



Burdekin Shire Council



Financial Statements and Notes to the Accounts for the financial year 2013/14

BURDEKIN SHIRE COUNCIL

Financial Statements

For the year ended 30 June 2014

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Addendum to the financial statements

The following unaudited statements and reports are attached to provide additional information that the Council considers will provide the reader with more useful information in the process of interpreting these financial statements. These additional reports are not required under the Australian Accounting Standards and therefore do not form part of the audited financial statements.

- Statement of Appropriations
- Statement of Capital Funding
- Financial Ratios of the Accounts
- Statement of Actual Results
- Analysis of Cash Holdings

BURDEKIN SHIRE COUNCIL
Statement of Comprehensive Income
For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Income			
Revenue			
Recurrent revenue			
Rates and levies	3 (a)	33,616,935	32,076,962
Fees and charges	3 (b)	2,429,400	2,455,796
Interest received	3 (c)	1,762,399	1,621,654
Sales of contract and recoverable works	3 (d)	1,492,913	2,655,009
Other recurrent income	3 (e)	308,883	318,977
Grants, subsidies, contributions and donations	4 (i)	4,317,385	6,558,419
Total operating revenue		43,927,915	45,686,817
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	18,605,740	14,230,332
		18,605,740	14,230,332
Total revenue		62,533,655	59,917,149
Capital income	5	522,202	954,422
Total income	2 (b)	63,055,857	60,871,571
Expenses			
Recurrent expenses			
Employee benefits	7	(17,697,680)	(16,493,068)
Materials and services	8	(13,707,166)	(15,170,844)
Finance costs	9	(1,005,522)	(1,011,083)
Depreciation and amortisation	10	(9,392,873)	(8,953,737)
Total operating expenses		(41,803,241)	(41,628,732)
Capital expenses			
Other capital expenses	11	(12,606,857)	(2,497,041)
Total expenses	2 (b)	(54,410,098)	(44,125,773)
Net result		8,645,759	16,745,798
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus		11,923,938	14,399,588
Total other comprehensive income		11,923,938	14,399,588
Total comprehensive income for the period		20,569,697	31,145,386

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



BURDEKIN SHIRE COUNCIL

Statement of Financial Position

As at 30 June 2014

	Note	2014 \$	2013 \$
Current Assets			
Cash and cash equivalents	14	34,111,013	28,600,827
Investments	17	-	7,000,000
Trade and other receivables	15 (a)	2,804,216	4,814,922
Inventories	16	949,678	1,078,025
		<u>37,864,907</u>	<u>41,493,774</u>
Non-current assets classified as held for sale	18	264,250	264,250
Total current assets		<u>38,129,157</u>	<u>41,758,024</u>
Non-current Assets			
Trade and other receivables	15 (b)	198,134	261,602
Property, plant and equipment	19	461,629,061	434,958,141
Intangible assets	21	795,613	826,639
Total non-current assets		<u>462,622,808</u>	<u>436,046,382</u>
TOTAL ASSETS		<u>500,751,965</u>	<u>477,804,406</u>
Current Liabilities			
Trade and other payables	22	3,563,671	3,156,910
Provisions	23	242,020	215,387
Borrowings	24	1,410,696	1,504,506
Other	25	-	25
Total current liabilities		<u>5,216,387</u>	<u>4,876,828</u>
Non-current Liabilities			
Trade and other payables	22	603,252	572,077
Provisions	23	17,245,820	15,753,416
Borrowings	24	6,263,513	5,748,789
Total non-current liabilities		<u>24,112,585</u>	<u>22,074,282</u>
TOTAL LIABILITIES		<u>29,328,972</u>	<u>26,951,110</u>
NET COMMUNITY ASSETS		<u>471,422,993</u>	<u>450,853,296</u>
Community Equity			
Council capital	26	183,774,819	170,352,452
Asset revaluation surplus	27	257,218,107	245,294,169
Retained surplus (deficiency)	28	31,774	14,051
Reserves	29	30,398,293	35,192,624
TOTAL COMMUNITY EQUITY		<u>471,422,993</u>	<u>450,853,296</u>

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



BURDEKIN SHIRE COUNCIL Statement of Changes in Equity

For the year ended 30 June 2014

	Total		Retained surplus (deficit)		Reserves		Asset revaluation surplus		Council capital	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of year	450,853,296	419,707,910	14,051	22,589	35,192,624	24,480,912	245,294,169	230,894,581	170,352,452	164,309,828
Net result	8,645,759	16,745,798	8,645,759	16,745,798	-	-	-	-	-	-
Other comprehensive income for the year										
Increase / (decrease) in asset revaluation surplus	12,558,307	12,660,978	-	-	-	-	12,558,307	12,660,978	-	-
Change in value of future rehabilitation costs	(634,369)	1,738,610	-	-	-	-	(634,369)	1,738,610	-	-
Total comprehensive income for the year	20,569,697	31,145,386	8,645,759	16,745,798	-	-	11,923,938	14,399,588	-	-
Transfers (to) from retained earnings to capital	-	-	9,282,640	(268,813)	-	-	-	-	(9,282,640)	268,813
Transfers (to) from retained earnings and recurrent reserves	-	-	843,364	(1,112,705)	(843,364)	1,112,705	-	-	-	-
Transfers (to) from capital reserves and capital	-	-	(18,754,040)	(15,372,818)	(3,950,967)	9,599,007	-	-	22,705,007	5,773,811
Net transfers in the year	-	-	(8,628,036)	(16,754,336)	(4,794,331)	10,711,712	-	-	13,422,367	6,042,624
Balance at end of year	471,422,993	450,853,296	31,774	14,051	30,398,293	35,192,624	257,218,107	245,294,169	183,774,819	170,352,452

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



BURDEKIN SHIRE COUNCIL

Statement of Cash Flows

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities:			
Receipts			
General rates and utility charges		33,710,668	32,037,982
Rental and levies, fees and charges		2,737,346	2,503,597
Other income		3,499,131	1,221,754
GST received		2,348,062	2,013,623
Receipts from customers		42,295,207	37,776,956
Operating grants, subsidies, contributions and donations		4,317,385	6,558,419
Interest received		1,722,172	1,708,130
Payments			
Payments for materials and services		(13,343,998)	(15,938,705)
Payment to employees		(17,251,977)	(16,008,029)
GST paid		(2,395,422)	(1,916,234)
Payments to suppliers and employees		(32,991,397)	(33,862,968)
Interest expense		(395,517)	(465,711)
Net cash inflow (outflow) from operating activities	35	14,947,850	11,714,826
Cash flows from investing activities:			
Commonwealth Government grants		457,563	457,560
State Government subsidies and grants		17,948,636	12,997,570
Capital contributions		199,541	208,619
Payments for property, plant and equipment		(35,819,517)	(15,410,113)
Payments for intangible assets		(98,645)	(63,641)
Net transfer (to) from cash investments	17	7,000,000	(5,000,000)
Proceeds from sale of property, plant and equipment	6	385,533	355,665
Proceeds from sale of non-current assets as held for sale	6	-	146,455
Net movement in loans to community organisations		68,311	66,300
Net cash inflow (outflow) from investing activities		(9,858,578)	(6,241,585)
Cash flows from financing activities:			
Proceeds from borrowings	24	1,920,000	415,000
Repayment of borrowings	24	(1,499,086)	(1,563,351)
Net cash inflow (outflow) from financing activities		420,914	(1,148,351)
Net increase (decrease) in cash and cash equivalents held		5,510,186	4,324,890
Cash and cash equivalents at beginning of the financial year		28,600,827	24,275,937
Cash and cash equivalents at end of the financial year	14	34,111,013	28,600,827

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



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

1.2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.3 Constitution

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

1.4 Date of authorisation

The financial statements are authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed.

1.5 Currency

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

1.6 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. However the application of AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 for the first time this year has resulted in greater disclosures.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on or after:
AASB 9 Financial Instruments (December 2009)	1 January 2017
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1 January 2015
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 January 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Refer Title column

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AASB 2014-1 Amendments to Australian Accounting Standards [Operative dates: Part A-C – 1 Jul 2014; Part D – 1 Jan 2016; Part E – 1 Jan 2015]	Refer Title column
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 and AASB 138]	1 January 2016
Interpretation 21 Levies	1 January 2014

AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9, which replaces AASB 139 Financial Instruments: Recognition and Measurement, is effective for reporting periods beginning on or after 1 January 2015 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.

1. 7 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 and depreciation of property, plant and equipment - note 1.15 and note 20
- Impairment of property, plant and equipment - note 1.18 and note 19
- Provisions - note 1.20, note 1.22 and note 23
- Contingencies - note 32
- Impairment of receivables - note 1.11 and note 15

1. 8 Revenue

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

1. 8 (a) 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.

1. 8 (b) 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. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the Constrained grants, subsidies and contributions reserve.

Council usually spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose. Any identified unspent recurrent grant monies are transferred to the Recurrent maintenance reserve.

1. 8 (c) Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on Council maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.



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Notes to the Financial Statements

For the year ended 30 June 2014

1. 8 (d) Cash contributions

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

1. 8 (e) Interest

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

1. 8 (f) Sales of contract and recoverable works

The Council generates revenues from contracts for construction and maintenance on roads, supporting infrastructure and vegetation management. Revenue from contracts and recoverable works generally comprises a recoupment of all costs associated with the completion of the project or activity as quantified. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued for completed works or upon reaching an agreed work milestone as applicable. The contract work carried out is not subject to retentions.

1. 8 (g) Fees and Charges

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. 9 Financial assets and 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.

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

Financial assets

Cash and cash equivalents (note 1.10)

Receivables - measured at amortised cost less any impairment (note 1.11)

Financial liabilities

Payables - measured at amortised cost (note 1.19)

Borrowings - measured at amortised cost (note 1.21)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 39.

1. 10 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 and 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.

1. 11 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 its fair value.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written-off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

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Notes to the Financial Statements

For the year ended 30 June 2014

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of ten years. Interest may be charged on default. Security is not normally obtained.

1. 12 Inventories

Inventories held for distribution (internal consumption) are:

- goods to be supplied at no, or nominal charge, and
- goods to be used for the provision of services at no, or nominal charge.

Inventory for distribution is valued at weighted average cost, adjusted when applicable for any loss of service potential.

1. 13 Non-current assets held for sale

Items of property, plant and equipment are reclassified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

1. 14 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2014 Council did not have any term deposits in excess of three months.

1. 15 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 property, plant and equipment with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Burdekin Shire Council was required as part of the condition of receiving capital grant funds of \$1,050,000 from the Department of Communities to mortgage as security a parcel of freehold land and improvements. It is not envisaged that Council will breach the contract.

The classes of property, plant and equipment recognised by the Council are reported in note 19.

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

(b) Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity 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.

(c) Valuation

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



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Notes to the Financial Statements

For the year ended 30 June 2014

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 buildings, land, bridges, other assets and specific water and sewerage assets at least once every 3 - 5 years. This process involves the valuer physically sighting all assets specifically listed in these asset classes and making their own assessments of the condition of the assets at the date of inspection.

Council staff valued the road components (seal, pavement and subgrade) using rates derived from the Roads Alliance Valuation Project (RAVP) modified for Burdekin Shire Council using the local adjustment tool. All other infrastructure assets are valued by Council staff considering either actual rates of construction or first principles. First principles is based on the current plant hire and wage rates, material costs and agreed installation rates. Condition of these infrastructure assets is assessed by Council staff using a combination of methodology depending on the infrastructure asset. The condition can be assessed by either Council staff or a contractor physically sighting a sample of assets or by using aged based analysis. Process guidelines, maintenance history and regular inspection reports are also considered.

In the intervening years, with respect to the valuation of land, buildings, other assets, bridges and specific water and sewerage assets, 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 to apply to each of these asset classes. Council staff assesses the cost assumptions associated with all other infrastructure assets taking into consideration additions, deletions and changes to assumptions such as useful life, residual value and condition rating.

Council assesses the materiality of the movement in the internal unit rates and relevant indices for each asset class. If the movement is material (+/- 5%) Council will revalue by the applicable internal unit rate or index.

Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in note 20.

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

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

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

(d) Capital work in progress

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

(e) 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 the 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 except for roads and drainage which are capitalised on a quarterly basis.

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

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

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



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

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 depreciated 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 shown in note 19.

(f) Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. Freehold land under roads which is controlled by Council and acquired prior to 1 July 2008 is recognised at fair value.

Land under the road network within the Council area that has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

1. 16 Intangible Assets

Intangible assets with a cost or other value exceeding \$5,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in note 21.

1. 17 Biological assets

The Council operates a nursery to produce bedding plants and trees for its own use. In view of the immaterial nature of this operation the accounting procedures related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

1. 18 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, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. 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 the Statement of Comprehensive Income, 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. 19 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. 20 Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

(a) 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 and is included in note 22 as a payable.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

(b) **Annual leave**

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

This liability represents an accrued expense as is reported in note 22 as a payable.

(c) **Sick leave**

Sick leave taken in the future will be met by future entitlements and hence no recognition of accrued sick leave entitlements have been made in these financial statements. No entitlement vests with the employee on termination.

(d) **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 33.

(e) **Long service leave**

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

This liability is reported in note 23 as a provision.

1. 21 Borrowings 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. 22 Restoration provision

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

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

Restoration on land not controlled by Council

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



BURDEKIN SHIRE COUNCIL
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Restoration on land controlled by Council

Restoration sites that are situated on Council controlled land and are classified as land and improvement assets. The provision for restoration is, therefore, included in the cost of the land and amortised over the expected useful life. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus for land and improvements. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases (if any).

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

The Council has the following restoration provisions:

(a) Refuse sites

The provision represents the present value of the anticipated future costs associated with the closure of the refuse sites and decontamination on these sites.

The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred.

The provision recognised for refuse sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the sites will require remediation during the period 2020 to 2030 with the major site representing 2030.

1. 23 Council capital

In accordance with AASB 101 paragraphs 5 and 6 the following disclosure is provided as the Council considers such presentation is relevant to the understanding of the Council's financial performance.

The Council's capital account at the reporting date, represents the amount the community has invested in capital assets to deliver future services, plus any equity and property investments it holds, less the amount it has borrowed to fund these assets. At the creation of the Council any operating assets and liabilities that were required to be recognised, were brought to account through the capital account.

The maintenance of the Council's capital capacity is fundamental to its long-term sustainability to continue to deliver essential services to the community. Therefore it has been separately identified and the change in value is reported in the Statement of Changes in Equity and note 26.

1. 24 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 reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1. 25 Retained surplus (deficit)

The retained surplus represents that part of the Council's equity, that corresponds to the amount of cash (reported within cash and cash equivalents) that is held for this purpose, and has not been restricted to meet specific future funding needs at the reporting date. These funds are available as a general funding source in future years. A retained deficit represents an overall funding shortfall which needs to be recovered in future years to maintain a fully funded position.

BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

1. 26 Reserves held for funding future capital expenditure

These are cash backed reserves and represent funds, from revenue sources, that are accumulated to meet anticipated future capital asset funding requirements. In each case the amount relates to a perceived future requirement which is not currently a liability.

Future capital sustainability reserve

Where the Council has accumulated unspent cash arising from the funding of depreciation, (i.e. revenues have been received to fund the write-down in the capital assets value through use (depreciation)), but this cash has not been reinvested in capital assets at the reporting date; the Council restricts the future use of this cash to debt redemption and capital asset purchases only, to ensure the maintenance of its capital capacity to deliver future services (future sustainability). The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) that is held for this purpose.

Further details can be found in note 29 (a).

Unspent loan cash reserve

The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received in respect of approved loan funds from Queensland Treasury Corporation that have been drawn down but not expended on the specific capital projects. As the funds are expended they are transferred to the Council's capital account. Refer notes 14 and 29 (a).

Constrained grants and subsidy contributions reserve

The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received in respect of capital works where the required capital works have not yet been carried out. Where non-reciprocal grants, subsidies and contributions are received for specific capital projects, amounts equivalent to the capital grants received are transferred from Retained surplus to the Constrained works reserve. When the grant monies are expended on the respective projects, an equivalent amount is transferred out of the Constrained works reserve to Council capital.

The closing balance is also identified as restricted cash held at balance date in note 14.

Grants, subsidies and contributions reimbursed reserve

This reserve is credited with grants, subsidies and contributions of monetary revenue received during the reported period which the Council has identified as being a reimbursement of capital funds expended in a prior period.

Water reserve

This reserve was created and holds funds to contribute to the future replacement of the Council's water infrastructure and to provide a contingency amount to offset any major unforeseen water supply works as required.

Sewerage reserve

This reserve was created and holds funds to contribute to the future replacement of the Council's sewerage infrastructure and to provide a contingency amount to offset any major unforeseen sewerage supply works as required.

Capital Maintenance reserve

This reserve was created to contribute to the future replacement of Council's general infrastructure such as buildings, swimming pools, etc.

Carryover Capital Works reserve

This reserve was created to hold carryover revenue funds for capital works yet to be completed.

1. 27 Reserves held for funding future recurrent expenditure

These are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future recurrent or operating expenditure needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

Recurrent maintenance reserve

This reserve was created to contribute to future funding for operational and recurrent expenditure across Council and to provide a contingency amount to offset any major unforeseen expenditures as required.



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

1. 28 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. 29 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 the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

For details see note 34.

1. 30 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.



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

2 Analysis of results by function

(a) Components of Council functions

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

Administration Services

Deliver responsible governance, efficient service and administrative support for Council's operations and strategic initiatives. The services include recruitment, training and development, employee relations, public relations, computing services, secretarial and minutes support, records management, quality assurance, Council properties management, economic development, revenue, purchasing, creditors, payroll, debtors, stores, budgeting, financial reporting, debt management, taxation, financial, asset and systems management.

Community and Cultural Services

Council's community and cultural services objective is to provide a broad range of cultural, recreation and sport facilities, welfare and area promotion. The services include libraries, theatre, memorial hall, art and cultural activities, recreation and sport facilities, area promotion and welfare.

Development Services

Development services aim to ensure all new development outcomes meet regulatory obligations including relevant Acts, the Planning Scheme, Building Codes, Council Policies and Local Laws. Development services comprises of development administration, town planning, building services and plumbing.

Environmental Services

Environmental services objectives are to preserve, protect and restore the natural man made environment for current and future generations and encourage environmental responsibility throughout the community. The services include health administration, health inspection, by-law enforcement, animal control, parks, caravan parks, street cleaning, public conveniences, beach restoration, cemeteries, CBD beautification and swimming pools.

Engineering Services

Council provides a number of services to the community including disaster management, transport, drainage and flood mitigation and warning systems. The objectives of these services are the provision of a transport network capable of safe and convenient traffic movement between properties, regional, arterial and local roads; drainage systems to collect and convey stormwater runoff safely to prevent inundation of habitable floor areas; the operation of the Burdekin and Haughton River flood warning systems to provide adequate notice of flood events; flood mitigation works to minimise the extent of flooding within the Shire and the provision of disaster management operations to ensure that community risks relating to disaster events or events that affect the wellbeing of the community are identified and effectively managed. The engineering section is responsible for the development and maintenance of an asset management framework to ensure Council delivers infrastructure related services at the appropriate levels of service in the most cost effective manner. Other services include aerodromes, boat ramps, recoverable works (RMPC and River Trust), depot and workshop operations and plant management.

Waste

Waste management services aim to provide efficient and compliant waste infrastructure and services including refuse services, waste disposal and collection and waste management and education.

Sewerage

Council provides retail sewerage services to the towns of Ayr, Brandon and Home Hill. The objectives of the service is to provide disposal and treatment of commercial, industrial and domestic sewage with the principles of environmental sustainability and in a manner which safeguards public health and is consistent with Council's responsibilities and obligations under Queensland legislation. The services include the collection of sewage from all customers within Council's adopted service areas via reticulation networks including pumps stations, gravity and pressure sewers, and the treatment of the waste to a standard acceptable by the regulator.

Water

Council provides potable water supply service to the towns of Ayr, Brandon, Home Hill and Giru and also to the rural residential settlement of Mt Kelly and the beachside settlement of Alva. The objectives of the service provision is to provide an adequate supply of quality drinking water which complies with the Water Supply (Safety and Reliability) Act 2008 and the Public Health Act 2005 and Public Health Regulation 2005. The services include the pumping and treatment of raw water and the supply to all connected customers via reticulation systems, individual property connections and meters.



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

2 Analysis of results by function

(b) Revenue, expenses and assets have been attributed to the following functions:

Functions	Income		Total income	Total expenses	Net result	Assets
	Grants	Other				
	2014 \$	2014 \$				
Administration Services	1,345,707	23,934,003	25,279,710	8,232,773	17,046,937	57,428,265
Community and Cultural Services	769,470	70,913	840,383	3,218,399	(2,378,016)	20,740,500
Development Services	-	893,673	893,673	1,312,820	(419,147)	-
Environmental Services	54,977	1,234,758	1,289,735	5,696,170	(4,406,435)	7,834,139
Engineering Services	20,218,188	2,238,807	22,456,995	24,896,671	(2,439,676)	352,099,895
Waste	-	3,927,679	3,927,679	3,894,443	33,236	7,973,140
Sewerage	-	4,092,041	4,092,041	3,660,993	431,048	34,724,041
Water	165,677	4,109,964	4,275,641	3,497,829	777,812	19,951,985
Total	22,554,019	40,501,838	63,055,857	54,410,098	8,645,759	500,751,965

Prior Year

Functions	Income		Total income	Total expenses	Net result	Assets
	Grants	Other				
	2013 \$	2013 \$				
Administration Services	2,412,509	23,201,655	25,614,164	7,860,303	17,753,861	61,486,564
Community and Cultural Services	220,491	49,917	270,408	3,443,149	(3,172,741)	20,716,283
Development Services	-	943,167	943,167	1,217,728	(274,561)	-
Environmental Services	1,000	1,189,841	1,190,841	5,311,863	(4,121,022)	8,112,471
Engineering Services	17,055,841	4,141,467	21,197,308	15,140,436	6,056,872	323,569,447
Waste	-	3,562,459	3,562,459	3,822,528	(260,069)	8,322,723
Sewerage	-	4,200,773	4,200,773	3,521,176	679,597	35,608,030
Water	-	3,892,451	3,892,451	3,808,590	83,861	19,988,888
Total	19,689,841	41,181,730	60,871,571	44,125,773	16,745,798	477,804,406



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Notes to the Financial Statements
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		2014	2013
	Note	\$	\$
3 Revenue analysis			
(a) Rates and levies	1.8(a)		
General rates		23,067,238	24,530,033
Separate rates		107,918	259,226
Environmental levy		264,676	144,859
Water		3,530,936	3,547,627
Sewerage		3,476,863	3,720,628
Garbage charges		3,445,764	3,437,197
Rates and utility charge revenue		33,893,395	35,639,570
Less: Discounts		(148)	(3,285,271)
Less: Pensioner remissions		(276,312)	(277,337)
Net rates and utility charges		33,616,935	32,076,962
(b) Statutory fees and charges			
Building and development fees		891,322	940,557
Caravan Parks		443,050	456,381
Animal management		183,513	183,890
Cemetery fees		109,539	93,845
Waste disposal		335,665	320,504
Trade waste		119,745	124,149
Licences and permits		63,769	90,398
Other fees and charges		282,797	246,072
		2,429,400	2,455,796
(c) Interest received			
Investments		1,568,714	1,558,251
Over due rates and utility charges		193,685	63,403
		1,762,399	1,621,654
(d) Sales of contract and recoverable works			
Transport and Main Roads		1,299,099	1,983,721
Burdekin Shire Rivers Improvement Trust		3,939	518,770
Street lighting		145,839	118,078
Private works		44,036	34,440
		1,492,913	2,655,009
The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.			
The contract work carried out is not subject to retentions.			
(e) Other recurrent income			
Other income		308,883	318,977
		308,883	318,977
4 Grants, subsidies, contributions and donations	1.8(b)		
(i) Recurrent - grants, subsidies, contributions and donations are analysed as follows:			
General purpose grants		1,309,207	2,375,509
State Government subsidies and grants		2,838,613	3,859,202
Contributions		169,565	323,708
Total recurrent revenue		4,317,385	6,558,419

The first two quarters of the 2014 Financial Assistance Grant for the amount of \$1,612,461 was paid to Council in June 2013. Grant funds received under Natural Disaster Relief and Recovery Arrangements have been included in State Government subsidies and grants above and further details are provided in note 37.

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Notes to the Financial Statements
For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
(ii) Capital - grants, subsidies, contributions and donations are analysed as follows:			
(a) Monetary revenue designated for capital funding purposes:			
Commonwealth Government grants		457,563	457,560
State Government subsidies and grants		17,948,636	12,997,570
Contributions		199,541	208,619
		<u>18,605,740</u>	<u>13,663,749</u>
(b) Non-monetary revenue received is analysed as follows:	1.8(c)		
Developer assets contributed by developers at fair value		-	566,583
		<u>-</u>	<u>566,583</u>
Total capital revenue		<u>18,605,740</u>	<u>14,230,332</u>
Grant funds received under Natural Disaster Relief and Recovery Arrangements have been included in State Government subsidies and grants above and further details are provided in note 37.			
(iii) Conditions over contributions			
Grants and contributions which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:			
Grants for infrastructure		1,211,384	7,381,365
Contributions for infrastructure		-	49,873
		<u>1,211,384</u>	<u>7,431,238</u>
Grants and contributions which were recognised as revenues during a previous reporting period and were expended during the current reporting period.			
Grants for infrastructure		7,377,012	50,000
Contributions for infrastructure		10,276	4,500
		<u>7,387,288</u>	<u>54,500</u>
5 Capital income			
Gain on the disposal of capital assets	6	-	53,462
Gain arising from recognising assets that were not previously recognised	38	522,202	897,266
Reduction in rehabilitation provision due to the change in the estimated future cost on land not controlled by Council	1.22(a)	-	3,694
		<u>522,202</u>	<u>954,422</u>
6 Gain (loss) on the disposal of capital assets			
(a) Proceeds from sale of non-current assets held for sale		-	146,455
Less: Carrying value of asset sold		-	(54,000)
		<u>-</u>	<u>92,455</u>
(b) Proceeds from the sale of plant and equipment		361,833	312,483
Less: Book value of plant and equipment sold		(381,269)	(325,414)
		<u>(19,436)</u>	<u>(12,931)</u>
(c) Proceeds from the sale of land and buildings		20,700	43,182
Less: Book value of land and buildings sold		(43,794)	(69,244)
		<u>(23,094)</u>	<u>(26,062)</u>

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For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
(d) Proceeds from sale of other assets		3,000	-
Less: Book value of other assets sold		(9,251)	-
		(6,251)	-
Total gain (loss) on the disposal of capital assets	5 & 11	(48,781)	53,462
7 Employee benefits			
Total staff wages and salaries		13,872,528	13,137,618
Councillors' remuneration		378,015	373,501
Annual, sick and long service leave entitlements		3,015,619	2,696,555
Superannuation	33	1,824,205	1,689,594
		19,090,367	17,897,268
Other employee related expenses		517,574	473,022
		19,607,941	18,370,290
Less: Capitalised employee expenses		(1,910,261)	(1,877,222)
		17,697,680	16,493,068
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees:			
Elected members		7	7
Administration staff		106	107
Depot and outdoors staff		127	126
Total full time equivalent employees		240	240
8 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		56,250	101,455
Audit of projects by Brett Schreiber and Associates		450	-
Audit of projects by First Reserve Financial		-	687
Audit of Quality Management System by Certex International		5,312	15,919
Contract payments		2,157,359	2,281,741
Electricity		1,657,016	1,362,899
Materials		1,470,054	2,542,650
Plant hire external		2,555,205	3,977,701
Trade/contract services		1,328,983	1,074,467
Plant and equipment expenses		1,289,521	1,289,903
Other material and services		3,187,016	2,523,422
		13,707,166	15,170,844
Expenditure incurred under Natural Disaster Relief and Recovery Arrangements have been included in materials and services above and further details are provided in note 37.			
9 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		395,517	465,711
Bank charges		42,263	37,919
Impairment of receivables and bad debts written-off		(1,586)	2,358
Refuse sites - change in PV over time		569,328	505,095
		1,005,522	1,011,083

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Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
10 Depreciation and amortisation	1.15(e)		
(a) Depreciation of non-current assets			
Land and Improvements		371,084	371,084
Buildings		1,583,600	1,619,674
Plant and Equipment		1,065,470	998,034
Leasehold Improvements		13,050	13,050
Transport		3,566,558	3,380,806
Water		490,440	508,411
Sewerage		1,169,260	1,127,486
Drainage		369,453	199,598
Other Assets		637,430	621,617
		<u>9,266,345</u>	<u>8,839,760</u>
(b) Amortisation of other intangible assets			
Computer software		126,528	113,359
Other intangible asset		-	618
		<u>126,528</u>	<u>113,977</u>
Total depreciation and amortisation		<u>9,392,873</u>	<u>8,953,737</u>
11 Capital expenses			
Loss on the sale of capital assets	6	48,781	-
Loss on write-off of capital assets	12	12,531,590	2,487,291
Loss on impairment of capital assets	13	-	9,750
Increase in rehabilitation provision for future costs, on land not controlled by Council, due to a change in discount rate	1.22(a)	26,486	-
Total capital expenses		<u>12,606,857</u>	<u>2,497,041</u>
12 Loss on write-off of capital assets are as follows:			
Buildings		12,627	57,074
Plant and Equipment		3,036	2,186
Transport		12,424,535	1,697,592
Water		68,508	618,207
Sewerage		16,210	25,171
Drainage		3,531	23,326
Other Assets		-	63,735
Computer Software		3,143	-
	11	<u>12,531,590</u>	<u>2,487,291</u>
13 Loss on impairments			
Impairment adjustment of assets classified as held for sale	18	-	9,750
The loss on impairment arises because on transfer of land from property, plant and equipment it is no longer measured at its fair value but at fair value less disposal costs. The impairment loss is the estimated amount of the disposal costs.			
14 Cash and cash equivalents	1.10		
Cash at bank and on hand		3,128,885	1,245,144
Deposits at call		8,982,128	25,355,683
Term deposits		22,000,000	2,000,000
Total cash and cash equivalents per cash flow statement		<u>34,111,013</u>	<u>28,600,827</u>
Cash investments held	17	-	7,000,000
Total cash assets		<u>34,111,013</u>	<u>35,600,827</u>

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Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:			
Externally imposed expenditure restrictions at the reporting date relate to the following assets:			
Unspent loan monies	29 (a) (ii)	866,749	941,945
Unspent government grants and subsidies	29 (a) (iii)	1,234,126	7,407,037
Unspent developer contributions	29 (a) (iii)	190,276	200,553
Total unspent restricted cash held in reserves	29	2,291,151	8,549,535
Cash in the operating bank account is held with Queensland Country Credit Union. Investment cash is held with the Queensland Treasury Corporation and other financial institutions.			
15 Trade and other receivables	1.11		
(a) Current			
Rateable revenue and utility charges		991,316	1,179,860
Water charges yet to be levied		567,886	473,075
Fees and charges		836,678	1,146,890
Accrued interest		50,364	10,137
GST recoverable		116,634	69,274
Other debtors		5,633	1,702,993
Less: Impairment provision		(3,977)	(7,829)
		2,564,534	4,574,400
Prepayments		170,888	166,222
Loans and advances to community organisations		68,794	74,300
		2,804,216	4,814,922
(b) Non-current			
Prepayments		179	842
Loans and advances to community organisations		197,955	260,760
		198,134	261,602
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
All loans and advances relate to loans made to various community bodies. These loans arise from time to time. The credit risk on these loans is considered low.			
Movement in accumulated impairment losses (trade and other receivables) is as follows:			
Opening balance		7,829	5,660
Impairment adjustment during year		(3,852)	2,169
Closing balance		3,977	7,829
16 Inventories	1.12		
Current			
Inventories for internal use:			
Stores and raw materials		949,678	1,078,025
		949,678	1,078,025
Valued at cost, adjusted when applicable for any loss of service potential.			
17 Investments			
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted		-	7,000,000
		-	7,000,000

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BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

	2014	2013
Note	\$	\$
18 Non-current assets classified as held for sale		
Opening balance at valuation	264,250	54,000
Internal transfer from land and improvements	-	274,000
Disposal - value of asset sold	-	(54,000)
Impairment adjustment	-	(9,750)
	<u>264,250</u>	<u>264,250</u>

Council has decided to sell two parcels of land as they are no longer required and these have been transferred from Land to non-current assets classified as held for sale. These parcels of land were placed for sale with real estate agents last financial year however they are expected to be sold within the next financial year.

The land is valued at the lower of carrying value and fair value less cost to sell.

Further information about the valuation techniques used to derive fair value are included in note 20.

Financial Statements

BURDEKIN SHIRE COUNCIL Notes to the Financial Statements For the year ended 30 June 2014

19 Property, plant and equipment

Basis of measurement

Asset Values

Opening gross value as at 1 July 2013
Minor correction to opening balance
Additions at cost
Internal transfers from work in progress
Disposals
Write-offs
Revaluation adjustment to the ARS*
Closing gross value as at 30 June 2014

Land and Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
23,946,126	65,799,278	12,720,658	100,095	377,087,388	37,336,151	71,257,000	27,637,612	21,024,960	4,690,504	591,594,772
-	-	-	-	512,101	14,595	5,820	453,850	-	-	986,366
16,400	183,074	1,625,618	-	25,374,898	73,284	160,523	625,726	153,457	7,606,537	35,819,517
-	514,533	5,846	-	2,353,819	-	148,286	160,342	105,502	(3,288,328)	-
-	(130,000)	(1,042,640)	-	-	-	-	-	(20,000)	-	(1,192,640)
-	(305,000)	(187,619)	-	(14,679,860)	(158,626)	(113,990)	(5,650)	-	-	(15,450,745)
-	-	-	-	17,999,414	-	-	2,802,649	-	-	20,802,063
23,962,526	66,061,885	13,121,863	100,095	358,647,760	37,265,404	71,452,639	31,674,529	21,263,919	9,008,713	632,559,333

Accumulated depreciation and impairment

Opening balance as at 1 July 2013
Minor correction to opening balance
Depreciation provided in period
Depreciation on disposals
Depreciation on write-offs
Revaluation adjustment to the ARS*
Accumulated depreciation as at 30 June 2014

Land and Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,817,536	32,190,492	5,037,150	75,038	40,571,929	17,404,579	35,792,256	9,562,027	9,185,624	-	156,636,631
-	-	-	-	262,358	259	1,364	200,183	-	-	464,164
371,084	1,583,600	1,065,470	13,050	3,566,558	490,440	1,169,260	369,453	637,430	-	9,266,345
-	(86,206)	(661,371)	-	-	-	-	-	(10,749)	-	(758,326)
-	(292,373)	(184,583)	-	(2,255,325)	(90,118)	(97,780)	(2,119)	-	-	(2,922,298)
-	-	-	-	7,180,735	-	-	1,063,021	-	-	8,243,756
7,188,620	33,395,513	5,256,666	88,088	49,326,255	17,805,160	36,865,100	11,192,565	9,812,305	-	170,930,272

Total written-down value as at 30 June 2014

Land and Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
16,773,966	32,666,372	7,865,197	12,007	309,321,505	19,460,244	34,587,539	20,481,964	11,451,614	9,008,713	461,629,061

Residual value

Range of estimated useful life in years
Addition of renewal assets
Addition of other assets
Total additions in period

Land and Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	296,400	2,762,316	-	1,777,564,992	-	-	197,708	-	-	181,012,916
35 - 100	20 - 80	1.5 - 45	8	12 - 100	15 - 120	10 - 80	5 - 100	5 - 90	-	-
-	94,336	1,589,198	-	16,655,797	14,063	160,523	236,341	5,700	3,023,249	21,779,207
16,400	88,738	36,420	-	8,719,101	59,221	-	389,385	147,757	4,583,288	14,040,310
16,400	183,074	1,625,618	-	25,374,898	73,284	160,523	625,726	153,457	7,606,537	35,819,517

* ARS denotes - Asset Revaluation Surplus

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Financial Statements

BURDEKIN SHIRE COUNCIL Notes to the Financial Statements

For the year ended 30 June 2014

19 Property, plant and equipment - prior year

Basis of measurement

Asset Values

Opening gross value as at 1 July 2012
Minor correction to opening balance
Additions at cost
Contributed assets at valuation
Internal transfers from work in progress
Disposals
Write-offs
Revaluation adjustment to the ARS*
Internal transfers between asset classes
Closing gross value as at 30 June 2013

Land & Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
24,289,370	65,771,869	12,317,835	100,095	316,658,778	38,673,300	67,233,380	14,879,055	20,493,649	3,459,424	563,876,755
-	-	-	-	776,729	77,677	99,071	60,439	-	-	1,013,916
-	326,859	1,432,641	-	7,593,825	152,126	1,121,183	365,913	389,822	4,027,744	15,410,113
-	-	-	-	28,464	34,976	61,943	441,200	-	-	566,583
-	95,219	10,628	-	2,166,772	18,610	206,541	125,662	173,232	(2,796,664)	-
(69,244)	-	(885,341)	-	-	-	-	-	-	-	(954,585)
-	(944,000)	(155,105)	-	(1,911,159)	(1,201,861)	(96,550)	(44,063)	(74,544)	-	(4,427,282)
-	549,331	-	-	1,780,038	(418,677)	2,626,432	11,803,347	42,801	-	16,383,272
(274,000)	-	-	-	(6,059)	-	-	6,059	-	-	(274,000)
23,946,126	65,799,278	12,720,658	100,095	377,087,388	37,336,151	71,252,000	27,637,612	21,024,960	4,690,504	591,594,772

Accumulated depreciation and impairment

Opening balance as at 1 July 2012
Minor correction to opening balance
Depreciation provided in period
Depreciation on disposals
Depreciation on write-offs
Revaluation adjustment to the ARS*
Accumulated depreciation as at 30 June 2013

Land & Improvements	Buildings	Plant and Equipment	Leasehold Improvements	Transport	Water	Sewerage	Drainage	Other Assets	Works in progress	Total
Valuation	Valuation	Cost	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
6,446,452	31,448,821	4,751,962	61,988	36,996,021	17,640,099	35,555,316	4,972,200	8,584,986	-	146,457,845
-	-	-	-	66,874	5,188	11,971	32,617	-	-	116,650
371,084	1,619,674	998,034	13,050	3,380,806	508,411	1,127,486	199,598	621,617	-	8,839,760
-	-	(559,927)	-	-	-	-	-	-	-	(559,927)
-	(886,926)	(152,919)	-	(213,567)	(583,654)	(71,379)	(20,737)	(10,809)	-	(1,939,991)
-	8,923	-	-	341,795	(165,465)	(831,138)	4,378,349	(10,170)	-	3,722,294
6,817,556	32,190,492	5,037,150	75,038	40,571,929	17,404,579	35,792,256	9,562,027	9,185,624	-	156,636,631

Total written-down value as at 30 June 2013

17,128,590	33,608,786	7,683,508	25,057	286,515,459	19,931,572	35,459,744	18,075,585	11,839,336	4,690,504	454,958,141
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Range of estimated useful life in years

* ARS denotes - Asset Revaluation Surplus

12.5 - 80	1.5 - 45	8	12 - 100	15 - 120	10 - 80	5 - 100	12 - 90
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BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 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
- Transport
- Water
- Sewerage
- Drainage
- Other Assets

* Transport - previously Road and Bridge Network. No change to asset class other than name change.

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 24 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).

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land & Improvements (level 2 and 3)".

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

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

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

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

The table presents the Council's assets measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 Fair Value Measurement.

BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

	Note	Level 2 (Significant other observable inputs)	Level 3 (Significant unobservable inputs)	Total
		2014 \$	2014 \$	2014 \$
Recurring fair value measurements				
Property, plant and equipment	19			
- Land and Improvements		4,006,000	12,767,906	16,773,906
- Buildings		-	32,666,372	32,666,372
- Transport		-	309,321,505	309,321,505
- Water		-	19,460,244	19,460,244
- Sewerage		-	34,587,539	34,587,539
- Drainage		-	20,481,964	20,481,964
- Other Assets		-	11,451,614	11,451,614
		<u>4,006,000</u>	<u>440,737,144</u>	<u>444,743,144</u>
Non-recurring fair value measurements				
Non-current assets classified as held for sale		264,250	-	264,250
		<u>264,250</u>	<u>-</u>	<u>264,250</u>

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

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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

Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets comprise:

(1) Land and Improvements (level 2 and 3)

Land assets were comprehensively revalued as at 30 June 2011 by AssetVal Pty Ltd at market value. Desktop reviews have been undertaken by AssetVal Pty Ltd in subsequent years. Sale prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size. The land values were previously assessed under the market approach (level 2) in the revaluation as at 30 June 2011, however, some land assets have a restrictive use or there is not an active market for the asset and as such the measurement of Fair Value is at level 3. Price movements for 2014 financial year were assessed by AssetVal Pty Ltd as 0%.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph.

Some parcels of land (mainly access restrictions) have been valued at nominal value.

Land under infrastructure where the Council holds no title or a financial lease and reserve land does not have a value for the purpose of a Local Government's Financial Statements.

Improvements have been recorded at cost since construction in 2011/12. AssetVal Pty Ltd desktop review for 30 June 2014 applied an index of 1.9% for civil construction cost. As the movement in the index was not material it was not applied.

A full valuation of Land and Improvements is planned in 2015.

(2) Buildings (level 3)

The fair value of buildings was independently determined by AssetVal Pty Ltd with a comprehensive valuation as at 30 June 2011 and desktop reviews in subsequent years. AssetVal Pty Ltd provided indexed current replacement costs and calculated fair values as at 30 June 2014. AssetVal Pty Ltd adopted an increase of 1.9% for civil construction costs, 1.7% for mechanical and imported mechanical assets due to negligible swings and 1.5% for electrical assets. These indices were linearly forecasted forward one quarter to 30 June 2014. As the movement in the index was not material it was not applied.

BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The valuation utilised an abbreviated bill of quantity methodology and relied on costing references contained within Rawlinson's Australian Construction Handbook 2011 encompassing Civil Works and Building costs and internal databases. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

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

A full valuation of Buildings is planned in 2015.

In calculating the level of accumulated depreciation, remaining useful lives were determined by AssetVal Pty Ltd based on condition assessments according to the following table:

<u>Condition rating</u>	<u>Condition description</u>
0	Brand new or rehabilitated to new.
1	Near new with no visible deterioration.
2	Excellent overall condition, early stages of deterioration.
3	Very good overall condition with obvious deterioration evident.
4	Good overall condition, obvious deterioration, serviceability impaired very slightly.
5	Fair overall condition, obvious deterioration, some serviceability loss.
6	Fair to poor overall condition, obvious deterioration, some serviceability loss.
7	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs.
8	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal.
9	Extremely poor condition, severe serviceability problems, renewal required immediately.
10	Failed asset, no longer serviceable. Should not remain in service.

Estimated useful lives and residual values are disclosed in note 19.

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

<u>Significant unobservable input</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Condition rating (useful life)	0 - 10	The higher the condition rating, the lower the fair value.
Residual value	\$6,000 - \$92,000	The higher the residual value, the higher the fair value.

(3) Infrastructure assets (level 3)

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

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



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

20 Fair value measurements - continued

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

(3)(a)(i) Transport and Drainage - Calculation of current replacement cost

Roads

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 segmented at intersections or other factors including surfacing type or change in width. Rural roads are segmented into 1km segments or less if there is a change in surface type, pavement type or a change in width. All road segments are then componentised into subgrade, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements for all traffic areas are constructed to a depth of either 150mm or 250mm as recorded in the asset register. Council also assumes that all raw materials can be sourced from local suppliers. Unit rates for subgrade, pavements and seals have been derived from the Roads Alliance Valuation Project (RAVP) modified to suit Burdekin Shire Council using the RAVP local adjustment tool. Unit rates for drainage structures included in the transport class were determined by a first principles methodology using current wage rates based on Council's Enterprise Bargaining Agreement (EBA), plant hire and material costs based on existing supplier contract rates or supplier price lists.

The last full valuation of road infrastructure was undertaken effective 30 June 2012. CRC at 30 June 2014 was determined by Council engineers using either the modified RAVP unit rates, first principles or costs of construction. A full valuation of roads and associated infrastructure is planned in 2015.

Accumulated depreciation

In determining the level of accumulated depreciation, roads assets are split into significant components that exhibit different useful lives.

In 2011/12 a full measurement of Council's road pavements was performed by Cardno. Various mechanical measurements as detailed below were recorded and these were used by council staff to ascertain the condition of each asset. The condition of the asset set the remaining useful life and therefore the accumulated depreciation.

For pavement and subgrade assets a combination of measured Rutting and measured Roughness was used to set the condition.

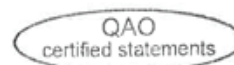
For seals Transverse Cracking measurements and Block Cracking measurements were combined to form an Environment Cracking Rating and Flushing/Bleeding measurements and Ravelling/Stripping measurements were combined to form a Texture Rating. The Environment Cracking Rating and Texture Rating were then combined to form a Seal Condition.

In the years subsequent to 2011/12, Council has reviewed the expired service potential of each asset, including roads damaged during the flood event of April 2014. The remaining useful lives of each asset were amended accordingly. Under the NDRRA Restoration Works Program components have been restored back to new.

In the 2013/14 year approximately 20% of other road assets were inspected by council staff and their condition assessed. There being no obvious trend in any change of condition, the results were not extrapolated across the whole of each asset class.

A further 20-25% of other road assets will be inspected and their condition assessed in the 2014/15 financial year.

A five year inspection program has commenced in 2014 to assess the remaining service potential of drainage structures and pathways. As at 30 June 2014, 20% of the road drainage and pathways have been inspected and conditioned. The assets inspected have been determined primarily by risk and criticality.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

In determining accumulated depreciation, assets were either subject to a site inspection or an age based assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

<u>Condition rating</u>	<u>Condition description</u>
1	Very good condition. Providing a very high level of service.
2	Good condition with no indicators of any future obsolescence and providing a good level of service.
3	Aged with some concern over the ability of the asset to continue to provide an adequate level of service in the short to medium term. May show signs of obsolescence in short to mid-term.
4	Will need to renew, upgrade or dispose in near future.
5	At intervention point. No longer providing an acceptable level of service.

Estimated useful lives and residual values are disclosed in note 19.

Bridges

Current replacement cost

A full valuation of bridge assets was undertaken by independent valuers, AssetVal Pty Ltd, effective 30 June 2011. Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. AssetVal Pty Ltd construction estimates considered raw materials, plant, labour and on-costs. These were applied to the known measurements of the assets to calculate the current replacement cost. The raw cost of material, as well as plant and labour hire rates, were established either through suppliers or quoted prices, cost guides (e.g. Rawlinson's Australian Construction handbook) and prices supplied by Council. On-costs were estimated using industry standards which were then tailored to suit Council.

Desktop reviews have been undertaken in subsequent years including 2014. AssetVal Pty Ltd desktop review for 30 June 2014 applied an index of 2.4% based on the Queensland Road and Bridge Index (series ID A2333727L) linearly forecasted forward one quarter to 30 June 2014. As the movement in the index was not material it was not applied.

Accumulated depreciation

Accumulated depreciation was determined in the full valuation undertaken by AssetVal Pty Ltd in 2011. In calculating the level of accumulated depreciation AssetVal Pty Ltd determined the remaining useful lives based on condition assessments.

A full valuation of Bridges is planned in 2015.

In calculating the level of accumulated depreciation, remaining useful lives were determined by AssetVal Pty Ltd based on condition assessments according to the following table:

<u>Condition rating</u>	<u>Condition description</u>
0	Failed asset, no longer serviceable. Should not remain in service.
1	Extremely poor condition, severe serviceability problems, renewal required immediately.
2	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal.
3	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs.
4	Fair to poor overall condition, obvious deterioration, some serviceability loss.
5	Fair overall condition, obvious deterioration, some serviceability loss.
6	Good overall condition, obvious deterioration, serviceability impaired very slightly.
7	Very good overall condition with obvious deterioration evident.
8	Excellent overall condition early stages of deterioration.
9	Near new with no visible deterioration.
10	Brand new or rehabilitated to new.

Estimated useful lives and residual values are disclosed in note 19.





BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

Drainage

Current replacement cost

A full valuation of drainage infrastructure was undertaken internally by Council, effective 30 June 2014. Similar to roads, drainage assets are managed by component including segments of conduit, pits, manholes and channels.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a 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. Unit rates were determined by first principles methodology using current wage rates, plant hire rates and material costs on a similar basis to roads.

Accumulated depreciation

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

A five year inspection program commenced in 2012/13 with 20% of assets inspected. A further 20% has been inspected in 2014 with the remaining service potential of the assets assessed.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by the condition assessment program.

In determining accumulated depreciation, assets were either subject to a site inspection or an age based assessment to determine remaining useful life. Where site inspections were conducted the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

<u>Condition rating</u>	<u>Condition description</u>	<u>Description explanation</u>
1	Very good condition	Sound physical condition. Insignificant deterioration.
2	Good condition	Acceptable physical condition. Minor deterioration /minor defects evident.
3	Fair condition	Moderate to significant deterioration evident; Minor components or isolated sections of the asset need replacement or repair now but not affecting short-term structural integrity.
4	Poor condition	Serious deterioration and significant defects evident affecting structural integrity.
5	Very poor condition	Failed or failure imminent. Immediate need to replace most or all of asset.

Estimated useful lives and residual values are disclosed in note 19.

(3)(a)(ii) Transport and Drainage – Sensitivity of valuation to unobservable inputs

As detailed above Council's transport and drainage assets have been valued using written-down current replacement cost. 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:

<u>Significant unobservable input</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Standard material usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Pavement design	Depth & material type	The deeper the pavement, the higher the fair value.
Condition rating (useful life)-Roads and Drainage	1 to 5	The higher the condition rating, the lower the fair value.
Condition rating (useful life) - Bridges	0 to 10	The higher the condition rating, the higher the fair value.
Remaining useful life	1 - 100 years	The longer the remaining useful life, the higher the fair value.
Residual value	\$71 - \$210,027 (by component)	The higher the residual value, the higher the fair value.

Estimated useful lives and residual values are disclosed in note 19.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

(3)(b)(i) Water and Sewerage – Calculation of current replacement cost

Water and Sewerage infrastructure

Current replacement cost

Water and sewerage infrastructure fair values were determined by a combination of independent valuers, AssetVal Pty Ltd and internal valuations effective 30 June 2014. AssetVal Pty Ltd undertook a valuation of specific water assets (incl. boreholes, buildings, elevated storage, pumps, telemetry, aerator, chlorination equipment) and sewerage assets (incl. treatment plants, buildings, pump stations) as at 30 June 2011. Desktop reviews have been undertaken by AssetVal Pty Ltd in subsequent years including 30 June 2014. AssetVal Pty Ltd adopted increases of 1.9% for civil construction costs, 1.7% for mechanical and imported mechanical assets due to negligible swings and 1.5% for electrical assets for year ended 30 June 2014. The remaining water and sewerage assets CRC were determined by management based on unit rates using a first principles methodology incorporating current plant hire and wage rates, material costs and agreed installation rates.

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

As there was less than 5% movement in either the indices supplied by AssetVal Pty Ltd or internal unit rates the existing carrying values of water and sewerage assets reflect fair value.

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an age based assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

<u>Condition rating</u>	<u>Condition description</u>
1	Very good or excellent condition
2	Good condition
3	Serviceable condition
4	Poor condition
5	Very poor or unserviceable condition

A five year inspection program has commenced in 2012/13 to assess conditions of sewerage assets. Assets inspected were determined primarily by analysis of the hierarchy of asset types, geographical locations, criticality, catchment type and effluent quality. As at 30 June 2014, 40% of the reticulation network and 100% of sewage pump stations were assessed to establish current conditions.

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

For all sewers, replacement cost was determined by first principles methodology incorporating current plant hire and wage rates, material costs and agreed installation rates. The value was compared with current reline costs and the higher of the two values was adopted as the replacement unit rate. Useful life of unlined sewers has been determined based on a combination of manufacturers recommendation and performance history. Useful lives of relined pipes have been based on the manufacturers recommendations for the materials used.

Estimated useful lives and residual values are disclosed in note 19.

(3)(b)(ii) 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:



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

20 Fair value measurements - continued

<u>Significant unobservable input</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Standard material usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	1 – 5 as specified above	The higher the condition rating, the lower the fair value.
Remaining useful life	1 - 116 years	The longer the remaining useful life, the higher the fair value.

(4)(a) Other Assets – Calculation of current replacement cost

Current replacement cost

The fair value of other assets was independently determined by AssetVal Pty Ltd with a comprehensive valuation as at 30 June 2011 and desktop reviews in subsequent years. AssetVal Pty Ltd provided indexed current replacement costs and fair values as at 30 June 2014. AssetVal Pty Ltd adopted increases of 1.9% for civil construction costs, 1.7% for mechanical and imported mechanical assets due to negligible swings and 1.5% for electrical assets. These indices were linearly forecasted forward one quarter to 30 June 2014. As there was no material movement in the indices the existing carrying values for other assets reflect their fair values as at 30 June 2014.

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence. In calculating the level of accumulated depreciation, remaining useful lives were determined by AssetVal Pty Ltd based on condition assessments according to the table specified in Buildings (2).

A full valuation of Other Assets is planned in 2015.

Estimated useful lives and residual values are disclosed in note 19.

(4)(b) Other Assets – Sensitivity of valuation to unobservable inputs

The method used to value councils' other 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:

<u>Significant unobservable input</u>	<u>Range of inputs</u>	<u>Relationship of unobservable inputs to fair value</u>
Condition rating (useful life)	0 - 10 (as per table specified in Buildings)	The higher the condition rating, the lower 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 19 (Property, plant and equipment).

There have been no transfers between level 1, 2 or 3 measurements during the year.

(iv) Valuation processes

Council's valuation policies and procedures are developed by the Manager of Technical Services and are reviewed and approved by the Asset Management Group which consists of key stakeholders. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is set out in note 1.15.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

	2014	2013
Note	\$	\$
21 Intangible assets		
Net carrying value at period end:		
(a) Computer software	795,613	826,639
(b) Other intangible asset	-	-
	<u>795,613</u>	<u>826,639</u>
(a) Computer software		
Opening gross carrying value	1,364,736	1,301,095
Acquired at cost	98,645	63,641
Value of asset write-off in the period	(29,500)	-
Closing gross carrying value	<u>1,433,881</u>	<u>1,364,736</u>
Accumulated amortisation		
Opening balance	538,097	424,738
Amortisation in the period	126,528	113,359
Amortisation written-off in period	(26,357)	-
Closing balance	<u>638,268</u>	<u>538,097</u>
Net carrying value at end of the financial year	<u>795,613</u>	<u>826,639</u>
Straight line amortisation has been used with no residual value. Computer software has a range of estimated useful life of 4 - 15 years.		
(b) Other intangible asset		
Opening gross carrying value	-	39,545
Value of asset write-off in the period	-	(39,545)
Closing gross carrying value	<u>-</u>	<u>-</u>
Accumulated amortisation		
Opening balance	-	38,927
Amortisation in the period	-	618
Amortisation written-off in period	-	(39,545)
Closing balance	<u>-</u>	<u>-</u>
Net carrying value at end of the financial year	<u>-</u>	<u>-</u>
22 Trade and other payables	1.19	
Current		
Creditors and accruals	1,605,435	1,324,348
Employee related accruals	293,076	201,171
Annual leave	1.20(b) <u>1,665,160</u>	<u>1,631,391</u>
	<u>3,563,671</u>	<u>3,156,910</u>
Non-current		
Annual leave	1.20(b) <u>603,252</u>	<u>572,077</u>
	<u>603,252</u>	<u>572,077</u>

Employee benefit expenses are calculated at current pay levels and adjusted for inflation and likely future changes in salary level. The non-current portion of annual leave is then discounted to the present value. Further details on employee entitlements are reported in Note 1.20



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
23 Provisions			
Current			
Long service leave	1.20(e)	242,020	215,387
		<u>242,020</u>	<u>215,387</u>
Non-current			
Long service leave	1.20(e)	2,309,187	2,046,966
Property restoration:			
Refuse sites		14,936,633	13,706,450
		<u>17,245,820</u>	<u>15,753,416</u>
Details of movements in provisions:			
Long service leave			
Balance at the beginning of financial year		2,262,353	2,135,498
Amount provided for in the period		563,917	333,940
Amount paid in the period		(275,063)	(207,085)
Balance at end of the financial year		<u>2,551,207</u>	<u>2,262,353</u>
Refuse sites			
Balance at the beginning of financial year		13,706,450	14,943,659
Increase in provision - due to change in time		569,328	505,095
Increase (decrease) in provision - change in discount rate		660,855	(1,742,304)
Balance at end of the financial year		<u>14,936,633</u>	<u>13,706,450</u>

This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life.

The projected cost of remediation is \$25,528,183. The majority of this cost is expected to be incurred in 2030 after closing the site.

Refuse sites will be further researched and reviewed during the 2014/15 financial year.

Cash funds committed to meet this liability at the reporting date:

746,638	389,130
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24 Borrowings

1.21

(a) Bank overdraft

The Council does not have a bank overdraft facility.

The Council does have a general approval up to \$150,000 to enter into a financial arrangement with a financial institution to obtain an overdraft facility if needed (Gov. Gaz., 26 June 1998, No. 73, Page 1026)

(b) Unsecured borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 December 2014 to 10 June 2024.

There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly in arrears.



Financial Statements

BURDEKIN SHIRE COUNCIL Notes to the Financial Statements For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Details of borrowings at balance date are:			
Current			
Queensland Treasury Corporation		1,410,696	1,504,506
Non-current			
Queensland Treasury Corporation		6,263,513	5,748,789
Details of movements in borrowings:			
Queensland Treasury Corporation			
Balance at the beginning of financial year		7,253,295	8,401,646
Loans raised		1,920,000	415,000
Principal repayments		(1,499,086)	(1,563,351)
Balance at end of the financial year		7,674,209	7,253,295
Classified as:			
Current		1,410,696	1,504,506
Non-current		6,263,513	5,748,789
		7,674,209	7,253,295

The loan market value at the reporting date was \$8,109,724.

This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No assets have been pledged as security by the Council for any liabilities.

Borrowings are all in \$A and are underwritten by the Queensland State Government.

25 Other liabilities

Current

Unearned revenue	-	25
	-	25

26 Council capital

1.23

(i) Calculation of capital value and retained surplus:

Cash and cash equivalents	34,111,013	35,600,827
Less restricted cash:		
Reserves (excluding the asset revaluation)	(14,866,138)	(21,711,846)
Capital sustainability reserve	(14,665,406)	(12,538,833)
Unspent loan capital fund reserve	(866,749)	(941,945)
Revenue received in advance	-	(25)
Cash funds allocated for future rehabilitation costs	(746,638)	(389,130)
Working capital cash (including employee entitlements)	(2,934,308)	(4,997)
Retained surplus (deficit) available for distribution	28 31,774	14,051
Total Council capital value	26 (ii) 183,774,819	170,352,452
Total capital and retained surplus at end of period		183,806,593 170,366,503

(ii) Movement in Council capital account

Balance at beginning of the financial year	170,352,452	164,309,828
Adjustments from (to) retained surplus:		
Transfer of capital income in the period	522,202	954,422
Transfer of capital expenses in the period	(12,606,857)	(2,497,041)
Transfer of non-monetary capital revenue	-	566,583
Transfer of revenue expended on capital assets	3,371,343	1,749,945
Transfer of the working capital cash	(569,328)	(505,096)
Total transfers (to) from retained surplus	(9,282,640)	268,813

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BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Transfer (to) from restricted reserves:			
Net transfer (to) from Future capital sustainability reserve	29 (a)(i)	(2,126,573)	(1,061,690)
Net transfer (to) from Unspent loan cash reserve	29 (a)(ii)	75,196	324,199
Grants, subsidies and contributions reserve	29 (a)(iii)	23,323,733	6,097,730
Transfer (to) from general reserves:	29 (b)(1)		
Water reserve		1,268,229	33,253
Sewerage reserve		93,479	267,049
Carryover Capital Works reserve		70,943	113,270
Total transfers (to) from reserves		22,705,007	5,773,811
Total Council capital at end of the financial year		183,774,819	170,352,452

The amount by which the Council has increased (decreased) its capital capacity to deliver future services to the community before inflation adjustments

13,422,367 6,042,624

27 (i) Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

Balance at the beginning of financial year		245,294,169	230,894,581
(a) Adjustments to property, plant and equipment through revaluations:	19		
Buildings		-	540,408
Transport		10,818,679	1,438,243
Water		-	(253,212)
Sewerage		-	3,457,570
Drainage		1,739,628	7,424,998
Other Assets		-	52,971
		12,558,307	12,660,978
Change in value of future rehabilitation costs charged to the surplus		(634,369)	1,738,610
Balance at end of the financial year		257,218,107	245,294,169

(ii) Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus is comprised of the following asset categories:

Land and Improvements	2,640,189	3,274,558
Buildings	17,328,434	17,328,434
Transport	187,690,924	176,872,245
Water	10,256,210	10,256,210
Sewerage	24,078,190	24,078,190
Drainage	9,327,503	7,587,875
Other Assets	5,896,657	5,896,657
	257,218,107	245,294,169

28 Retained surplus

1.25

Movement in retained surplus

Balance at the beginning of financial year		14,051	22,589
Net result		8,645,759	16,745,798
		8,659,810	16,768,387
Transfers (to) from capital account:			
Transfer of capital income	5	(522,202)	(954,422)
Transfer of capital expenses	11	12,606,857	2,497,041
Non-monetary capital revenue	4	-	(566,583)
General revenue used for capital funding purposes		(3,371,343)	(1,749,945)
Transfer to adjust the working capital cash		569,328	505,096
Net capital account transfers		9,282,640	(268,813)

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Financial Statements

BURDEKIN SHIRE COUNCIL Notes to the Financial Statements For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Transfers (to)/from capital reserves for future capital project funding, or from reserves funds that have been expended:			
Constrained grants and subsidy contributions reserve		(17,140,545)	(13,466,684)
Grants, subsidies and contributions reimbursed reserve		(38,599)	(197,065)
Water reserve		(986,318)	(792,644)
Sewerage reserve		(588,578)	(726,789)
Carryover Capital Works reserve		-	(189,636)
		<u>(18,754,040)</u>	<u>(15,372,818)</u>
Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended:			
Recurrent maintenance reserve		843,364	(1,112,705)
		<u>843,364</u>	<u>(1,112,705)</u>
Balance at end of the financial year		<u>31,774</u>	<u>14,051</u>
29 Reserves	1.26		
(a) Restricted capital reserves			
(i) Future capital sustainability reserve			
This cash forms part of Council's capital value as the balance represents accumulated funded unspent depreciation cash plus additional cash funding, if required, to maintain the Council's capital value under its' long term asset management plans.			
Balance at the beginning of financial year		12,538,833	11,477,143
Funded depreciation on capital assets in period		9,035,365	8,596,229
Less: Funds utilised in the period		(6,908,792)	(7,534,539)
Balance at end of the financial year		<u>14,665,406</u>	<u>12,538,833</u>
(ii) Unspent loan cash reserve			
This cash forms part of Council's capital value as the balance represents loan cash drawn down but unspent at balance date. The cash is restricted to specific project funding.			
Balance at the beginning of financial year		941,945	1,266,144
Loan funds drawn down in period.		1,920,000	415,000
Loan cash expended in period.		(1,995,196)	(739,199)
Balance at end of the financial year		<u>866,749</u>	<u>941,945</u>
(iii) Constrained grants and subsidy contributions reserve			
Balance at the beginning of financial year		7,607,590	238,636
Transfer from retained earnings non-reciprocal grants, subsidies and contributions received and allocated to specific capital projects		17,147,828	13,466,684
Transfers to the capital account funds expended in the period		(23,323,733)	(6,097,730)
Transfer to retained earnings funds expended		(7,283)	-
Balance at end of the financial year		<u>1,424,402</u>	<u>7,607,590</u>
Total restricted capital reserves		<u>16,956,557</u>	<u>21,088,368</u>
(b) Other reserves			
(I) Summary of capital reserves held for funding future projects:			
(i) Grants, subsidies and contributions reimbursed reserve		-	-
(ii) Water reserve		4,358,350	4,640,261
(iii) Sewerage reserve		3,881,899	3,386,800
(iv) Capital Maintenance reserve		33,336	33,336
(v) Carryover Capital Works reserve		258,514	290,858
		<u>8,532,099</u>	<u>8,351,255</u>

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BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$
(2) Summary of recurrent reserves held for funding future projects:		
(i) Recurrent Maintenance reserve	4,909,637	5,753,001
	4,909,637	5,753,001
Total General reserves	13,441,736	14,104,256
Total reserves	30,398,293	35,192,624
(1) Movements in capital reserves are analysed as follows:		
(i) Grants, subsidies and contributions reimbursed reserve		
Transfer from retained earnings grants, subsidies and contributions received in the period which are a reimbursement	1,457,912	197,065
Transfer to retained earnings funds expended	(1,419,313)	-
Reallocation of funds to other capital reserves	(38,599)	(197,065)
Balance at end of the financial year	-	-
(ii) Water reserve		
Balance at the beginning of financial year	4,640,261	3,880,870
Transfer from retained earnings for future expenditure	986,318	792,644
Transfer to the capital account funds expended in the period	(1,268,229)	(33,253)
Balance at end of the financial year	4,358,350	4,640,261
(iii) Sewerage reserve		
Balance at the beginning of financial year	3,386,800	2,927,060
Transfer from retained earnings for future expenditure	588,578	726,789
Transfer to the capital account funds expended in the period	(93,479)	(267,049)
Balance at end of the financial year	3,881,899	3,386,800
(iv) Capital Maintenance reserve		
Balance at the beginning of financial year	33,336	33,336
Balance at end of the financial year	33,336	33,336
(v) Carryover Capital Works reserve		
Balance at the beginning of financial year	290,858	17,427
Transfer from the grants, subsidies and contributions reimbursed reserve	38,599	197,065
Transfer from retained earnings for future expenditure	-	189,636
Transfer to the capital account funds expended in the period	(70,943)	(113,270)
Balance at end of the financial year	258,514	290,858
(2) Movements in recurrent reserves are analysed as follows:		
(i) Recurrent Maintenance reserve		
Balance at the beginning of financial year	5,753,001	4,640,296
Transfer from retained earnings for future expenditure	3,781,418	5,346,374
Transfer to retained earnings funds expended	(4,624,782)	(4,233,669)
Balance at end of the financial year	4,909,637	5,753,001
30 Commitments for expenditure		
Contractual Commitments		
Contractual commitments at balance date but not recognised in the financial statements are as follows:		
Service contracts over next 1 to 8 years - per year	8,561,817	10,264,106
	8,561,817	10,264,106

BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

	2014	2013
Note	\$	\$
Capital Commitments		
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities are as follows:		
Infrastructure	2,044,647	222,325
	<u>2,044,647</u>	<u>222,325</u>
These expenditures are payable:		
Within one year	2,044,647	222,325
	<u>2,044,647</u>	<u>222,325</u>

31 Events after the reporting period

There were no material financial adjusting events after balance date.

Organisational Restructure

Effective from 14 July 2014, the Burdekin Shire Council implemented a new organisational structure. The new structure resulted in the removal of the Directors level of management and consequently a reallocation of responsibilities amongst department Managers.

32 Contingent liabilities

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

Various claims are pending against the Council. In the opinion of the Council's solicitors the potential loss on all claims at 30 June 2014 should not exceed:

114,553	68,650
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The Council has disclaimed liability and no provision has been made in the financial statements pertaining to these claims.

Potential excess amounts payable against various insurance claims as at 30 June 2014 should not exceed:

2,187	-
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Local Government Workcare

The Burdekin Shire Council is a member of the Queensland Local Government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided 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:

347,069	320,161
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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 2013 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$
33 Superannuation		
<p>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 AASB 119 Employee Benefits.</p> <p>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.</p> <p>The scheme has three elements referred to as:</p> <ul style="list-style-type: none"> 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) <p>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.</p> <p>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.</p> <p>The Regional DBF is a defined benefit plan as defined in AASB 119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 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.</p> <p>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.</p> <p>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.</p> <p>As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.</p> <p>The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."</p> <p>Following the previous actuarial assessment in 2009, Council's were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.</p> <p>Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on Council's 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.</p>		

Financial Statements

BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
<p>There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Burdekin Shire Council made less than 4% of the total contributions to the plan in the 2013-14 financial year.</p> <p>The next actuarial investigation will be conducted as at 1 July 2015.</p> <p>The amount of superannuation contributions paid by Burdekin Shire Council to the scheme in this period for the benefit of employees was:</p>			
		1,824,205	1,689,594
34 Trust funds	1.29		
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		2,393	2,334
Security deposits		106,353	77,722
		108,746	80,056
<p>The Burdekin Shire Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements.</p>			
35 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		8,645,759	16,745,798
Non-cash operating items:			
Impairment of receivables and bad debts written-off	9	(1,586)	2,358
Depreciation and amortisation	10	9,392,873	8,953,737
Change in restoration provisions expensed to finance costs		569,328	505,095
		9,960,615	9,461,190
Investing and development activities:			
Capital grants, subsidies and contributions	4	(18,605,740)	(14,230,332)
Capital income	5	(522,202)	(954,422)
Capital expenses	11	12,606,857	2,497,041
		(6,521,085)	(12,687,713)
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		2,011,452	(1,506,649)
(Increase) decrease in inventories (excluding land)		128,347	(110,438)
Increase (decrease) in payables		433,933	(261,320)
Increase (decrease) in provisions		288,854	126,855
Increase (decrease) in other liabilities		(25)	(52,897)
		2,862,561	(1,804,449)
Net cash inflow from operating activities		14,947,850	11,714,826

QAO
certified statements



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
	\$	\$
36 Controlled entity that has not been consolidated		
Burdekin Shire Council provides representation on the Burdekin Cultural Complex Board Inc. which manages, administers and operates the Burdekin Theatre and Music Loft in Queen Street, Ayr and the Burdekin Memorial Hall in Ninth Avenue, Home Hill pursuant to a written contract with the Council.		
The membership of the Board consists of five (5) Councillor members including the Mayor as Chairman and four (4) other members appointed at public meetings. As the Chairman of the Board has a constitutional casting vote and because of the existence of the contract between Council and the Board wherein the Local Government approves the required operating budget of the Board, the Board is a controlled entity.		
As the Board's financial year, of 1st May 2013 to 30th April 2014, is inconsistent with Council's, the Board's financial results are not consolidated into these statements but are reported by way of note as follows:-		
Income		
Council Contributions	301,099	308,091
Other Income	223,030	225,721
Promotions/Rentals	200,466	227,806
	<u>724,595</u>	<u>761,618</u>
Expenditure		
Administration	119,372	135,657
Depreciation	822	2,465
Operating Expenditure	310,515	328,402
Promotions/Rentals	268,416	300,160
	<u>699,125</u>	<u>766,684</u>
Operating Surplus (Deficit)	25,470	(5,066)
Accumulated Funds		
Balance at beginning of period	214,204	219,270
Plus (less) Surplus (deficit) for period	25,470	(5,066)
	<u>239,674</u>	<u>214,204</u>
Represented by:		
Assets		
Current	273,874	271,666
Non-current	9,039	9,861
	<u>282,913</u>	<u>281,527</u>
Liabilities		
Current	28,295	52,546
Non-current	14,944	14,777
	<u>43,239</u>	<u>67,323</u>
Net Assets	<u>239,674</u>	<u>214,204</u>



BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
	\$	\$

37 Natural Disaster Relief and Recovery Arrangements

The Queensland Government provides financial assistance to disaster affected communities in Queensland through the Natural Disaster Relief and Recovery Arrangements program (NDRRA). This program is jointly funded by the Australian Government. The funding is available subject to strict guidelines and only for declared disaster events.

The Council's net result for the financial year ended 30 June 2014 includes the effect of the following declared disaster events that have impacted the Burdekin Local Government area during the last five years.

Event	Year
Tropical Cyclone Dylan, Tropical Cyclone Ita and Associated Rainfall and Flooding	2014
Tropical Cyclone Oswald	2013
Heavy Rainfall and Flooding, Northern and FNQ	2012
Tropical Cyclone Yasi	2011
Qld Flooding and Tropical Cyclones Olga, Neville, Ului and Paul	2010

The following significant revenue and expense items related to NDRRA events, included in the net result, are relevant in explaining the financial performance of Council for the period.

Recovery of expenditure incurred for NDRRA purposes:

Grant funding received for operating expenditure incurred for NDRRA purposes	2,079,274	2,663,010
Grant funding received for capital expenditure incurred for NDRRA purposes	16,667,498	11,921,147
Capital contribution	13,966	-
Total grant and contribution revenue received for recovery of capital and operating expenditure	18,760,738	14,584,157

Expenditure for costs incurred for NDRRA purposes:

Operating expenditure incurred for NDRRA purposes	967,284	1,944,233
Capital expenditure incurred for NDRRA purposes	24,026,340	6,005,801
Total expenditure incurred for NDRRA purposes	24,993,624	7,950,034

Unspent NDRRA capital grants held in Constrained grants, subsidies and contributions reimbursed reserve

1,207,232	7,358,067
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38 Minor correction for assets not previously recognised

During the financial year Council became aware of some assets in property, plant and equipment that were not previously recognised as well as some assets previously recognised that should not have been recognised. The asset classes affected are disclosed in notes indicated

Summary details of assets not previously recognised are as follows:

Gross value of property, plant and equipment	19	986,366	1,013,916
Less: Accumulated depreciation	19	(464,164)	(116,650)
Gain from assets not previously recognised	5	522,202	897,266



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

39 Financial instruments

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

- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

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

Burdekin Shire Council does not enter into derivatives.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers. Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

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

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

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

	Note	2014 \$	2013 \$
Financial Assets			
Cash and cash equivalents - Bank	14	3,128,885	1,245,144
Cash investments held with - QTC	14	8,982,128	25,355,683
Cash investments held with other approved deposit taking institutions	14&17	22,000,000	9,000,000
Receivables - rates	15	1,559,202	1,652,935
Receivables - other	15	1,272,081	3,256,525
Other credit exposure			
Guarantee	32	347,069	320,161
Total		37,289,365	40,830,448

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and deposits held with banks and other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

Other financial assets

Other investments are held with financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

39 Financial instruments - continued

Trade and other receivables

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

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

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

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

	Not past due	Past due			Less Impaired	Total
		31 to 60 days	61 to 90 days	Over 90 days		
	\$	\$	\$	\$	\$	\$
Receivables:						
2014	1,719,112	61,303	10,822	1,044,023	(3,977)	2,831,283
2013	3,500,796	87,069	91,975	1,237,449	(7,829)	4,909,460

Liquidity risk

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

Burdekin Shire Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

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

These facilities are disclosed in note 24.

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2014					
Trade and other payables	1,898,511	-	-	1,898,511	1,898,511
Loans QTC	1,787,323	4,750,521	2,586,311	9,124,155	7,674,209
	3,685,834	4,750,521	2,586,311	11,022,666	9,572,720
2013					
Trade and other payables	1,525,519	-	-	1,525,519	1,525,519
Loans QTC	1,895,455	4,622,492	2,168,929	8,686,876	7,253,295
	3,420,974	4,622,492	2,168,929	10,212,395	8,778,814

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.



BURDEKIN SHIRE COUNCIL
Notes to the Financial Statements
For the year ended 30 June 2014

39 Financial instruments - continued

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

Interest rate risk

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

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

Sensitivity

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

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

2014

Financial assets and liabilities that are held at variable interest rates total:

Net carrying amount	Effect on Net Result		Effect on Equity	
	1% increase	1% decrease	1% increase	1% decrease
\$	\$	\$	\$	\$
QTC cash funds	8,982,128	89,821	(89,821)	89,821
Other investments	4,000,000	40,000	(40,000)	40,000
Loans - QTC	(7,674,209)	(76,742)	76,742	(76,742)
Net total	5,307,919	53,079	(53,079)	53,079

2013

QTC cash funds
Other investments
Loans - QTC
Net total

25,355,683	253,557	(253,557)	253,557	(253,557)
2,000,000	20,000	(20,000)	20,000	(20,000)
(7,253,295)	(72,533)	72,533	(72,533)	72,533
20,102,388	201,024	(201,024)	201,024	(201,024)

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

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

The sensitivity analysis provided by QTC is currently based on a 1% change but this is subject to change.

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 and disclosed in note 24.

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.



Financial Statements

BURDEKIN SHIRE COUNCIL

Financial Statements

For the year ended 30 June 2014

MANAGEMENT CERTIFICATE

For the year ended 30 June 2014

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

Cr. W.C. Lewis

Date: 10 / 10 / 2014



Chief Executive Officer

J.M. Magin

Date: 10 / 10 / 2014





INDEPENDENT AUDITOR'S REPORT

To the Mayor of Burdekin Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Burdekin Shire Council, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chief Executive Officer and the Mayor.

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 Burdekin Shire Council for the financial year 1 July 2013 to 30 June 2014 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.



B MACRAE FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane



BURDEKIN SHIRE COUNCIL

For the year ended 30 June 2014

**THE FOLLOWING REPORTS DO NOT FORM PART OF THE
AUDITED FINANCIAL STATEMENTS. THEY HAVE BEEN PROVIDED
AS ADDITIONAL MANAGEMENT INFORMATION TO ASSIST THE
READER IN THEIR ANALYSIS OF THE FINANCIAL STATEMENTS**

BURDEKIN SHIRE COUNCIL

Statement of Appropriations

For the year ended 30 June 2014

		2014	2013
	Note	\$	\$
Retained surplus (deficiency) from prior years		14,051	22,589
Net result for the period		8,645,759	16,745,798
		<u>8,659,810</u>	<u>16,768,387</u>
Transfers (to) from capital account:			
Transfer of capital income	5	(522,202)	(954,422)
Transfer of capital expenses	11	12,606,857	2,497,041
Non-monetary capital revenue	4 (ii)(b)	-	(566,583)
General revenue used for capital funding purposes	CFS*	(3,371,343)	(1,749,945)
Transfer to adjust the working capital cash		569,328	505,096
Net capital account transfers		<u>9,282,640</u>	<u>(268,813)</u>
Transfers (to) from restricted reserves			
Constrained grants and subsidy contributions reserve	29	(17,140,545)	(13,466,684)
Retained surplus (deficiency) available for transfer to reserves		<u>801,905</u>	<u>3,032,890</u>
Transfers (to) from reserves for future capital funding:			
Grants, subsidies and contributions reimbursed reserve	29(b)1(i)	(38,599)	(197,065)
Water reserve	29(b)1(ii)	(986,318)	(792,644)
Sewerage reserve	29(b)1(iii)	(588,578)	(726,789)
Carryover Capital Works reserve	29(b)1(v)	-	(189,636)
Transfers (to) from reserves for future recurrent funding purposes:			
Recurrent maintenance reserve	29 (2)(i)	843,364	(1,112,705)
Retained surplus (deficit) at end of period		<u><u>31,774</u></u>	<u><u>14,051</u></u>

*CFS denotes - Statement of Capital Funding



BURDEKIN SHIRE COUNCIL

Statement of Capital Funding

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Sources of capital funding			
General revenue used for capital purposes		3,371,343	1,749,945
Loan monies expended		1,995,196	739,199
Funded depreciation and amortisation		6,908,792	7,534,539
Proceeds from the sale of capital assets	6	385,533	502,120
Donated and contributed physical assets		-	566,583
Constrained grants, subsidies and contributions		23,323,733	6,097,730
Water reserve		1,268,229	33,253
Sewerage reserve		93,479	267,049
Carryover Capital Works reserve		70,943	113,270
		<u>37,417,248</u>	<u>17,603,688</u>
Application of capital funding			
Non-current capital assets:			
Land and Improvements		16,400	-
Buildings		697,607	422,078
Plant and Equipment		1,631,464	1,443,269
Transport		27,728,717	9,789,061
Water		73,284	205,712
Sewerage		308,809	1,389,667
Drainage		786,068	932,775
Other Assets		258,959	563,054
Movement in capital work in progress		4,318,209	1,231,080
Intangible assets		98,645	63,641
		<u>35,918,162</u>	<u>16,040,337</u>
Principal loan redemptions:			
Queensland Treasury Corporation		<u>1,499,086</u>	<u>1,563,351</u>
		<u>1,499,086</u>	<u>1,563,351</u>
		<u>37,417,248</u>	<u>17,603,688</u>

BURDEKIN SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2014

	2014	2013
Financial Ratios of the Accounts	%	%
Interest cover ratio:		
Net interest expense divided by total operating revenue	-3.1%	-2.5%
Working capital ratio:		
Unrestricted current assets available to meet current liabilities	6.8 : 1	6.8 : 1
Change in community equity ratio:		
The percentage change in the net wealth of the Council	4.6%	7.4%
Debt servicing ratio:		
The percentage that the Council's total recurrent revenue that is used to service loan interest and principal repayments	4.3%	4.4%
General rate revenue ratio:		
The Council's dependence on general rate revenue as a percentage of total recurrent revenue	52.5%	53.7%
Revenue ratio:		
The Council's dependence on net rates and utility charges as a percentage of total recurrent revenue	76.5%	70.2%
Debt exposure ratio:		
The percentage of Council's capital debt to total community equity	1.6%	1.6%
Capital expenditure ratio		
The ratio of capital expenditure to depreciation	382.4%	179.1%
Rate arrears ratio		
The percentage of rates and charges receivable to net rate and charges revenue	2.9%	3.7%
The effectiveness of Council's collection of rates and charges		

Financial Statements

BURDEKIN SHIRE COUNCIL

Statement of Actual Results

For the year ended 30 June 2014

	Note	Corporate Council Result Actual \$	Eliminations on consolidation Actual \$	General Actual \$	Waste Actual \$	Sewerage Actual \$	Water Actual \$
Operating revenue							
Rates and utility charges		33,893,395	-	23,439,832	3,445,764	3,476,863	3,530,936
Less: Discounts & pensioner remissions		(276,460)	-	(275,656)	(91)	(534)	(179)
Statutory fees and charges, rental and levies		2,429,400	-	1,857,364	335,665	119,745	116,626
Interest		1,762,399	-	783,282	97,606	477,475	404,036
Internal interest received		-	(29,197)	-	-	-	29,197
Operational contributions and donations	4	169,565	-	144,504	-	11,574	13,487
Operational Government grants and subsidies for recurrent expenditure	4	4,147,820	-	4,025,850	-	-	121,970
Sales of contract and recoverable works		1,492,913	-	1,492,913	-	-	-
Internal service provider revenue		-	(1,440,000)	1,440,000	-	-	-
Other operating revenue		308,883	-	226,964	48,735	2,462	30,722
Internal revenue distribution		-	-	(130,000)	130,000	-	-
Total operating revenue		43,927,915	(1,469,197)	33,005,053	4,057,679	4,087,585	4,246,795
Operating Expenses							
Employee benefits	7	17,697,680	-	15,637,014	204,129	966,713	889,824
Materials and services		13,707,166	-	8,945,630	2,393,472	912,810	1,455,254
Internal service provider expenditure		-	(1,440,000)	-	221,000	596,000	623,000
Depreciation	10	9,392,873	-	7,283,257	449,916	1,169,260	490,440
External finance costs		1,005,522	-	412,333	593,189	-	-
Internal interest expense		-	(29,197)	29,197	-	-	-
Total operating costs		41,803,241	(1,469,197)	32,307,431	3,861,706	3,644,783	3,458,518
Surplus (deficit) from operations		2,124,674	-	697,622	195,973	442,802	788,277
Capital cash contributions received		199,541	-	199,541	-	-	-
Capital cash revenue from government sources		18,406,199	-	18,362,492	-	-	43,707
Other capital income	5	522,202	-	503,410	-	4,456	14,336
Other capital expenses	11	(12,606,857)	-	(12,489,402)	(32,737)	(16,210)	(68,508)
Net result for the period		8,645,759	-	7,273,663	163,236	431,048	777,812
Retained surplus (deficit) brought fwd from prior year		14,051	-	14,051	-	-	-
Net result from above		8,645,759	-	7,273,663	163,236	431,048	777,812
From (to) capital - items of capital income & expense		12,084,655	-	11,985,992	32,737	11,754	54,172
From (to) capital to adjust working capital cash		569,328	-	-	569,328	-	-
Transfer (to) capital general revenue expended		(3,371,343)	-	(3,054,508)	(316,835)	-	-
Other transfers between functions		-	-	(452,522)	108,705	145,776	198,041
Surplus(deficit) available for transfer to reserves		17,942,450	-	15,766,676	557,171	588,578	1,030,025
Net transfers from (to) capital reserves	28	(18,754,040)	-	(17,135,437)	-	(588,578)	(1,030,025)
Net transfers from (to) recurrent reserves	28	843,364	-	1,400,535	(557,171)	-	-
Retained surplus (deficit) funds at period end		31,774	-	31,774	-	-	-
Capital Funding Sources							
General revenue used (excess funds provided)		3,371,343	-	3,054,508	316,835	-	-
Disposal proceeds of capital assets	6	385,533	-	382,533	3,000	-	-
Funded depreciation & amortisation expended		6,908,792	-	6,280,915	92,408	203,546	331,923
Government capital grants and subsidies	4	23,113,915	-	23,070,208	-	-	43,707
Developer contributions and capital donations	4	209,818	-	209,818	-	-	-
Funds held in capital reserves	29	1,432,651	-	70,943	-	93,479	1,268,229
Loans for capital purposes	29	1,995,196	-	1,995,196	-	-	-
Movement in Inter-function capital loans		-	-	1,136,150	-	-	(1,136,150)
Total capital funding sources		37,417,248	-	36,200,271	412,243	297,025	507,709
Capital Funding Applications							
Non-current assets		31,501,308	-	31,083,199	36,016	308,809	73,284
Movement in works in progress		4,318,209	-	3,822,000	73,568	(11,784)	434,425
Intangible assets		98,645	-	98,645	-	-	-
Total capital asset acquisitions		35,918,162	-	35,003,844	109,584	297,025	507,709
Loan redemptions		1,499,086	-	1,196,427	302,659	-	-
Total capital applications		37,417,248	-	36,200,271	412,243	297,025	507,709
Reserve balances held at beginning of period							
Capital reserve balances		15,958,845	-	7,931,784	-	3,386,800	4,640,261
Unspent loans and depreciation cash		13,480,778	-	2,997,461	-	6,610,665	3,872,652
Recurrent reserve balances		5,753,001	-	4,971,314	781,687	-	-
Total reserve cash held at beginning of the period		35,192,624	-	15,900,559	781,687	9,997,465	8,512,913
Reserve balances held at the end of period							
Capital reserve balances		9,956,501	-	1,716,252	-	3,881,899	4,358,350
Unspent loan and depreciation cash held		15,532,155	-	3,924,607	-	7,576,379	4,031,169
Recurrent reserve balances		4,909,637	-	3,570,779	1,338,858	-	-
Total reserve cash held at the end of the period		30,398,293	-	9,211,638	1,338,858	11,458,278	8,389,519

Financial Statements

BURDEKIN SHIRE COUNCIL

Analysis of Cash Holdings

As at 30 June 2014

As at 30 June 2014

2014					2013				



Burdekin Shire Council



Current Year Financial Sustainability Statement and Note to the Accounts for the financial year 2013/14

BURDEKIN SHIRE COUNCIL
Current-year Financial Sustainability Statement
For the year ended 30 June 2014

Measures of Financial Sustainability

- (i) **Operating surplus ratio**
Operating surplus (Net result excluding all capital items) divided by total operating revenue (excludes capital revenue)
- (ii) **Asset sustainability ratio**
Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.
- (iii) **Net financial liabilities ratio**
Total liabilities less current assets divided by total operating revenue

Council's performance at 30 June 2014 against key financial ratios:

Target
Actual

Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
between 0% and 10%	greater than 90%	not greater than 60%
4.84%	235.04%	-20.03%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2014.

Certificate of Accuracy
For the year ended 30 June 2014

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

Cr W.C. Lewis

Date: 10 / 10 / 2014

Chief Executive Officer

J.M. Magin

Date: 10 / 10 / 2014

QAO
certified statements



INDEPENDENT AUDITOR'S REPORT

To the Mayor of Burdekin Shire 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 Burdekin Shire Council for the year ended 30 June 2014, 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

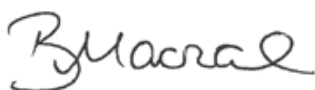
In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Burdekin Shire Council, for the year ended 30 June 2014, has been accurately calculated.

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.



B MACRAE FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane



BURDEKIN SHIRE COUNCIL

For the year ended 30 June 2014

**THE FOLLOWING REPORT DO NOT FORM PART OF THE
AUDITED CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT. IT IS
PROVIDED AS ADDITIONAL MANAGEMENT INFORMATION TO ASSIST THE
READER IN THEIR ANALYSIS OF THE COUNCIL'S FINANCIAL SUSTAINABILITY.**

