

# Burdekin Shire Council



## Financial Statements and Notes to the Accounts for the financial year 2015/16

**BURDEKIN SHIRE COUNCIL**

**Financial Statements**

For the year ended 30 June 2016

**Table of Contents**

Note	
	<b>Statement of Comprehensive Income</b>
	<b>Statement of Financial Position</b>
	<b>Statement of Changes in Equity</b>
	<b>Statement of Cash Flows</b>
	<b>Notes to the Financial Statements</b>
1	Significant accounting policies
2	Analysis of results by function
3	Revenue analysis
4	Grants, subsidies and contributions
5	Capital income
6	Employee benefits
7	Materials and services
8	Finance costs
9	Capital expenses
10	Loss on write-off of capital assets
11	Cash and cash equivalents
12	Trade and other receivables
13	Property, plant and equipment
14	Fair value measurements
15	Trade and other payables
16	Provisions
17	Borrowings
18	Asset revaluation surplus
19	Commitments for expenditure
20	Events after balance date
21	Contingent liabilities
22	Superannuation
23	Trust funds
24	Reconciliation of net result for the year to net cash inflow (outflow) from operating activities
25	Financial instruments

**Management Certificate**

**Independent Auditor's Report**

**BURDEKIN SHIRE COUNCIL**

**Statement of Comprehensive Income**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates and levies	3 (a)	37,289,000	36,049,042
Fees and charges	3 (b)	2,267,419	2,280,091
Interest received		1,799,493	1,810,879
Sales of contract and recoverable works		1,566,800	1,570,531
Other recurrent income		203,363	283,171
Grants, subsidies and contributions	4 (a)	4,139,307	4,190,346
<b>Total operating revenue</b>		<b>47,265,382</b>	<b>46,184,060</b>
<b>Capital revenue</b>			
Grants, subsidies and contributions	4 (b)	4,140,964	8,518,605
		<b>4,140,964</b>	<b>8,518,605</b>
<b>Total revenue</b>		<b>51,406,346</b>	<b>54,702,665</b>
<b>Capital income</b>			
Other capital income	5	5,050,559	-
<b>Total income</b>	2 (b)	<b>56,456,905</b>	<b>54,702,665</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(18,016,356)	(17,333,929)
Materials and services	7	(13,112,243)	(13,571,742)
Finance costs	8	(1,065,122)	(997,257)
Depreciation	13	(10,158,228)	(9,769,609)
Amortisation		(157,522)	(125,156)
<b>Total operating expenses</b>		<b>(42,509,471)</b>	<b>(41,797,693)</b>
<b>Capital expenses</b>			
Other capital expenses	9	(4,086,256)	(11,282,284)
<b>Total expenses</b>	2 (b)	<b>(46,595,727)</b>	<b>(53,079,977)</b>
<b>Net result</b>		<b>9,861,178</b>	<b>1,622,688</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in asset revaluation surplus	18 (a)	(5,147,950)	20,739,946
<b>Total other comprehensive income for the year</b>		<b>(5,147,950)</b>	<b>20,739,946</b>
<b>Total comprehensive income for the year</b>		<b>4,713,228</b>	<b>22,362,634</b>

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 2016

	Note	2016 \$	2015 \$
<b>Current assets</b>			
Cash and cash equivalents	11	42,750,544	39,068,599
Trade and other receivables	12 (a)	3,896,129	3,427,646
Inventories		677,742	738,368
		<u>47,324,415</u>	<u>43,234,613</u>
Non-current assets held for sale		-	264,250
<b>Total current assets</b>		<u>47,324,415</u>	<u>43,498,863</u>
<b>Non-current assets</b>			
Trade and other receivables	12 (b)	157,104	184,449
Property, plant and equipment	13	481,777,167	486,402,323
Intangible assets		1,012,196	670,457
<b>Total non-current assets</b>		<u>482,946,467</u>	<u>487,257,229</u>
<b>TOTAL ASSETS</b>		<u>530,270,882</u>	<u>530,756,092</u>
<b>Current liabilities</b>			
Trade and other payables	15	3,843,597	4,010,447
Provisions	16	2,503,539	2,394,347
Borrowings	17	1,597,865	1,534,482
<b>Total current liabilities</b>		<u>7,945,001</u>	<u>7,939,276</u>
<b>Non-current liabilities</b>			
Provisions	16	17,563,283	21,197,464
Borrowings	17	5,090,558	6,676,993
<b>Total non-current liabilities</b>		<u>22,653,841</u>	<u>27,874,457</u>
<b>TOTAL LIABILITIES</b>		<u>30,598,842</u>	<u>35,813,733</u>
<b>NET COMMUNITY ASSETS</b>		<u>499,672,040</u>	<u>494,942,359</u>
<b>Community equity</b>			
Asset revaluation surplus	18	272,810,103	277,958,053
Retained surplus (deficiency)		<u>226,861,937</u>	<u>216,984,306</u>
<b>TOTAL COMMUNITY EQUITY</b>		<u>499,672,040</u>	<u>494,942,359</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 2016

	Total	Retained surplus (deficit)	Reserves	Asset revaluation surplus Note 18
	2016 \$	2016 \$	2016 \$	2016 \$
Balance at beginning of year	494,942,359	216,984,306	-	277,958,053
Correction to opening balance	16,453	16,453	-	-
Restated opening balance	494,958,812	217,000,759	-	277,958,053
Net result	9,861,178	9,861,178	-	-
Other comprehensive income for the year				
Asset revaluation surplus	(5,147,950)	-	-	(5,147,950)
<b>Total comprehensive income for the year</b>	<u>4,713,228</u>	<u>9,861,178</u>	<u>-</u>	<u>(5,147,950)</u>
Balance at end of year	<u>499,672,040</u>	<u>226,861,937</u>	<u>-</u>	<u>272,810,103</u>

**Statement of Changes in Equity**  
For the year ended 30 June 2016 - prior year

	Total	Retained surplus (deficit)	Reserves	Asset revaluation surplus Note 18
	2015 \$	2015	2015 \$	2015 \$
Balance at beginning of year	471,422,993	183,806,593	30,398,293	257,218,107
Correction to opening balance	1,156,732	1,156,732	-	-
Restated opening balance	472,579,725	184,963,325	30,398,293	257,218,107
Net result	1,622,688	1,622,688	-	-
Other comprehensive income for the year				
Asset revaluation surplus	20,739,946	-	-	20,739,946
<b>Total comprehensive income for the year</b>	<u>22,362,634</u>	<u>1,622,688</u>	<u>-</u>	<u>20,739,946</u>
Transfers (to) from retained earnings and recurrent reserves	-	4,909,637	(4,909,637)	-
Transfers (to) from retained earnings and capital reserves	-	25,488,656	(25,488,656)	-
Balance at end of year	<u>494,942,359</u>	<u>216,984,306</u>	<u>-</u>	<u>277,958,053</u>

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 2016

	Note	2016 \$	2015 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		43,430,121	42,434,120
Operating grants, subsidies and contributions		4,139,307	4,190,346
Interest received		1,768,417	1,789,597
<b>Payments</b>			
Payments to suppliers and employees		(33,728,013)	(33,580,916)
Interest expense		(365,340)	(386,708)
<b>Net cash inflow (outflow) from operating activities</b>	24	<b>15,244,492</b>	<b>14,446,439</b>
<b>Cash flows from investing activities</b>			
Commonwealth government grants		1,244,284	435,522
State government subsidies and grants		2,787,617	7,007,483
Capital contributions		109,063	110,200
Payments for property, plant and equipment		(14,506,713)	(17,871,316)
Payments for intangible assets		(112,228)	-
Proceeds from sale of property, plant and equipment		383,077	271,477
Net movement in loans to community organisations		55,405	20,515
<b>Net cash inflow (outflow) from investing activities</b>		<b>(10,039,495)</b>	<b>(10,026,119)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	17	-	2,000,000
Repayment of borrowings	17	(1,523,052)	(1,462,734)
<b>Net cash inflow (outflow) from financing activities</b>		<b>(1,523,052)</b>	<b>537,266</b>
<b>Net increase (decrease) in cash and cash equivalents held</b>		<b>3,681,945</b>	<b>4,957,586</b>
Cash and cash equivalents at beginning of the financial year		39,068,599	34,111,013
<b>Cash and cash equivalents at end of the financial year</b>	11	<b>42,750,544</b>	<b>39,068,599</b>

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 2016

**1 Significant accounting policies**
**1.1 Basis of preparation**

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 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 following:

- certain classes of property, plant and equipment which are measured at fair value;

**Recurrent/capital classification**

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

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

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

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

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

**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 Date of authorisation**

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

**1.4 Currency**

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

**1.5 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.

Burdekin Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 1 Significant accounting policies - continued

At the date of authorisation of the financial report, AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities is the only new accounting standard with a future application date that is expected to have a material impact on Council's financial statements.

From 1 July 2016 AASB 124 Related Party Disclosures will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 Revenue from Contracts with Customers will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

#### 1.6 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 1.10 and note 14

Provisions - note 1.12, 1.14 and note 16

Contingencies - note 21

#### 1.7 Revenue

##### (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.

##### (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.

##### (c) Cash contributions

Developers 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.

##### (d) 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 or when the service is provided.

#### 1.8 Cash and cash equivalents

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

## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 1 Significant accounting policies - continued

#### 1.9 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.

All known bad debts were written-off at 30 June.

As 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.

#### 1.10 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.

The classes of property plant and equipment recognised by the Council are reported in note 13.

##### (a) Acquisition of assets

Acquisition 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

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

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

##### (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 & Equipment and AASB 13 Fair Value Measurement. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for 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 these assets and making their own assessments of the condition of the assets at the date of inspection.

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.



**1 Significant accounting policies - continued**

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 14.

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.

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.

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 13.

**1.11 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 Significant accounting policies - continued**

**1.12 Liabilities - employee benefits**

**(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 15 as a payable.

**(b) Annual leave**

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

As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability. This liability represents an accrued expense and is reported in note 15 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 22.

**(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.

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

This liability is reported in note 16 as a provision.

**1.13 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.

All borrowing costs are expensed in the period in which they are incurred.

**1 Significant accounting policies - continued**

**1.14 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.

**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 provision:

**Refuse sites**

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

The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Due to 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.

**1.15 Asset revaluation surplus**

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

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

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

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 Significant accounting policies - continued**

**1.16 Reserves**

Reserves held for future recurrent and capital expenditure have been removed from the financial statements by transferring the balances as at 30 June 2015 to the balance of Retained Surplus. Council will continue to account for these internal restrictions using an internal management accounting system.

**1.17 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.

**1.18 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 Australian Taxation Office (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 2016

**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, revenue, purchasing, creditors, payroll, debtors, 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, welfare and economic development.

**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 engineering section is responsible for stores, design, construction and operations of roads, drainage, flood mitigation, water and sewerage systems. Other services include asset management, aerodromes, boat ramps, recoverable works, depot and workshop operations and plant management.

**Waste**

Waste management services aim to provide efficient and compliant waste infrastructure and services including waste receptacles, waste collection and disposal and waste management and education. Council operates or facilitates four transfer stations at Ayr, Home Hill, Giru and Clare and a landfill at Kirknie Road, Home Hill. Services also include the review, assessment and treatment of legacy landfills.

**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 2016

**2 Analysis of results by function**

**(b) Income and expenses defined between recurring and capital, and assets are attributed to the following functions-**

Functions	Gross function revenue				Gross function income		Total income		Gross function expenses		Total expenses	Operating surplus/(deficit) from recurrent operations	Net result for year	Assets	
	Recurrent revenue		Capital revenue		Grants	Other	2015	2016	Capital	2015					2016
	2015	2016	2015	2016											
Administration Services	2,470,931	2,639,759	-	9,750	-	29,133,057	(7,029,476)	(60,755)	(7,090,231)	22,093,831	22,042,826	66,164,714			
Community and Cultural	191,550	190,143	698,048	12,957	698,048	1,190,262	(4,394,185)	(985,254)	(5,379,439)	(3,914,928)	(4,189,177)	23,497,890			
Development Services	-	-	-	-	-	599,083	(1,205,882)	-	(1,205,882)	(606,799)	(606,799)	-			
Environmental Services	123,600	67,200	1,159,542	12,000	1,182,300	1,356,972	(5,268,119)	(17,526)	(5,285,645)	(4,041,377)	(3,928,673)	8,286,759			
Engineering Services	1,129,476	990,695	3,146,713	84,106	3,361,624	5,861,851	(13,366,182)	(2,249,580)	(15,615,762)	(10,735,150)	(9,753,911)	367,289,158			
Waste	15,300	-	4,230,494	5,040,809	-	9,271,303	(3,936,299)	(722,105)	(4,658,404)	294,195	4,612,899	8,013,178			
Sewerage	-	-	4,591,548	-	-	4,591,548	(3,834,020)	(17,002)	(3,851,022)	757,528	740,526	34,914,634			
Water	-	-	4,383,919	68,910	-	4,452,829	(3,475,308)	(34,034)	(3,509,342)	908,611	943,487	22,104,549			
<b>Total</b>	<b>3,887,797</b>	<b>43,377,585</b>	<b>4,031,901</b>	<b>5,159,622</b>	<b>4,031,901</b>	<b>56,456,905</b>	<b>(42,509,471)</b>	<b>(4,086,256)</b>	<b>(46,595,727)</b>	<b>4,755,911</b>	<b>9,861,178</b>	<b>530,270,882</b>			

For the year ended 30 June 2015

Functions	Gross function revenue				Gross function income		Total income		Gross function expenses		Total expenses	Operating surplus/(deficit) from recurrent operations	Net result for year	Assets	
	Recurrent revenue		Capital revenue		Grants	Other	2015	2016	Capital	2015					2016
	2015	2016	2015	2016											
Administration Services	2,470,931	2,639,759	-	9,750	-	28,249,191	(7,392,907)	(88,514)	(7,481,421)	20,856,284	20,767,770	62,688,421			
Community and Cultural	191,550	190,143	698,048	12,957	698,048	3,248,141	(3,739,380)	(135,448)	(3,874,828)	(3,385,378)	(626,687)	24,874,966			
Development Services	-	-	-	-	-	778,658	(1,273,945)	-	(1,273,945)	(495,287)	(495,287)	-			
Environmental Services	123,600	67,200	1,159,542	12,000	1,182,300	1,328,461	(5,284,856)	(4,919)	(5,289,775)	(3,991,395)	(3,961,314)	8,422,986			
Engineering Services	1,129,476	990,695	3,146,713	84,106	3,361,624	8,000,612	(13,052,294)	(3,709,304)	(16,761,598)	(10,255,121)	(8,760,986)	370,525,336			
Waste	15,300	-	4,230,494	5,040,809	-	4,078,086	(3,802,578)	(7,207,228)	(11,009,806)	275,508	(6,931,720)	6,764,819			
Sewerage	-	-	4,591,548	-	-	4,333,888	(3,905,692)	(81,355)	(3,987,047)	346,768	346,841	35,128,608			
Water	-	-	4,383,919	68,910	-	4,685,628	(3,346,041)	(55,516)	(3,401,557)	1,034,988	1,284,071	22,350,956			
<b>Total</b>	<b>3,930,857</b>	<b>42,253,203</b>	<b>7,443,005</b>	<b>1,075,600</b>	<b>7,443,005</b>	<b>54,702,665</b>	<b>(41,797,693)</b>	<b>(11,282,284)</b>	<b>(53,079,977)</b>	<b>4,386,367</b>	<b>1,622,688</b>	<b>530,756,092</b>			



**BURDEKIN SHIRE COUNCIL**
**Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>3 Revenue analysis</b>			
<b>(a) Rates and levies</b>			
General rates		25,822,542	24,949,727
Separate rates		11,384	99,457
Environmental levy		265,047	264,688
Water		3,946,353	3,829,080
Sewerage		3,826,148	3,620,491
Garbage charges		3,696,371	3,560,395
Rates and utility charge revenue		37,567,845	36,323,838
Less: Discounts		436	(606)
Less: Pensioner remissions		(279,281)	(274,190)
Net rates and utility charges		37,289,000	36,049,042
<b>(b) Fees and Charges</b>			
Statutory fees and charges include			
Building and development fees		597,505	776,964
Caravan parks		411,173	421,170
Animal management		173,169	115,068
Waste disposal		316,615	330,316
Trade waste		135,416	126,464
Cultural facilities		202,114	34,382
Other fees and charges		431,427	475,727
		2,267,419	2,280,091
<b>4 Grants, subsidies and contributions</b>			
<b>(a) Recurrent</b>			
General purpose grants		3,328,728	3,259,723
State government subsidies and grants		559,069	671,134
Contributions		251,510	259,489
Total recurrent revenue		4,139,307	4,190,346
<b>(b) Capital</b>			
(i) Monetary revenue designated for capital funding purposes			
Commonwealth government grants		1,244,284	435,522
State government subsidies and grants		2,787,617	7,007,483
Contributions		109,063	110,200
		4,140,964	7,553,205
(ii) Non-monetary revenue received			
Developer contributions of physical assets at fair value		-	965,400
		-	965,400
Total capital revenue		4,140,964	8,518,605
<b>(c) Conditions over contributions</b>			
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		323,025	579,697
Contributions for infrastructure		12,000	-
		335,025	579,697
Grants and contributions which were recognised as revenues during a previous reporting period and were expended during the current reporting period.			
Grants for infrastructure		590,468	1,222,028
Contributions for infrastructure		-	39,635
		590,468	1,261,663

**BURDEKIN SHIRE COUNCIL**
**Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>5 Capital income</b>			
Impairment adjustment of assets classified as held for sale		9,750	-
Change arising from revision of the future restoration expenditure		5,040,809	-
		5,050,559	-
<b>6 Employee benefits</b>			
Total staff wages and salaries		14,814,755	14,221,026
Councillors' remuneration		402,985	399,773
Annual, sick and long service leave entitlements		2,725,227	2,590,309
Superannuation	22	1,897,886	1,839,350
		19,840,853	19,050,458
Other employee related expenses		605,725	603,402
		20,446,578	19,653,860
Less capitalised employee expenses		(2,430,222)	(2,319,931)
		18,016,356	17,333,929
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at 30 June			
Elected members		7	7
Administration staff		110	108
Depot and outdoors staff		131	122
Total full time equivalent employees		248	237
<b>7 Materials and services</b>			
Audit of annual financial statements by the Auditor-General of Queensland		75,600	96,400
Contract payments		1,974,213	1,979,123
Electricity		1,520,611	1,591,404
Materials		1,403,450	1,366,316
Plant hire external		2,039,252	2,003,874
Trade/contract services		1,421,980	1,471,951
Plant and equipment expenses		1,043,419	1,177,533
Other material and services		3,633,718	3,885,141
		13,112,243	13,571,742
<b>8 Finance costs</b>			
Finance costs charged by the Queensland Treasury Corporation		365,340	386,708
Bank charges		47,011	41,659
Impairment of receivables and bad debts written-off		1,645	(1,433)
Refuse sites - change in present value over time		651,126	570,323
		1,065,122	997,257
<b>9 Capital expenses</b>			
Loss on the sale of capital assets		99,731	99,752
Loss on write-off of capital assets	10	2,352,643	3,975,304
Contributions - donated non-current physical assets		959,475	-
Increase in rehabilitation provision for future costs, on land not controlled by council, due to a change in discount rate		674,407	55,908
Increase in the rehabilitation provision due to recognition of new sites or a change in the estimated future cost	16	-	7,151,320
Total capital expenses		4,086,256	11,282,284

**BURDEKIN SHIRE COUNCIL**  
Notes to the Financial Statements  
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>10 Loss on write-off of capital assets</b>			
Buildings		92,047	140,367
Plant and Equipment		20	41,177
Transport		2,076,357	3,295,380
Water		34,034	55,516
Sewerage		17,002	81,355
Drainage		73,492	361,509
Other Assets		59,691	-
	9	<u>2,352,643</u>	<u>3,975,304</u>
<b>11 Cash and cash equivalents</b>			
Cash at bank and on hand		2,139,937	2,093,953
Deposits at call		11,610,607	14,974,646
Term deposits		29,000,000	22,000,000
Total cash and cash equivalents per statement of cash flows		<u>42,750,544</u>	<u>39,068,599</u>
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 the following cash assets			
Unspent loan monies		-	1,988,332
Unspent government grants and subsidies		327,049	594,493
Unspent developer contributions		125,947	113,947
Total unspent external restricted cash		<u>452,996</u>	<u>2,696,772</u>
<b>12 Trade and other receivables</b>			
<b>(a) Current</b>			
Rateable revenue and utility charges		1,843,313	1,308,880
Water charges yet to be levied		723,539	788,861
GST recoverable		346,131	283,197
Other debtors		628,680	760,124
Less impairment provision		(491)	(570)
		<u>3,541,172</u>	<u>3,140,492</u>
Prepayments		301,657	225,369
Loans and advances to community organisations		53,300	61,785
		<u>3,896,129</u>	<u>3,427,646</u>
<b>(b) Non-current</b>			
Prepayments		19,575	-
Loans and advances to community organisations		137,529	184,449
		<u>157,104</u>	<u>184,449</u>
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.			
Loans and advances to community organisations arise from time to time and are interest free. The credit risk on these loans is considered low.			
Ageing of past due receivables (excluding prepayments) and the amount of any impairment			
Not past due		1,856,594	2,017,186
Past due - 31 to 60 days		23,613	17,695
- 61 to 90 days		868	3,496
- Over 90 days		1,851,417	1,348,919
		<u>3,732,492</u>	<u>3,387,296</u>
Less impaired		(491)	(570)
Total		<u>3,732,001</u>	<u>3,386,726</u>

**BURDEKIN SHIRE COUNCIL**  
Notes to the Financial Statements  
For the year ended 30 June 2016

**13 Property, plant and equipment**

Basis of measurement	Land & Improvements		Buildings		Plant and Equipment		Transport		Water		Sewerage		Drainage		Other Assets		Works in progress		Total	
	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016	Valuation 2016	Cost 2016		
<b>Asset Values</b>																				
Opening gross value as at 1 July 2015	20,495,693	13,481,730	69,125,394	373,491,957	39,845,221	73,672,989	37,718,199	149,981	23,143,084	3,917,326	654,891,593	21,416	3,828,535	3,082,101	14,506,713	(1,366,178)	(5,280,559)	(1,889,397)	658,800,799	
Minor correction to opening balance	-	-	-	21,416	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Additions at cost	2,466,158	1,745,249	598,961	4,465,474	164,280	136,377	951,698	136,377	164,280	136,377	136,377	136,377	136,377	136,377	136,377	136,377	136,377	136,377	136,377	
Internal transfers from work in progress	73,107	240,784	240,784	1,966,694	19,031	10,382	702,154	10,382	19,031	10,382	10,382	10,382	10,382	10,382	10,382	10,382	10,382	10,382	10,382	
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Write-offs	-	(1,095,992)	-	(2,915,489)	(110,247)	(133,068)	(167,438)	(133,068)	(110,247)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	(133,068)	
Donations made	(45,000)	(412,160)	(1,844,397)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income. (refer the ARS*)	(2,095,229)	-	-	125,473	-	-	-	125,473	-	-	-	-	-	-	-	-	-	-	(1,969,756)	
Internal transfers between asset classes	274,000	-	-	(49,854)	-	-	-	(49,854)	-	-	-	-	-	-	-	-	-	-	274,000	
Transfer from non-current assets held for sale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(387,033)	
Internal transfer to intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	274,000	
Closing gross value as at 30 June 2016	21,168,729	13,448,641	67,024,750	377,105,671	39,918,285	73,686,660	39,217,545	377,105,671	39,918,285	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	73,686,660	
<b>Accumulated depreciation and impairment</b>																				
Opening balance as at 1 July 2015	5,477,024	5,463,433	31,127,672	45,929,979	17,835,024	38,586,536	13,190,482	45,929,979	17,835,024	38,586,536	13,190,482	13,190,482	13,190,482	13,190,482	13,190,482	13,190,482	13,190,482	13,190,482	13,190,482	
Minor correction to opening balance	-	-	-	4,963	-	-	-	4,963	-	-	-	-	-	-	-	-	-	-	-	
Depreciation provided in year	304,107	904,575	1,402,865	4,628,987	527,537	1,203,759	498,040	4,628,987	527,537	1,203,759	498,040	498,040	498,040	498,040	498,040	498,040	498,040	498,040	498,040	
Depreciation on disposals	-	(883,370)	-	(839,132)	-	-	-	(839,132)	-	-	-	-	-	-	-	-	-	-	(883,370)	
Depreciation on write-offs	-	(412,140)	(1,003,945)	(839,132)	(76,213)	(116,086)	(95,946)	(839,132)	(76,213)	(116,086)	(95,946)	(95,946)	(95,946)	(95,946)	(95,946)	(95,946)	(95,946)	(95,946)	(95,946)	
Depreciation on donations made	-	-	(929,922)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(929,922)	
Revaluation adjustment to other comprehensive income. (refer the ARS*)	(940,997)	-	-	4,227,195	-	-	(175,092)	4,227,195	-	-	(175,092)	(175,092)	(175,092)	(175,092)	(175,092)	(175,092)	(175,092)	(175,092)	3,112,379	
Accumulated depreciation as at 30 June 2016	4,840,134	5,072,498	30,596,670	53,951,992	18,286,348	39,675,482	13,419,484	53,951,992	18,286,348	39,675,482	13,419,484	13,419,484	13,419,484	13,419,484	13,419,484	13,419,484	13,419,484	13,419,484	13,419,484	
Total written down value as at 30 June 2016	16,328,595	8,376,143	36,428,080	323,153,679	21,631,937	34,011,178	25,798,061	323,153,679	21,631,937	34,011,178	25,798,061	25,798,061	25,798,061	25,798,061	25,798,061	25,798,061	25,798,061	25,798,061	25,798,061	
Residual value	-	2,827,568	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,827,568
Range of estimated useful life in years	0 - 100	3 - 45	30 - 100	12 - 120	10 - 120	10 - 106	5 - 151	12 - 120	10 - 120	10 - 106	5 - 111	5 - 111	5 - 111	5 - 111	5 - 111	5 - 111	5 - 111	5 - 111	5 - 111	
Addition of renewal assets	-	1,631,164	145,576	3,064,109	148,245	127,516	336,020	3,064,109	148,245	127,516	93,892	93,892	93,892	93,892	93,892	93,892	93,892	93,892	93,892	
Addition of other assets	2,466,158	114,085	453,385	1,401,365	16,035	8,861	615,678	1,401,365	16,035	8,861	56,089	56,089	56,089	56,089	56,089	56,089	56,089	56,089	56,089	
Total additions in year	2,466,158	1,745,249	598,961	4,465,474	164,280	136,377	951,698	4,465,474	164,280	136,377	149,981	149,981	149,981	149,981	149,981	149,981	149,981	149,981	149,981	
* ARS denotes - Asset Revaluation Surplus																				



13 Property, plant and equipment - prior year

Basis of measurement	Land & Improvements		Buildings		Plant and Equipment		Leasehold Improvements		Transport		Water		Sewerage		Drainage		Other Assets		Works in progress		Total
	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	2015	
Valuation	\$ 23,962,526	\$ 66,061,885	\$ 1,796,527	\$ 1,522,133	\$ 13,121,863	\$ 689,957	\$ 37,265,404	\$ 71,452,639	\$ 31,674,529	\$ 21,263,919	\$ 246,528	\$ 365,000	\$ 394,981	\$ 3,250,455	\$ 9,008,713	\$ 632,559,333	\$ 1,361,485	\$ 17,871,316	\$ 965,400	\$ -	\$ -
Opening gross value as at 1 July 2014	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Minor correction to opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions at cost	36,351	1,030,701	605,286	5,000	8,775	303,954	4,450	15,800	2,220,986	394,981	35,910	84,920	3,250,455	9,008,713	632,559,333	1,361,485	17,871,316	965,400	-	-	
Contributed assets at valuation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Internal transfers from work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	(94,000)	(627,405)	(892,661)	(274,505)	(3,417,959)	(43,926)	(892,661)	(100,095)	(4,340,001)	(77,859)	(396,511)	(569,985)	(8,341,842)	(986,661)	(6,616,942)	(9,158,294)	(168,489,270)	(986,661)	(6,616,942)	(9,158,294)	
Write-offs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjust to other comprehensive income. (refer the ARS*)	(3,417,959)	302,326	(43,926)	(274,505)	-	7,377,642	124,569	2,349,295	2,047,361	264,176	43,926	954,428	3,917,326	9,737,662	654,891,593	1,361,485	17,871,316	965,400	-	-	
Internal transfers between asset classes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2015	20,495,693	69,125,394	1,796,527	1,522,133	13,121,863	689,957	37,265,404	71,452,639	31,674,529	21,263,919	246,528	365,000	394,981	3,250,455	9,008,713	632,559,333	1,361,485	17,871,316	965,400	-	-

Accumulated depreciation and impairment

Opening balance as at 1 July 2014	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	-	-	-	-	-	-	-	-	-	-	-	-
Minor correction to opening balance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in year	371,081	1,595,472	1,055,627	12,007	4,002,908	504,234	1,166,587	415,792	645,901	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on disposals	-	-	(615,432)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation on write-offs	-	(487,038)	(233,428)	(100,095)	(1,044,621)	(77,859)	(490,121)	(208,476)	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjust to other comprehensive income. (refer the ARS*)	(2,082,677)	(3,376,275)	-	-	(6,387,168)	(396,511)	990,970	1,672,453	420,914	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2015	5,477,024	31,127,672	5,463,433	-	45,929,979	17,835,024	38,586,536	13,190,482	10,879,120	-	-	-	-	-	-	-	-	-	-	-	-
Total written down value as at 30 June 2015	15,018,669	37,997,722	8,018,297	-	327,561,978	22,010,197	35,086,453	24,527,717	12,263,964	3,917,326	486,402,323	186,998,148	-	-	-	-	-	-	-	-	-

Residual value

Range of estimated useful life in years

\* ARS denotes - Asset Revaluation Surplus

BURDEKIN SHIRE COUNCIL  
Notes to the Financial Statements  
For the year ended 30 June 2016

14 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

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 17 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

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

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

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

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

Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<b>Recurring fair value measurements</b>						
Property, plant and equipment 13						
- Land and Improvements	3,020,177	2,817,000	13,308,417	12,201,669	16,328,594	15,018,669
- Buildings	1,097,604	1,151,309	35,330,476	36,846,413	36,428,080	37,997,722
- Transport	-	-	323,153,679	327,561,978	323,153,679	327,561,978
- Water	-	-	21,631,942	22,010,197	21,631,942	22,010,197
- Sewerage	-	-	34,011,178	35,086,453	34,011,178	35,086,453
- Drainage	-	-	25,798,059	24,527,717	25,798,059	24,527,717
- Other Assets	-	-	11,772,776	12,263,964	11,772,776	12,263,964
	4,117,781	3,968,309	465,006,527	470,498,391	469,124,308	474,466,700
<b>Non-recurring fair value measurements</b>						
Non-current assets held for sale	-	264,250	-	-	-	264,250
	-	264,250	-	-	-	264,250



## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 14 Fair value measurements - continued

There were no transfers between levels during the year.

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 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

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

Land fair values were comprehensively revalued by independent valuer, AssetVal Pty Ltd effective 30 June 2015. A desktop review was undertaken as at 30 June 2016. The comprehensive valuations were based on land sales in the locality and standard valuation principles were adopted. Where necessary, adjustments were made to the sales evidence to account for differences between sold properties and the subject property. Consideration was also given to the highest and best use of the land parcels in the determination of the value. Fair Value measurement were deemed as a combination of level 2 and level 3 depending on the extent assumptions have been applied. For land with an observable active market and no unreasonable restrictions, fair value measurement was deemed as level 2. All other land with restrictions applied or have no observable market, the Fair Value was deemed as level 3. The most significant inputs into the comprehensive valuation approach was price per square metre.

When undertaking the desktop review as at 30 June 2016 AssetVal Pty Ltd undertook discussions with local real estate agents, analysed sales evidence and previous valuation work undertaken in the Queensland property market. The price movement for 2016 financial year was assessed by AssetVal Pty Ltd as a 3.0% decrease in land values. The decrease in the valuation was applied as at 30 June 2016.

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

###### (2) Buildings (level 2 and 3)

Buildings fair value were comprehensively revalued by independent valuer, AssetVal Pty Ltd effective 30 June 2015. Where there is an active market for Council building assets, fair value was derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value was determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values were derived from reference to information issued by Rawlinson's (Australian Construction Handbook), Costweb 2016 and the Australian Bureau of Statistics. Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

A desktop review by AssetVal Pty Ltd was undertaken as at 30 June 2016. AssetVal Pty Ltd adopted an increase of 2.7% in building costs. As the movement in the index for building costs was not material it was not applied. The indexation assessment is based on inputs from producer price data, construction indices and recent construction cost guides. These were analysed by determining the movement between 1 July 2015 and 30 June 2016 and include the Non-Residential, Residential and Other Residential categories from Costweb, together with the regional building price index for all construction from Rawlinson's Australian Construction Handbook.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality and obsolescence.

## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 14 Fair value measurements - continued

In calculating the level of accumulated depreciation, remaining useful lives were determined based on condition assessments on a rating of 1 to 5 where 1 is new and 5 is extremely poor condition.

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.

##### (3) Infrastructure assets (level 3)

###### Transport, water, sewerage and drainage

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

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

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

Included in the valuation information below are the relevant percentage movements of indices and unit rates. The reviews undertaken by Council staff of indices and unit rates for all infrastructure assets for 2016 resulted in movements of less than +/- 5% from last years rates. Accordingly there were no adjustments to fair value as at 30 June 2016 for movements in indices or unit rates for infrastructure assets.

In calculating the level of accumulated depreciation, remaining useful lives were determined based on condition assessments on a rating of 1 to 5 where 1 is new and 5 is extremely poor condition.

Specific valuation techniques used to value Council infrastructure assets comprise:

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

A comprehensive valuation of the Transport and Drainage asset classes has been undertaken effective as at 30 June 2015. Transport asset class includes Road and Bridges. Council engineers determined the revaluation of roads and drainage devices. A desktop review was undertaken as at 30 June 2016 to ascertain any changes to condition together with a review of unit rates. AssetVal Pty Ltd comprehensively revalued the bridges as at 30 June 2015 and undertook a desktop revaluation as at 30 June 2016.

###### Transport

###### 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.



## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 14 Fair value measurements - continued

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. In 2014 unit rates for subgrade, pavements and seals were derived from the Roads Alliance Valuation Project (RAVP) and these were modified to suit Council using the RAVP local adjustment tool. In 2015 and 2016 the unit rates were adjusted by applying the indices provided by RAVP. Unit rates for drainage structures and traffic management devices 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 desktop review undertaken as at 30 June 2016 indicated a change in cost of -0.16%.

A comprehensive revaluation of bridge assets was undertaken by independent valuers, AssetVal Pty Ltd, effective 30 June 2015. 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, quoted prices, or cost guides (e.g. Rawlinsons Construction Handbook). On-costs were estimated using industry standards which were then tailored to suit Council.

A desktop review of bridges was undertaken by AssetVal Pty Ltd as at 30 June 2016. AssetVal Pty Ltd adopted an 1.8% increase for bridge costs for the year ended 30 June 2016.

##### *Accumulated Depreciation:*

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

Infrastructure Management Group Pty Ltd performed a full condition survey of all Council roads during 2014/15 and recorded various mechanical measurements and the extent of defects for each segment and component of the road structure. This data was utilised by Council staff to determine condition, remaining useful life and 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.

Council carried out a desktop analysis of the change in condition over the last 12 months and amended the condition where applicable. A five year inspection program commenced in 2014 to assess the remaining service potential of drainage structures and pathways. As at 30 June 2016, 52% of road drainage assets have been inspected and conditioned.

AssetVal Pty Ltd visually inspected the bridges and undertook an assessment of remaining useful life taking into consideration the visual condition, construction date, evidence of recent repairs or capital works and the surrounding environmental factors as at 30 June 2015. The condition of assets as at 30 June 2016 were reviewed by Council based on inspection data where applicable or consideration given to any changes to the asset during the financial year.

Estimated useful lives are disclosed in note 13.

##### Drainage

##### *Current replacement cost:*

A full valuation of drainage infrastructure was undertaken internally by Council, effective 30 June 2015. Similar to roads, drainage assets are managed by component including segments of conduit, pits, manholes and channels. A desktop review of unit rates and condition of drainage infrastructure was undertaken internally by Council staff as at 30 June 2016. The review of unit rates indicated there was an increase as at 30 June 2016 on average of 1.4%.

## BURDEKIN SHIRE COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2016

#### 14 Fair value measurements - continued

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.

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 a condition assessment program. A five year inspection program commenced in 2012/13 to assess the remaining service potential of drainage infrastructure. As at 30 June 2016 approximately 80% of the network has been inspected and conditioned.

Estimated useful lives are disclosed in note 13.

#### 3(b) Water and Sewerage Infrastructure – 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 2015. AssetVal Pty Ltd undertook a valuation of specific water assets (inc. boreholes, buildings, elevated storage, pumps, telemetry, aerator, chlorination equipment) and sewerage assets (inc. treatment plants, buildings, pump stations). 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. The value of sewers was compared with current reline costs and the higher of the two values was adopted as the replacement unit rate. A desktop review was undertaken as at 30 June 2016 by Asset Val Pty Ltd on specific water (0.35% increase) and sewerage assets (0.27% increase). The remaining water and sewerage assets were internally reviewed by Council staff for changes to condition together with a review of unit rates. The internal desktop review indicated an increase of 1.8% for the remaining water assets and 3.4% decrease for sewerage assets.

##### *Accumulated depreciation:*

In determining accumulated depreciation, assets were either subject to a site inspection or an age based assessment to determine remaining useful life. A five year inspection program commenced in 2012/13 to assess conditions of sewerage assets. As at 30 June 2016, 60% of the sewerage collection network were assessed to establish current conditions. Assets inspected were determined primarily by analysis of the hierarchy of asset types, geographical locations, criticality, catchment type and effluent quality. Where site inspections were conducted the assets were allocated a condition assessment, which was used to estimate remaining useful life. Where site inspections were not conducted the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

The assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Estimated useful lives are disclosed in note 13.

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

##### *Current replacement cost:*

Other Assets were comprehensively revalued by independent valuer, AssetVal Pty Ltd effective 30 June 2015. Where there is an active market for Council other assets, fair value has been derived from sales transactions of similar asset types and the valuation is deemed to be a level 2 input. AssetVal Pty Ltd undertook a desktop review of the fair values of Other Assets as at 30 June 2016. AssetVal Pty Ltd adopted an increase of 1.4% in civil construction costs, a 3.1% increase in mechanical costs, a 0.7% increase in electrical costs and a 1.4% increase in other infrastructure costs.

**BURDEKIN SHIRE COUNCIL**

## Notes to the Financial Statements

For the year ended 30 June 2016

**14 Fair value measurements - continued**

Where Council's other assets are specialised in nature the valuation has been undertaken using the written down replacement cost methodology. The approach is similar to that described in the buildings asset class valuation undertaken by AssetVal Pty Ltd.

*Accumulated depreciation:*

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different 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 and obsolescence.

Estimated useful lives are disclosed in note 13.

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

The changes in level 3 assets with recurring fair value measurements are detailed in note 13 (Property, plant and equipment) and note 9 (Capital expenses).

**(iv) Valuation processes**

Council approves the valuation policies and the valuation procedures are reviewed and approved by the Asset Management Group which consists of key stakeholders including the Chief Executive Officer. 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 1.10. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer and revalued if necessary.

The methods used to value Council's assets utilise 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.

**BURDEKIN SHIRE COUNCIL**

## Notes to the Financial Statements

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>15 Trade and other payables</b>			
<b>Current</b>			
Creditors and accruals		1,657,950	1,853,134
Annual leave		2,185,647	2,157,313
		<u>3,843,597</u>	<u>4,010,447</u>
<b>16 Provisions</b>			
<b>Current</b>			
Long service leave		2,503,539	2,394,347
		<u>2,503,539</u>	<u>2,394,347</u>
<b>Non-Current</b>			
Long service leave		342,550	327,270
Property restoration			
Refuse sites		17,220,733	20,870,194
		<u>17,563,283</u>	<u>21,197,464</u>
<b>Details of movements in provisions</b>			
<b>Long service leave</b>			
Balance at beginning of the year		2,721,617	2,551,207
Transfer from Burdekin Cultural Complex Board		-	14,923
Amount provided for in the period		477,809	445,843
Amount paid in the period		(353,337)	(290,356)
Balance at end of the year		<u>2,846,089</u>	<u>2,721,617</u>
<b>Refuse sites</b>			
Balance at beginning of the year		20,870,194	14,936,633
Increase due to change in time		651,126	570,323
Increase (decrease) due to change in discount rate		2,498,242	1,240,294
Increase due to recognition of a new site		-	7,151,320
Increase (decrease) in estimate of future cost		(6,798,829)	(3,028,376)
Balance at end of the year		<u>17,220,733</u>	<u>20,870,194</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 \$21,970,642. Approximately less than one quarter of this cost is estimated to occur in 2025 for four sites and three quarters in 2030 on closure of Kirknie landfill.

**17 Borrowings****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 June 2019 to 15 September 2020.

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

Principal and interest repayments are made quarterly in arrears.

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.



**BURDEKIN SHIRE COUNCIL**
**Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>Borrowings at balance date</b>			
<b>Queensland Treasury Corporation</b>			
Balance at beginning of the year		8,211,475	7,674,209
Loans raised		-	2,000,000
Principal repayments		(1,523,052)	(1,462,734)
Balance at end of the year		<u>6,688,423</u>	<u>8,211,475</u>
Classified as			
Current		1,597,865	1,534,482
Non-current		5,090,558	6,676,993
Carrying amount		<u>6,688,423</u>	<u>8,211,475</u>
The loan market value at the reporting date was \$7,167,166.			
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.			
The following sets out the liquidity risk in relation to the above borrowings and represents the remaining contractual cash flows (principal and interest) at the end of the reporting period.			
0 to 1 year		1,909,806	1,888,391
1 to 5 years		5,571,878	6,962,134
Over 5 years		-	411,807
Total contractual outflows		<u>7,481,684</u>	<u>9,262,332</u>
The contractual outflows are not expected to occur significantly earlier and are not expected to be for significantly different amounts than indicated.			
<b>18 Asset revaluation surplus</b>			
<b>(a) Asset revaluation surplus</b>			
Movements in the asset revaluation surplus			
Balance at beginning of the year		277,958,053	257,218,107
Adjustments to property, plant and equipment through revaluations	13	(5,082,135)	18,895,956
Adjustment to land & improvements arising from change in rehabilitation costs		(65,815)	1,843,990
Balance at end of the year		<u>272,810,103</u>	<u>277,958,053</u>
<b>(b) Asset revaluation surplus analysis</b>			
The closing balance of the asset revaluation surplus is comprised of the following asset categories			
Land & Improvements		1,928,850	3,148,897
Buildings		21,007,035	21,007,035
Transport		197,354,012	201,455,734
Water		10,777,290	10,777,290
Sewerage		25,435,242	25,436,515
Drainage		9,877,503	9,702,411
Other Assets		6,430,171	6,430,171
		<u>272,810,103</u>	<u>277,958,053</u>
<b>19 Commitments for expenditure</b>			
<b>Contractual commitments</b>			
Contractual commitments at balance date but not recognised in the financial statements			
Service contracts			
Not later than 1 year		2,058,358	422,814
Later than 1 year but not later than 5 years		313,358	6,600,435
		<u>2,371,716</u>	<u>7,023,249</u>
<b>Capital commitments</b>			
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities			
Buildings and software		48,740	563,841
Infrastructure		424,926	-
Payable not later than 1 year		<u>473,666</u>	<u>563,841</u>

**BURDEKIN SHIRE COUNCIL**
**Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>20 Events after balance date</b>			
There were no material financial adjusting events after balance date.			
<b>21 Contingent liabilities</b>			
<b>Local government workcare</b>			
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 an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities.			
Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.			
The Council's maximum exposure to the bank guarantee is		<u>328,999</u>	<u>312,337</u>
<b>Local Government Mutual</b>			
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 2015 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.			
<b>22 Superannuation</b>			
The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits.			
The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.			
The scheme has three elements referred to as			
- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund			
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and			
- The Accumulation Benefits Fund (ABF)			
The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009.			
Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.			

**BURDEKIN SHIRE COUNCIL****Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.			
To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.			
Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.			
As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.			
The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."			
In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.			
Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.			
There are currently 69 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 69 entities. Burdekin Shire Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.			
The next actuarial investigation will be conducted as at 1 July 2018.			
The amount of superannuation contributions paid by Burdekin Shire Council to the scheme in this year for the benefit of employees was		1,897,886	1,839,350
<b>23 Trust funds</b>			
Trust funds held for outside parties			
Security deposits		99,387	89,203
		99,387	89,203

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.

Funds held in the trust account on behalf of outside parties include those funds from security deposits lodged to guarantee performance, bonds and deposits for hire of Council facilities paid into the trust account.

**BURDEKIN SHIRE COUNCIL****Notes to the Financial Statements**

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
<b>24 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities</b>			
Net result		9,861,178	1,622,688
Non-cash operating items			
Impairment of receivables and bad debts written-off	8	1,645	(1,433)
Depreciation and amortisation		10,315,750	9,894,765
Change in restoration provisions expensed to finance costs		651,126	570,323
		<u>10,968,521</u>	<u>10,463,655</u>
Investing and development activities			
Capital grants, subsidies and contributions	4	(4,140,964)	(8,518,605)
Capital income		(5,050,559)	-
Capital expenses	9	4,086,256	11,282,284
		<u>(5,105,267)</u>	<u>2,763,679</u>
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(402,325)	(574,525)
(Increase) decrease in inventories (excluding land)		60,626	211,310
Increase (decrease) in payables		(262,713)	(210,778)
Increase (decrease) in provisions		124,472	170,410
		<u>(479,940)</u>	<u>(403,583)</u>
<b>Net cash inflow from operating activities</b>		<u>15,244,492</u>	<u>14,446,439</u>



**BURDEKIN SHIRE COUNCIL**

**Notes to the Financial Statements**

For the year ended 30 June 2016

**25 Financial instruments**

**Financial risk**

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. Council does not enter into derivatives.

**Credit risk**

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

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

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

Details of collateral held as security relating to the financial assets at Burdekin Shire Council is detailed at note 17.

The maximum exposure to credit risk is based on the carrying amounts of financial assets at the end of the reporting period as disclosed in the Statement of Financial Position

**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.

**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. As the area is largely agricultural, there is also a concentration in the agricultural sector.

**Liquidity risk**

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

The Council 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.

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

**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**

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

**BURDEKIN SHIRE COUNCIL**

**Financial Statements**

For the year ended 30 June 2016

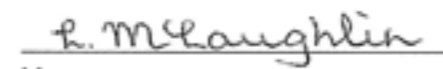
**MANAGEMENT CERTIFICATE**

For the year ended 30 June 2016

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

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

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

  
Mayor

Cr. L.A. McLaughlin

Date: 12 / 10 / 2016

  
Chief Executive Officer

J.M. Magin

Date: 12 / 10 / 2016

## 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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Financial Report*

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

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

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

### *Opinion*

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

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

### **Other Matters - Electronic Presentation of the Audited Financial Report**

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


C G STRICKLAND CA  
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office  
Brisbane



# Burdekin Shire Council



## Current Year Financial Sustainability Statement Certificate of Accuracy Independent Auditor's Report for the financial year 2015/16

### 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 2016 against key financial ratios

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	10.06%	67.50%	-35.39%

#### 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 2016.

### Certificate of Accuracy For the year ended 30 June 2016

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

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

L. McLaughlin  
Mayor

Cr. L.A. McLaughlin

Date: 12 / 10 / 2016

J.M. Magin  
Chief Executive Officer

J.M. Magin

Date: 12 / 10 / 2016

## 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 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

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

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

#### *Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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

#### *Independence*

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

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

#### *Opinion*

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

#### *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

#### **Other Matters - Electronic Presentation of the Audited Statement**

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


C G STRICKLAND CA  
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office  
Brisbane



THE FOLLOWING LONG-TERM FINANCIAL SUSTAINABILITY STATEMENT

AND CERTIFICATE OF ACCURACY DOES NOT FORM PART OF THE

AUDITED FINANCIAL STATEMENTS.

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 2016 against key financial ratios

Target

Actuals at 30 June 2016

Projected for the years ended

30 June 2017  
30 June 2018  
30 June 2019  
30 June 2020  
30 June 2021  
30 June 2022  
30 June 2023  
30 June 2024  
30 June 2025

Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
between 0% and 10%	greater than 90%	not greater than 60%
10.06%	67.50%	-35.39%
2.70%	72.00%	-16.10%
2.40%	64.00%	-18.70%
2.50%	78.90%	-21.00%
2.20%	62.80%	-26.50%
2.00%	57.10%	-28.70%
1.90%	67.90%	-32.90%
2.20%	55.10%	-40.10%
2.00%	53.70%	-44.80%
2.00%	63.70%	-49.70%

Financial Management Strategy

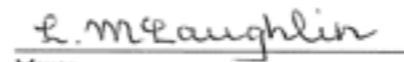
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial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

Certificate of Accuracy

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

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

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



Mayor

Cr. L.M. McLoughlin

Date: 12 / 10 / 2016



Chief Executive Officer

J.M. Magin

Date: 12 / 10 / 2016