. While depreciation is a non-cash item, it is used as a guide to help Council retain sufficient funds to meet the costs of future renewal of assets.

Borrowing of funds should be used for long term assets in order to reduce inter-generational inequity. This is applicable for new assets and major upgrade of existing assets. There were no new borrowings during the year. A summary of the level of Council debt is expressed in the figures below, which indicates that debt reached a peak in 2013 due to the overdraft drawdown as a result of delayed flood damage event claims.



The following graph provides a comparison of the level of Council’s outstanding rates over the last six (6) years. The graph shows that Council’s rates arrears were very low up to 2012-13 and has fluctuated over the last three years.



Particular Resolutions (section 185 Local Government Regulations 2012)

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

Councillors (section 186 Local Government Regulations 2012)

(i) Remuneration schedule

Pursuant to Section 247 of the Local Government Regulation 2012 the following remuneration rates are set for Council from 1 July 2016:

Position	Annual Remuneration*	Meeting Allowance**	Total Allowance
Mayor Allowance	\$82,293.20	Nil	\$82,293.20
Deputy Mayor Allowance	\$42,154.56	Nil	\$42,154.56
Councillor Allowance	\$22,992.84	\$11,496.42	\$34,489.26

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

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

Councillor remuneration and meeting attendance – 1 July 2015 to 30 June 2016

Councillor	General Meeting Attendance	Special Meeting Attendance	Remuneration	Superannuation/ Expenses Incurred	Total Remuneration
Cr B Muir	9	2	\$61,245.00	\$0	\$61,245.00
Cr R Curnow (Johnson)	9	2	\$30,996.00	\$239.61	\$31,235.61
Cr N Dolinski	9	2	\$25,359.75	\$0	\$25,359.75
Cr T Johnstone	9	1	\$25,359.75	\$0	\$25,359.75
Cr J Barron	9	2	\$25,359.75	\$0	\$25,359.75
Cr M Prow	8	2	\$24,420.50	\$0	\$24,420.50
Cr T Brennan	9	2	\$25,359.75	\$0	\$25,359.75
Cr A Martin	3	1	\$20,415.00	\$0	\$20,415.00
Cr L Russell	3	1	\$10,332.00	\$0	\$10,332.00
Cr P Heumiller	3	1	\$8,453.25	\$0	\$8,453.25
Cr B Holdcroft	3	1	\$8,453.25	\$0	\$8,453.25
Cr G Jarvis	3	1	\$8,453.25	\$0	\$8,453.25
Cr B Johnstone	3	1	\$8,453.25	\$0	\$8,453.25
Cr P Pullos	3	1	\$8,453.25	\$0	\$8,453.25

As a result of the Local Government elections held on 19 March 2016 Councillors L Russell, P Heumiller, B Holdcroft, G Jarvis, B Johnstone and P Pullos replaced Councillors R Curnow (Johnson), N Dolinski, T Johnstone, J Barron, M Prow and T Brennan with Cr A Martin replacing Cr B Muir as Mayor.

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

Regulation 2012

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

Administrative complaints (section 187 Local Government Regulations 2012)

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

The policy is broken down into three stages:

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

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

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

Administrative complaints made during the 2015/2016 financial year	4
Number of complaints resolved under the complaints management process	4
Number of complaints not resolved under the complaints management process	Nil

There were 4 administrative complaints made in the 2015/2016 financial year.

Overseas travel (section 188 Local Government Regulation 2012)

No overseas travel was undertaken during the financial year.

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

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

Description	Amount
Expenditure on grants to community organizations	\$74,005.35
Expenditure on sponsorships to community organizations	\$2,000.00
In-kind support to community organizations	\$22,217.76
Total	\$98,223.11

Other Contents (section 190 Local Government Regulation 2012)

Corporate and operational plans

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

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

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

Registers and public documents

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

Concessions for rates and charges granted by Council

- (i) A 15 % discount on general rates if paid by the due date.
- (ii) Eligible pensioners in receipt of a full pension and having a State Government Concession Card receive a Council pensioner rate remission of 40% of general rate only, up to a maximum of \$250.00 per annum.
- (iii) Council also provides administrative support to the State Government Pensioner Rate Subsidy Scheme.
- (iv) Council considers requests from Community organizations for the waiver of fees for the use of community facilities.

Internal Audit

Council's audit committee met three times during the year to review internal audit reports prepared by the contracted internal auditor.

The internal audit committee consisted of two councillor members and one independent member.

The most recent determination by the Local Government Remuneration and Discipline Tribunal placed Council in the category 1 group of Councils where it is no longer necessary to have an audit committee.

Competitive Neutrality

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

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

Beneficial Enterprises and Business Activities

There were no significant business activities during the financial year ended 30 June 2016.

There was no commercialisation, or full cost pricing of a significant business activity in the financial year ended 30 June 2016.

Senior Staff Remuneration (Local Government Act 2009 section 201)

Total of all remuneration packages payable to senior management \$542,675

One (1) senior contract employee with a total remuneration package in the range of \$200,000 - \$299,000

Two (2) senior contract employees with a total remuneration package in the range of \$100,000 - \$199,000

Public Service Ethics 1994 (section 23)

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

Blackall-Tambo Regional Council

Financial Statements

For the year ended 30 June 2016

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Current year Financial Sustainability Statement

Auditor's report on the Current year Financial Sustainability Statement

Unaudited Long Term Financial Sustainability Statement

Blackall-Tambo Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2016

	2016	2015
Note	\$	\$
Revenue		
Recurrent revenue		
Rates, levies and charges	3(a) 4,576,771	4,478,427
Fees and charges	3(b) 1,168,782	1,463,534
Rental income	3(c) 162,871	182,578
Interest received	3(d) 222,137	196,269
Sales revenue	3(e) 6,915,155	11,438,239
Other income	616,908	338,846
Grants, subsidies, contributions and donations	4(a) 5,007,135	11,665,130
	<u>18,669,759</u>	<u>29,763,023</u>
Capital revenue		
Grants, subsidies, contributions and donations	4(b) 3,163,362	3,805,598
Total revenue	<u>21,833,121</u>	<u>33,568,621</u>
Expenses		
Recurrent expenses		
Employee benefits	6 (6,858,424)	(7,990,985)
Materials and services	7 (7,547,656)	(13,053,746)
Finance costs	8 (127,834)	(146,479)
Depreciation	11 (5,494,412)	(4,920,456)
	<u>(20,028,326)</u>	<u>(26,111,666)</u>
Capital expenses		
	5 (2,442,658)	(139,501)
Total expenses	<u>(22,470,984)</u>	<u>(26,251,167)</u>
Net operating surplus	<u>(637,863)</u>	<u>7,317,454</u>
Other comprehensive income		
<i>Items that will not be classified to net result</i>		
Increase / (decrease) in asset revaluation surplus	16 (5,076,413)	(11,873,390)
Total other comprehensive income for the year	<u>(5,076,413)</u>	<u>(11,873,390)</u>
Total comprehensive income for the year	<u>(5,714,276)</u>	<u>(4,555,936)</u>

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

**Blackall-Tambo Regional Council
Statement of Financial Position
As at 30 June 2016**

		2016	2015
	Note	\$	\$
Current assets			
Cash and cash equivalents	9	11,302,002	10,209,644
Trade and other receivables	10	2,291,312	2,274,034
Inventories		154,129	336,430
Total current assets		13,747,443	12,820,108
Non-current assets			
Trade and other receivables	10	-	4,505
Property, plant and equipment	11	213,047,208	220,680,405
Total non-current assets		213,047,208	220,684,910
Total assets		226,794,651	233,505,018
Current liabilities			
Trade and other payables	13	1,455,087	2,104,896
Borrowings	14	447,578	412,503
Provisions	15	877,110	812,668
Total current liabilities		2,779,775	3,330,067
Non-current liabilities			
Borrowings	14	989,961	1,435,760
Provisions	15	190,027	190,027
Total non-current liabilities		1,179,988	1,625,787
Total liabilities		3,959,763	4,955,854
Net community assets		222,834,888	228,549,164
Community equity			
Asset revaluation surplus	16	108,419,775	113,496,188
Retained surplus		114,415,113	115,052,976
Total community equity		222,834,888	228,549,164

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

**Blackall-Tambo Regional Council
Statement of Changes in Equity
For the year ended 30 June 2016**

Note	Asset revaluation surplus 16 \$	Retained surplus \$	Total \$
Balance as at 1 July 2015	113,496,188	115,052,976	228,549,164
Net operating surplus	-	(637,863)	(637,863)
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	(5,076,413)	-	(5,076,413)
Total comprehensive income for the year	<u>(5,076,413)</u>	<u>(637,863)</u>	<u>(5,714,276)</u>
Balance as at 30 June 2016	<u>108,419,775</u>	<u>114,415,113</u>	<u>222,834,888</u>
Balance as at 1 July 2014	125,369,578	107,735,522	233,105,100
Net operating surplus	-	7,317,454	7,317,454
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	(11,873,390)	-	(11,873,390)
Total comprehensive income for the year	<u>(11,873,390)</u>	<u>7,317,454</u>	<u>(4,555,936)</u>
Balance as at 30 June 2015	<u>113,496,188</u>	<u>115,052,976</u>	<u>228,549,164</u>

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

Blackall-Tambo Regional Council
Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Cash flows from operating activities			
Receipts from customers		14,073,299	21,314,234
Payments to suppliers and employees		<u>(15,622,107)</u>	<u>(25,120,264)</u>
		(1,548,808)	(3,806,030)
Interest received		222,137	196,269
Rental income		162,871	182,578
Non capital grants and contributions		5,007,135	11,665,130
Borrowing costs		<u>(127,834)</u>	<u>(146,479)</u>
Net cash inflow (outflow) from operating activities	20	<u>3,715,501</u>	<u>8,091,468</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(5,396,554)	(8,827,576)
Net movement in loans and advances		4,505	3,000
Proceeds from sale of property plant and equipment		16,268	723,520
Grants, subsidies, contributions and donations		<u>3,163,362</u>	<u>3,805,598</u>
Net cash inflow (outflow) from investing activities		<u>(2,212,419)</u>	<u>(4,295,458)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		<u>(410,724)</u>	<u>(397,434)</u>
Net cash inflow (outflow) from financing activities		<u>(410,724)</u>	<u>(397,434)</u>
Net increase (decrease) in cash held		<u>1,092,358</u>	<u>3,398,576</u>
Cash at beginning of the financial year		10,209,644	6,811,068
Cash at end of the financial year	9	<u>11,302,002</u>	<u>10,209,644</u>

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2015 to 30 June 2016 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012.

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

Recurrent/capital classification

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

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

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

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

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

Statement of compliance

Because Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

Constitution

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

1.B Date of authorisation

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

1.C Currency

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

1.D Adoption of new and revised Accounting Standards

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

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

At the date of authorisation of the financial report, the following new accounting standards with a future application date have been identified as those which may potentially have a material impact on Council's financial report in the period of initial application:

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

AASB 124 Related Party Disclosures

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will be required to disclose more information about related parties and transactions with those related parties. The initial application of this standard is therefore anticipated to result in increased disclosure in Council's financial statements. Council is currently preparing for this change by identifying related parties, which include the Mayor, councillors and some senior council staff. In addition, the close family members of those people and any organisations that they control or have influence over will be classified as related parties. Information on related party transactions and balances will only be disclosed to the extent that such transactions and balances are relevant (i.e. direct dealings between a related party and council) and are material.

AASB 9 Financial Instruments

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

AASB 15 Revenue from Contracts with Customers

AASB 15 is effective for financial years beginning on or after 1 January 2019 and will replace both AASB 118 *Revenue*, and AASB 111 *Construction Contracts*, as well as a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers. Council is still reviewing the way that revenue is measured and recognised to consider whether the new standard will have a material impact.

AASB 16 Leases

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

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

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

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

1.E Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation of property, plant and equipment - Note 12
Provisions - Note 15 and Note 1.M
Contingencies - Note 17

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

1.F Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Rates and levies

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

Grants and subsidies

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

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

Sales revenue

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

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

Fees and charges

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

1.G Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents

Receivables - measured at amortised cost

Financial liabilities

Payables - measured at amortised cost

Borrowings - measured at amortised cost

1.H Cash and cash equivalents

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

1.I Receivables

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

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

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

1.J Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$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.

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

Land and improvements

Buildings

Plant and equipment

Infrastructure

Road, drainage and bridge network

Water

Sewerage

Work in progress

Acquisition of assets

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

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

Capital and operating expenditure

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

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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

Valuation

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

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

Note 1.J Property plant and equipment (continued)

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

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound.

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Capital work in progress

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

Depreciation

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

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are disclosed in note 11.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

1.K Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

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

1.L Payables

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

1.M Liabilities - employee benefits

Salaries and wages

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

Annual leave

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

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 18.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attached to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. Where Council has an unconditional right to defer settlement beyond twelve months of balance date, the liability is classified as non-current. Otherwise, the liability is classified as current.

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

1.N Borrowing and borrowing costs

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

In accordance with the Local Government Regulation 2012 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.

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

1.O Asset revaluation surplus

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

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

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

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

1.P National competition policy

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

1.Q Rounding and comparatives

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

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

1.R Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by Council. Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. The monies are disclosed in the notes to the financial statements for information purposes only in Note 19.

1.S Taxation

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

2(a) Components of council functions

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

Corporate governance

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

Finance and information

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

Community services

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

Planning and Development

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

Transport Infrastructure

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

Waste Management

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

Water and Sewerage Services

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

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

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

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

Functions	Year Ended 30 June 2016									
	Gross program income			Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring	Other	Capital		Recurring	Capital				
Grants	Other	Grants	2016	2016	2016	2016	2016	2016	2016	2016
Corporate governance	1,228,640	1,115,193	108,701	2,452,534	(6,366,500)	(14,104)	(6,380,604)	(4,022,667)	(3,928,070)	36,272,818
Finance and information	2,934,387	3,219,150	-	6,153,537	(1,009,060)	-	(1,009,060)	5,144,477	5,144,477	13,747,443
Community services	523,132	355,454	103,196	1,013,282	(2,509,588)	(5,669)	(2,515,257)	(1,631,002)	(1,501,975)	4,946,293
Planning & development	-	4,358	-	4,358	(45,735)	-	(45,735)	(41,377)	(41,377)	-
Transport infrastructure	320,976	7,217,925	2,919,965	10,458,866	(8,963,763)	(2,417,640)	(11,381,403)	(1,424,862)	(922,537)	153,941,767
Waste management	-	336,353	-	336,353	(217,709)	-	(217,709)	118,644	118,644	-
Water infrastructure	-	749,888	-	749,888	(487,809)	(5,245)	(493,054)	262,079	256,834	7,434,535
Sewerage infrastructure	-	664,303	-	664,303	(428,162)	-	(428,162)	236,141	236,141	10,451,795
Total Council	5,007,135	13,662,624	3,131,862	21,833,121	(20,028,326)	(2,442,658)	(22,470,984)	(1,358,567)	(637,863)	226,794,651

Functions	Year Ended 30 June 2015									
	Gross program income			Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring	Other	Capital		Recurring	Capital				
Grants	Other	Grants	2015	2015	2015	2015	2015	2015	2015	2015
Corporate governance	1,477,627	692,060	1,852,087	4,046,019	(7,057,070)	(139,501)	(7,196,571)	(4,887,383)	(3,150,552)	36,382,153
Finance and information	2,919,666	5,096,989	24,245	8,016,655	(830,164)	-	(830,164)	7,186,491	7,186,491	12,809,093
Community services	649,417	83,111	37,273	769,801	(1,541,446)	-	(1,541,446)	(808,918)	(771,645)	4,959,086
Planning & development	7,600	14,880	10,545	33,025	(123,220)	-	(123,220)	(100,740)	(90,195)	-
Transport infrastructure	6,610,820	10,472,526	1,881,448	18,964,794	(15,648,508)	-	(15,648,508)	1,434,838	3,316,286	161,021,733
Waste management	-	325,852	-	325,852	(319,815)	-	(319,815)	6,037	6,037	-
Water infrastructure	-	748,774	-	748,774	(315,301)	-	(315,301)	433,473	433,473	7,628,336
Sewerage infrastructure	-	663,701	-	663,701	(276,142)	-	(276,142)	387,559	387,559	10,704,617
Total Council	11,665,130	18,097,893	3,781,353	33,568,621	(26,111,666)	(199,501)	(26,251,167)	3,651,357	7,317,454	233,505,018

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

Note	2016 \$	2015 \$
3 Revenue analysis		
(a) Rates, levies and charges		
General rates	3,330,848	3,247,264
Water	748,774	738,346
Sewerage	663,700	645,902
Waste management	81,480	79,398
Garbage charges	254,906	246,456
Total rates and utility charge revenue	<u>5,079,708</u>	<u>4,957,366</u>
Less: Discounts	(465,971)	(442,435)
Less: Pensioner remissions	(36,966)	(36,504)
	<u><u>4,576,771</u></u>	<u><u>4,478,427</u></u>
(b) Fees and charges		
Saleyard Fees	456,487	770,249
Building and development fees	3,840	14,807
Agistment/Town Common Fees	95,251	118,583
Childcare Fees	34,092	38,913
Cemetery/Funeral Fees	61,636	59,460
Licences and registrations	3,686	3,200
Commissions	131,372	184,984
Hire of Community Facilities	36,081	28,161
Airport landing fees	101,525	111,157
Other fees and charges	244,812	134,020
	<u>1,168,782</u>	<u>1,463,534</u>
(c) Rental income		
Commercial property rental	29,951	43,026
Accommodation rental income	132,920	139,552
	<u>162,871</u>	<u>182,578</u>
(d) Interest received		
Interest received from term deposits	215,672	185,607
Interest from overdue rates and utility charges	6,465	10,662
	<u>222,137</u>	<u>196,269</u>
(e) Sales revenue		
Sale of services		
Contract and recoverable works	6,565,297	10,694,289
Private Works	319,538	713,786
	<u>6,884,835</u>	<u>11,408,075</u>
Sale of goods		
Visitor Information Centre	30,320	30,164
	<u>30,320</u>	<u>30,164</u>
Total sales revenue	<u><u>6,915,155</u></u>	<u><u>11,438,239</u></u>
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants	3,879,646	3,808,560
State government subsidies and grants	579,217	869,332
Flood restoration funding	320,976	6,610,818
Commonwealth government subsidies and grants	227,082	374,889
Donations	214	1,531
	<u>5,007,135</u>	<u>11,665,130</u>
(b) Capital		
State government subsidies and grants	1,389,181	3,264,911
Commonwealth government subsidies and grants	1,742,681	463,260
Other capital revenue	31,500	77,427
	<u>3,163,362</u>	<u>3,805,598</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

Note	2016 \$	2015 \$
5 Capital Gain /Loss on disposals		
Gain / loss on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	16,268	619,526
Less: Book value of property, plant and equipment disposed of	<u>(30,372)</u>	<u>(743,021)</u>
	<u>(14,104)</u>	<u>(123,495)</u>
Proceeds from sale of land and improvements	-	103,994
Less: Book value of land sold	-	<u>(120,000)</u>
	-	<u>(16,006)</u>
Write-off of infrastructure and building assets	<u>(2,428,554)</u>	-
	<u>(2,428,554)</u>	-
Total capital income/(loss)	<u>(2,442,658)</u>	<u>(139,501)</u>
6 Employee benefits		
Total staff wages and salaries	5,125,883	6,269,070
Councillors' remuneration	295,694	239,221
Annual, sick and long service leave entitlements	1,093,958	979,845
Superannuation	<u>672,451</u>	<u>716,788</u>
	<u>7,187,986</u>	<u>8,204,924</u>
Other employee related expenses	<u>152,834</u>	<u>335,559</u>
	<u>7,340,820</u>	<u>8,540,483</u>
Less: Capitalised employee expenses	<u>(482,396)</u>	<u>(549,498)</u>
	<u>6,858,424</u>	<u>7,990,985</u>
Total Council employees at the reporting date:		
	<u>2016</u>	<u>2015</u>
Elected members	7	7
Administration staff	36	50
Depot and outdoors staff	72	80
Total full time equivalent employees	<u>115</u>	<u>137</u>
7 Materials and services		
Advertising and marketing	35,426	24,514
Administration supplies and consumables	671,735	732,510
Audit services	91,250	91,901
Communications and IT	435,983	337,554
Community Health Programs	248,930	362,134
Consultants	666,155	1,143,200
Contractors	1,900,445	4,234,685
Donations paid	92,678	113,323
Insurances	606,709	525,665
Parks, Gardens & Reserves	349,800	398,864
Pest Management	359,633	552,712
Power	291,490	287,153
Repairs and maintenance	856,051	668,943
Subscriptions and registrations	152,962	145,710
Other materials and services	<u>788,409</u>	<u>3,434,878</u>
	<u>7,547,656</u>	<u>13,053,746</u>
8 Finance costs		
Finance costs charged by the Queensland Treasury Corporation	117,609	130,900
Bank charges	9,455	15,297
Impairment of debts	<u>770</u>	<u>282</u>
	<u>127,834</u>	<u>146,479</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

Note	2016	2015
	\$	\$
9 Cash and cash equivalents		
Cash at bank and on hand	4,300,609	94,830
Deposits at call	7,001,393	10,114,814
Balance per Statement of Cash Flows	<u>11,302,002</u>	<u>10,209,644</u>
10 Trade and other receivables		
Current		
Rateable revenue and utility charges	100,727	50,579
Other debtors	2,184,143	2,066,258
Less impairment	(1,691)	(1,691)
GST recoverable	8,133	1,374
Prepayments	-	157,514
	<u>2,291,312</u>	<u>2,274,034</u>
Non-current		
Loans and advances to community organisations	-	4,505
	<u>-</u>	<u>4,505</u>

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

11 Property, plant and equipment

30 June 2016

Land and improvements	Buildings		Plant and equipment		Road, drainage and bridge network		Water		Sewerage		Work in progress		Total
	Revaluation	Revaluation	Cost	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Revaluation	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2015	3,449,500	52,231,254	13,789,646	188,822,590	11,579,670	15,948,012	2,460,903	288,281,575					
Additions	-	-	187,186	-	-	-	5,209,368	5,396,554					
Assets capitalised from WIP	-	660,787	-	4,234,264	22,542	10,803	(4,928,396)	-					
Disposals	-	(41,080)	(212,299)	(4,104,803)	(74,259)	(10,803)	-	(4,443,244)					
Revaluation adjustment to asset revaluation surplus	-	251,748	-	3,282,891	-	-	-	3,534,639					
Closing gross value as at 30 June 2016	3,449,500	53,102,709	13,764,533	192,234,942	11,527,953	15,948,012	2,741,875	292,769,524					

Basis of measurement

Asset values

Opening gross value as at 1 July 2015

Additions

Assets capitalised from WIP

Disposals

Revaluation adjustment to asset revaluation surplus

Closing gross value as at 30 June 2016

Accumulated depreciation and impairment

Opening gross value as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2016

-	22,893,632	5,251,051	30,261,759	3,951,333	5,243,395	67,601,170
-	1,373,916	1,129,599	2,506,799	211,099	272,999	5,494,412
-	(35,411)	(181,927)	(1,687,163)	(69,014)	(10,803)	(1,984,318)
-	134,323	-	8,476,729	-	-	8,611,052
-	24,366,460	6,198,723	39,558,124	4,093,418	5,505,591	79,722,316

Book value as at 30 June 2016

Range of estimated useful life in years

3,449,500	28,736,249	7,565,810	152,676,818	7,434,535	10,442,421	2,741,875	213,047,208
Land: Not depreciated.	40 - 100	2 - 20	6 - 120	10 - 60	20 - 60	-	-
Improvements: 7 - 40							

ADDITIONS COMPRISE

Renewals

Other Additions

Total Additions

-	-	121,826	-	-	-	5,104,771	5,226,597
-	-	65,360	-	-	-	104,597	169,957
-	-	187,186	-	-	-	5,209,368	5,396,554

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Note 11 Property, plant and equipment (continued)

30 June 2015

	Land and improvements	Buildings	Other plant and equipment	Road, drainage and bridge network	Water	Sewerage	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement								
Asset values								
Opening gross value as at 1 July 2014	3,312,325	49,973,126	13,043,498	184,464,299	15,279,364	15,436,126	5,765,817	287,274,555
Additions	-	-	2,529,064	-	-	-	6,298,512	8,827,576
Assets capitalised from WIP	79,316	1,446,055	3,842	7,029,307	883,818	161,088	(9,603,426)	-
Disposals	(120,000)	-	(1,786,758)	-	-	-	-	(1,906,758)
Revaluation adjustment to asset revaluation	177,859	812,073	-	(2,671,016)	(4,583,512)	350,798	-	(5,913,798)
Closing gross value as at 30 June 2015	3,449,500	52,231,254	13,789,646	188,822,590	11,579,670	15,948,012	2,460,903	288,281,575

Accumulated depreciation and impairment

Opening balance as at 1 July 2014	-	10,679,085	5,215,452	30,035,900	5,792,582	6,041,840	-	57,764,859
Depreciation provided in period	-	826,539	1,079,336	2,278,421	441,356	295,804	-	4,920,456
Depreciation on disposals	-	-	(1,043,737)	-	-	-	-	(1,043,737)
Revaluation adjustment to asset revaluation	-	11,389,008	-	(2,052,562)	(2,282,605)	(1,094,249)	-	5,959,592
Accumulated depreciation as at 30 June 2015	-	22,893,632	5,251,051	30,261,759	3,951,333	5,243,395	-	67,601,170

Consolidated book value as at 30 June 2015

	3,449,500	29,337,622	8,538,595	158,560,831	7,628,337	10,704,617	2,460,903	220,680,405
Range of estimated useful life in years	Land: Not depreciated. Improvements: 7 - 40	40 - 100	2 - 20	6 - 120	10 - 60	20 - 60	-	-

Blackall-Tambo Regional Council
Notes to the financial statements
For the year ended 30 June 2016

12 Fair value measurements

(i) Recognised fair value measurements

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

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

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

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

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

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

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

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

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

The table presents Council's assets and liabilities measured and recognised at fair value at 30 June 2016.

2016	Note	Level 2	Level 3	Total
		\$	\$	\$
Recurring fair value measurements				
Land and improvements		3,449,500	-	3,449,500
Buildings				
- Commercial Buildings		241,509	799,352	1,040,861
- Residential Buildings		3,486,508	-	3,486,508
- Other Buildings		1,494,001	22,714,879	24,208,880
Road, drainage and bridge network		-	152,676,818	152,676,818
Water		-	7,434,535	7,434,535
Sewerage		-	10,442,421	10,442,421
		<u>8,671,518</u>	<u>194,068,005</u>	<u>202,739,523</u>

Note 12 Fair value measurements (continued)

2015	Note	Level 2	Level 3	Total
		\$	\$	\$
Recurring fair value measurements				
Land and improvements		3,449,500	-	3,449,500
Buildings				
- Commercial Buildings		-	15,728,916	15,728,916
- Residential Buildings		5,555,001	-	5,555,001
- Other Buildings		-	8,053,705	8,053,705
Road, drainage and bridge network		-	158,560,831	158,560,831
Water		-	7,628,337	7,628,337
Sewerage		-	10,704,617	10,704,617
		<u>9,004,501</u>	<u>200,676,406</u>	<u>209,680,907</u>

The table below summarises the level of detail applied in determining the value of Council's assets as at 30 June 2016:

Asset Category	Valuation Effective 30 June 2016	Performed By	Effective Date of Last Comprehensive Valuation	Performed By
Land	Desktop	Shepherd Services Pty Ltd	30/06/2015	Shepherd Services Pty Ltd
Buildings	Desktop	Shepherd Services Pty Ltd	30/06/2015	Shepherd Services Pty Ltd
Road and Drainage Network	Comprehensive	Shepherd Services Pty Ltd	30/06/2016	Shepherd Services Pty Ltd
Water Infrastructure Network	Desktop	Shepherd Services Pty Ltd	30/06/2015	Shepherd Services Pty Ltd
Sewerage Infrastructure Network	Desktop	Shepherd Services Pty Ltd	30/06/2015	Shepherd Services Pty Ltd

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

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

Specific valuation techniques used to value Council assets comprise:

Land (level 2)

Level 2 valuation inputs are used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. All land values are based on the assumption that contaminants such as asbestos, chemicals, toxic wastes or other hazardous materials do not exist on these land parcels.

Note 12 Fair value measurements (continued)

Residential Buildings (level 2)

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

Commercial and Other Buildings (level 3)

With the exception of residential buildings described above, it is considered that Council buildings are of a specialist nature and there is no active market for these assets. As such, fair value is determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values are derived from reference to market data for recent projects and indices for building & construction in Queensland issued by the Australian Bureau of Statistics.

The net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. In determining the level of accumulated depreciation, building assets are disaggregated into significant components which exhibit different useful lives. Allowance is made for the typical asset life cycle and renewal treatments of each component and the condition of the asset. Condition is assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

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

Significant unobservable input	Range of inputs (2016)	Range of inputs (2015)	Relationship of unobservable input to fair value
Useful life	20 - 80 years	20 - 80 years	The higher the useful life, the higher the fair value.
Residual value (% GRC)	0%	0%	The higher the residual value percentage, the higher the fair value.

Infrastructure assets (level 3)

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

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

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

Note 12 Fair value measurements (continued)

1(a) Road and drainage network - calculation of written down current replacement cost

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. All roads are managed in segments according to surface type and age. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

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

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

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

The next full valuation of roads and drainage infrastructure is planned to occur in 2019.

Accumulated depreciation

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

Useful lives are determined via the following process:

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

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

Note 12 Fair value measurements (continued)

Where Council does not have accurate records of year of construction, and for older assets where an aged based approach for determining remaining life is not considered appropriate, remaining lives of assets are estimated utilising the following condition scoring system:

Rating	Description	% Asset Remaining
1	Excellent (only normal maintenance required)	100
2	Good (minor defects only/minor maintenance required up to 25%)	75
3	Average (significant maintenance required 50%)	50
4	Poor (requires replacement within next 1-2 years)	30
5	Asset failure (requires immediate replacement)	15

1(b) Road and drainage network – Sensitivity of valuation to unobservable inputs

As detailed above Council's road and drainage network has been valued using a written down current replacement cost methodology. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs (2016)	Range of inputs (2015)	Relationship of unobservable inputs to fair value
Standard material usage quantities	Varies depending upon the type of material	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (where applicable)	As specified above – 0 (lowest) to 6 (highest)	As specified above – 0 (lowest) to 6 (highest)	The higher the condition rating, the lower the fair value.
Useful life	6 - 120 years	6 - 120 years	The longer the useful life, the higher the fair value.
Residual value percentage (by component)	0% - 100%	0% - 100%	The higher the residual value percentage, the higher the fair value.

Water and Sewerage

Current replacement cost

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

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

Water and sewerage infrastructure fair values were determined by independent valuers, Shepherd Services Pty Ltd effective 30 June 2015.

Note 12 Fair value measurements (continued)

2(b) Water and Sewerage Infrastructure – Sensitivity of valuation to unobservable inputs

The method used to value Councils' water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs (2016)	Range of inputs (2015)	Relationship of unobservable inputs to fair value
Standard material usage quantities	Varies depending upon the type of material	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (where applicable)	0 – 5 as specified above where 0 is lowest and 5 is highest	0 – 5 as specified above where 0 is lowest and 5 is highest	The higher the condition rating, the lower the fair value.
Useful life	15 - 80 years	15 - 80 years	The longer the remaining useful life, the higher the fair value.
Residual value percentage (by component)	0%	0%	The higher the residual value the higher the fair value.

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

The changes in level 3 assets with recurring fair value measurements are detailed in Note 11 (property, plant and equipment). However, since the residential buildings disclosed in those notes comprise both level 2 and level 3 assets, the movement in level 3 buildings are detailed below. There were no transfers between levels 1 and 2, nor between levels 2 and 3.

Changes in buildings (Level 3)	2016	2015
	\$	\$
Opening gross value as at 1 July	38,375,444	43,355,988
Transfers between Levels	-	(8,238,645)
Additions	630,025	1,300,525
Disposals	(10,318)	(65,333)
Adjustments	251,748	-
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	2,022,909
Closing gross value as at 30 June	39,246,899	38,375,444
Accumulated depreciation and impairment		
Opening balance as at 1 July	14,592,823	6,808,404
Transfers between levels	-	(1,251,364)
Depreciation provided in period	1,011,602	571,049
Depreciation on disposals	(10,318)	(40,828)
Depreciation on adjustments	138,561	-
Revaluation adjustment to asset revaluation surplus	-	8,505,562
Accumulated depreciation as at 30 June	15,732,668	14,592,823
Book value as at 30 June	23,514,231	23,782,621

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2016

	2016	2015
Note	\$	\$
13 Trade and other payables		
Current		
Creditors and accruals	466,806	1,026,368
Annual leave	945,591	1,000,735
Other entitlements	42,690	77,793
	<u>1,455,087</u>	<u>2,104,896</u>
14 Borrowings		
Current		
Loans - Queensland Treasury Corporation	447,578	412,503
	<u>447,578</u>	<u>412,503</u>
Non-current		
Loans - Queensland Treasury Corporation	989,961	1,435,760
	<u>989,961</u>	<u>1,435,760</u>
Loans - Queensland Treasury Corporation		
Opening balance at beginning of financial year	1,848,263	2,245,697
Loans raised	-	-
Principal repayments	(410,724)	(397,434)
Book value at end of financial year	<u>1,437,539</u>	<u>1,848,263</u>
15 Provisions		
Current		
Long service leave	877,110	812,668
	<u>877,110</u>	<u>812,668</u>
Non-current		
Long service leave	190,027	190,027
	<u>190,027</u>	<u>190,027</u>
Details of Movements in provisions		
Balance at the beginning of financial year	1,002,695	967,235
Long Service Leave entitlement arising	283,079	115,212
Long Service Leave entitlement paid	(218,637)	(79,752)
Balance at end of financial year	<u>1,067,137</u>	<u>1,002,695</u>

Blackall-Tambo Regional Council

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16 Asset revaluation surplus	Note	2016 \$	2015 \$
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		113,496,188	125,369,578
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land and improvements		-	177,859
Buildings		117,425	(10,576,935)
Road, drainage and bridge network		(5,193,838)	(618,454)
Water		-	(2,300,907)
Sewerage		-	1,445,047
Balance at end of financial year		<u>108,419,775</u>	<u>113,496,188</u>
Net increase/(decrease) in Asset Revaluation Surplus		<u>(5,076,413)</u>	<u>(11,873,390)</u>

Asset revaluation surplus analysis

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

Land and improvements	3,315,884	3,315,884
Buildings	4,161,116	4,043,691
Road, drainage and bridge network	91,146,811	96,340,649
Water	4,820,731	4,820,731
Sewerage	4,975,233	4,975,233
	<u>108,419,775</u>	<u>113,496,188</u>

17 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2016 the financial statements of LGM Queensland reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$344,602.

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2016

18 Superannuation

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

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

The scheme has three elements referred to as:

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

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

The Accumulation Benefits Fund (ABF)

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

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

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

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

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

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

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

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

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

There are currently 69 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 69 councils. Blackall-Tambo Regional Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

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

Blackall-Tambo Regional Council

Notes to the financial statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
19 Trust funds			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		44,103	42,988
Security deposits		22,178	22,088
		<u>66,281</u>	<u>65,076</u>
<p>The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.</p>			
20 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities			
Net operating result		<u>(637,863)</u>	<u>7,317,454</u>
Non-cash operating items:			
Depreciation and amortisation		<u>5,494,412</u>	<u>4,920,456</u>
		<u>5,494,412</u>	<u>4,920,456</u>
Investing and development activities:			
Net (profit)/loss on disposal/write-off of non-current assets		2,442,658	139,501
Capital grants and contributions		<u>(3,163,362)</u>	<u>(3,805,598)</u>
		<u>(720,704)</u>	<u>(3,666,097)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(17,278)	2,004,677
(Increase)/decrease in inventory		182,301	(7,374)
Increase/(decrease) in payables		(649,809)	(2,513,108)
Increase/(decrease) in other provisions		<u>64,442</u>	<u>35,460</u>
		<u>(420,344)</u>	<u>(480,345)</u>
Net cash inflow from operating activities		<u>3,715,501</u>	<u>8,091,468</u>

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21 Financial instruments

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

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

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

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

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

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

Credit risk exposure

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

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

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

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

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

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

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

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

	Note	2016	2015
		\$	\$
Financial assets			
Cash and cash equivalents	9	11,302,002	10,209,644
Receivables - rates	10	100,727	50,579
Receivables - other	10	2,190,585	2,065,941
		<u>13,593,314</u>	<u>12,326,164</u>

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

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

Note 21 Financial instruments continued.

	2016	2015
	\$	\$
Less than 30 days	2,038,885	2,001,522
Past due 31-60 days NCI*	64,029	59,971
Past due 61-90 days NCI*	3,846	7,502
More than 90 days NCI*	182,861	45,834
More than 90 days CI*	1,691	1,691
Total	<u><u>2,291,312</u></u>	<u><u>2,116,520</u></u>

*NCI - Not considered impaired

*CI - Considered impaired

Liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
2016				
Trade and other payables	466,806	-	-	466,806
Loans - QTC	538,751	1,062,321	-	1,601,072
	<u>1,005,557</u>	<u>1,062,321</u>	<u>-</u>	<u>2,067,878</u>
2015				
Trade and other payables	1,026,368	-	-	1,026,368
Loans - QTC	528,334	1,593,874	-	2,122,208
	<u>1,554,702</u>	<u>1,593,874</u>	<u>-</u>	<u>3,148,576</u>

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

Interest rate risk

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

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

Council does not undertake any hedging of interest rate risk.

Sensitivity

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

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

Note 21 Financial instruments continued.

	Net Carrying	Effect on Net Result		Effect on Equity	
	Amount	1% increase	1% decrease	1% increase	1% decrease
2016	\$	\$	\$	\$	\$
Cash on Deposit	7,001,393	70,014	(70,014)	70,014	(70,014)
Loans QTC	(1,437,539)	(14,375)	14,375	(14,375)	14,375
Net Total	<u>5,563,854</u>	<u>55,639</u>	<u>(55,639)</u>	<u>55,639</u>	<u>(55,639)</u>
2015					
Cash on Deposit	10,114,814	101,148	(101,148)	101,148	(101,148)
Loans QTC	(1,848,263)	(18,482)	18,482	(18,482)	18,482
Net Total	<u>8,266,551</u>	<u>82,666</u>	<u>(82,666)</u>	<u>82,666</u>	<u>(82,666)</u>

Fair value

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

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

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

Blackall-Tambo Regional Council

Financial Statements

For the year ended 30 June 2016

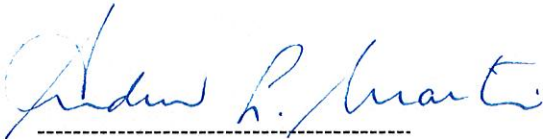
Management Certificate

For the year ended 30 June 2016

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

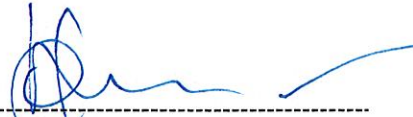
In accordance with Section 212(5) of the Regulation we certify that:

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



Mayor
Andrew L. Martin

Date: 12 / 10 / 2016



Chief Executive Officer
Christopher D. Blanch

Date: 12 / 10 / 2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Blackall-Tambo Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Blackall-Tambo Regional Council, which comprises the statement of financial position as at 30 June 2016, 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 certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Blackall-Tambo Regional Council for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Blackall-Tambo Regional Council

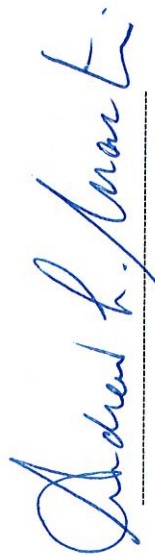
**Current-year Financial Sustainability Statement
For the year ended 30 June 2016**

Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Council's performance at 30 June 2016 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-7%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	95%	> 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-52%	< 60%

Certificate of Accuracy

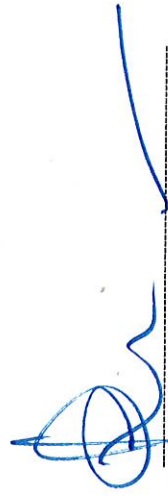
For the year ended 30 June 2016

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012 (the regulation)*.
In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.



Mayor
Andrew L. Martin

Date: 12 / 10 / 16



Chief Executive Officer
Christopher D. Blanch

Date: 12 / 10 / 2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Blackall-Tambo Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Blackall-Tambo Regional Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Blackall-Tambo Regional Council, for the year ended 30 June 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



J MACGREGOR CPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

**Blackall-Tambo Regional Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2016**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2016	Projected for the years ended										
				30 June 2017	31 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025		
Operating Surplus Ratio	Net result divided by total operating revenue	Between 0% and 10%	-7%	-2%	-2%	-3%	-3%	-4%	-4%	-4%	-4%	-4%	-5%	-6%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	> 90%	95%	107%	109%	97%	96%	98%	102%	101%	100%	102%	101%	100%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-52%	-52%	-56%	-58%	-60%	-61%	-61%	-60%	-58%	-61%	-60%	-59%

Blackall-Tambo Regional Council's Financial Management Strategy

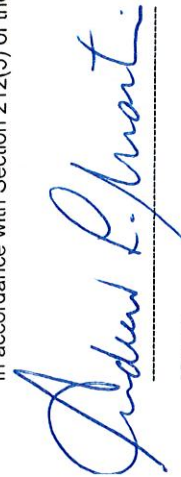
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial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

Certificate of Accuracy

For the unaudited long-term financial sustainability statement prepared as at 30 June 2016

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

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



 Mayor

Andrew L. Martin



 Chief Executive Officer

Christopher D. Blanch

Date: 12 / 10 / 16

Date: 12 / 10 / 2016