

2016 - 17

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# Annual Report

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# 1. Chief Executive Officer's Report

Our region is showing the green shoots of emerging prosperity.

Strategic alignment and partnerships between Council, State and Federal Governments, our community and business sectors remain the drivers for the stimulation of the regional economy.

These arrangements provide Council with the planning, support and the momentum to produce outcomes ensuring the region is on track to fulfil its potential.

To achieve these outcomes, Council continues to operate within the parameters of its core documents including the Corporate Plan, Economic Development Strategy and annual Budget.

The financial year July 1 2016 to June 30 2017 has resulted in notable outcomes and announcements for the Bundaberg Region.

A \$89 million Capital Works program allowed Council to target its stated aim of providing infrastructure to meet current and future community needs while sustaining the local business economy and creating jobs.

Council remains committed to providing its ratepayers with a team focussed on efficient and cost-effective delivery of services, transparent interaction with the community and a vision that is both achievable and affordable.

The community can take pride in the commitment Council has made through proactive engagement in environmentally sustainable programs. Council has, through its own resources and in partnerships with organisations like Greenfleet, undertaken to plant tens of thousands of trees across the region. That environmental commitment is supported by Council's engagement with renewable energy and the continuing rollout of solar energy and other energy efficiency measures across many Council assets.

Our focus in ensuring we have a prepared and resilient community continues to be achieved through our development of in-house designed technology as demonstrated through Council's nationally recognised and awarded Burnett River Flood Action Plan. The annual Get Ready program also heightens awareness for our community during storm season.

Major investment in projects like the Rubyanna Wastewater Treatment Plant and the Multiplex facility means Council is delivering on a vision for the future of the region while financing projects that impact positively on our construction and business sectors.

Right across the Bundaberg Region programs continue to be supported that offer assistance to the disadvantaged or the remote, notably through our Neighbourhood Centres. Council's progress and achievement are carefully benchmarked through a required Performance Report spanning all areas of Council's operational capability.

Council will continue to engage with its community in an open, respectful and transparent manner. The social and service obligations that are pivotal to the enjoyment of a lifestyle evident within the Bundaberg Region will continue to be delivered by a Council team committed to best practice.

**Stephen Johnston**  
Chief Executive Officer

# 2. Community Finance Report

The Community Finance Report is prepared to provide residents, businesses and other stakeholders with an understanding of Council's financial performance and position for the 2016-17 financial year. It aims to give the reader a summary of Council's financial statements along with key financial statistics and ratios.

Financial Statements are an audited formal record of the performance and position of Council. There are four financial statements and three sustainability ratios that assist in providing a high level picture of Council finances for 2016-17. These are described as:

- 2.1 Statement of Comprehensive Income - revenue and expenses in the past 12 months.
- 2.2 Statement of Financial Position - assets owned and liabilities owed at 30 June 2017.
- 2.3 Statement of Cashflows - shows the affect of revenue and expenses, assets and liabilities on cash and investments.
- 2.4 Statement of Changes in Equity - movement in the community's net wealth during the year.
- 2.5 Financial Sustainability Ratios - for reviewing Council performance and sustainability
  - (a) Operating Surplus
  - (b) Net financial liabilities
  - (c) Asset sustainability.

## 2.1 Statement of Comprehensive Income

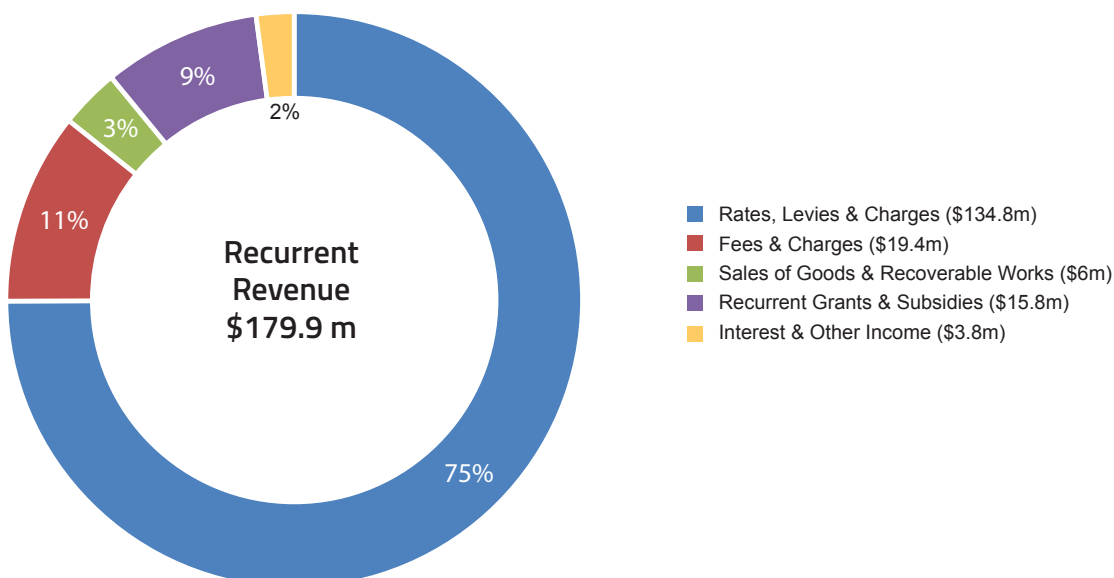
The Operating Surplus is calculated by subtracting the Recurrent Expenses of \$161.8 million from the Recurrent Revenue of \$179.9 million. This shows Council has made a surplus from recurrent activities of \$18.1 million. This surplus is consistent with Council's objective of financial sustainability and affords Council the ability to invest in the outcomes of the *Community Plan Bundaberg Region 2031*.

### Total Income \$213 million - where did this revenue come from?

#### Recurrent Revenue

Bundaberg Regional Council has an estimated resident population of 94,453 (Queensland Government Statisticians Office, 2016) and 44,570 rateable properties. Ratepayers contribute 75% of Council's recurrent revenue through rates and charges. Other major sources of recurrent revenue include fees and charges (11%) and grants, subsidies, contributions and donations (9%).

#### Recurrent Revenue Sources



## Why are rates, levies and charges a significant portion of revenue?

Recurrent revenue is essential for improving services and for the maintenance, renewal and development of Council assets. To achieve these objectives, Council endeavours to raise their own sources of income, to prevent reliance on volatile funding from the State and Federal government.

## Capital Revenue

Council actively pursues capital revenue (\$33.8 million) through infrastructure charges and applying for available grants and subsidies offered by the State and Federal government. This income is utilised on capital projects during the year or is held as restricted cash for future capital projects.

## Total Expenses \$189 million - what was this spent on?

### Recurrent Expenses

A major component of Council's recurrent expenses is Employee Benefits, representing 38%. Employee Benefits include employee salaries and wages, councillor's remuneration and superannuation (Employee Benefits exclude \$3.7 million in wages capitalised on asset construction).

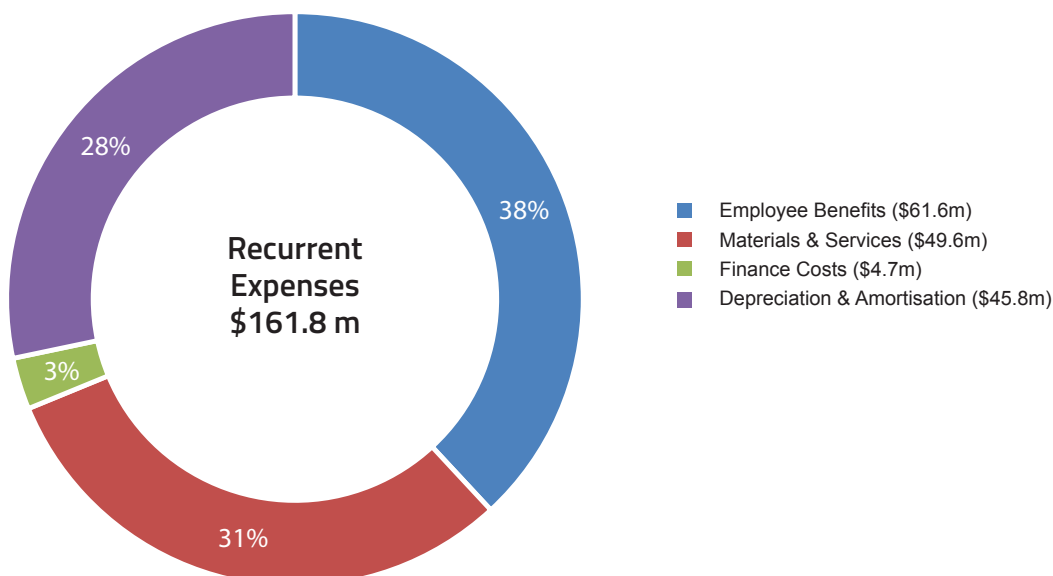
Materials and services account for a large portion of Council's recurrent expenses, representing 31%. These costs include repairs and maintenance on Council assets; electricity; fleet operating costs; external plant hire; insurance premiums; consultants; raw water acquisitions, and licences.

Council's depreciation expense is in excess of \$45 million. This equates to approximately \$1,000 per rate assessment, per annum. Assets wear out, are consumed and/or become obsolete over their lifetime, and depreciation is used to record this consumption by allocating the asset's value over its useful life.

### Capital Expenses

Capital expenses, totalling \$27.2 million are not reflected in the operating surplus. However, they do represent a decrease in the asset base, through loss on disposal and a decrease through revaluations. They do not represent the expenditure on our assets for the year.

## Recurrent Expense Categories



## 2.2 Statement of Financial Position

The Statement of Financial Position records the community's assets and liabilities at the end of the financial year. The result of these two components determines the net worth of Council.

### Assets \$2.1 billion - what Council owned at 30 June 2017

The major investment for Council is in assets which provide essential services for a growing community, namely property, plant and equipment, which has net value of over \$2 billion. Cash represents 5% of net assets and consists predominantly of restricted cash for future capital expenditure.

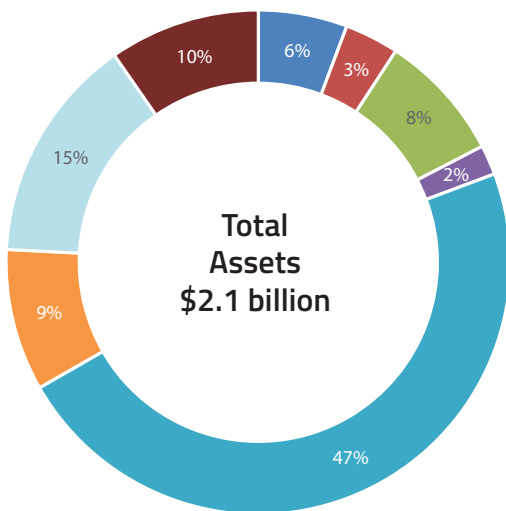
The bulk of Council's net assets are in the form of roads, footpaths and bridges, totalling \$1 billion or 47%, while Water and Sewerage Infrastructure account for 24% of Council's assets.

### Liabilities \$111 million - what Council owed at 30 June 2017

The majority of Council's liabilities consist of borrowings (52%), provisions (26%) and trade and other payables (21%). Provisions consist of long service leave payable to employees at 30 June 2017 (\$12.7 million), and costs that are expected to be incurred in restoring and monitoring of landfill sites administered by Council (\$16.3 million).

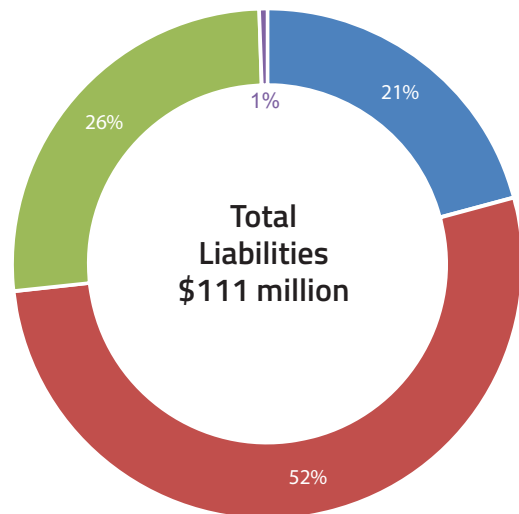
Trade and other payables are made up of day-to-day Creditors (\$17.8 million), for the purchase of items ranging from bitumen to stationery, and Employee Entitlements (\$5.3 million). Employee entitlements consist of annual leave, wages, superannuation and other leave amounts (excluding long service leave) payable to employees at 30 June 2017.

#### Assets



- Cash & Other Current Assets (\$122.1m)
- Land & Improvements (\$74.3m)
- Buildings & Structures (\$175.4m)
- Plant & Equipment (\$40.9m)
- Roads, Footpaths & Bridges (\$1b)
- Stormwater Drainage (\$194.4m)
- Sewerage Infrastructure (\$310.4m)
- Water Infrastructure (\$206.5m)

#### Liabilities

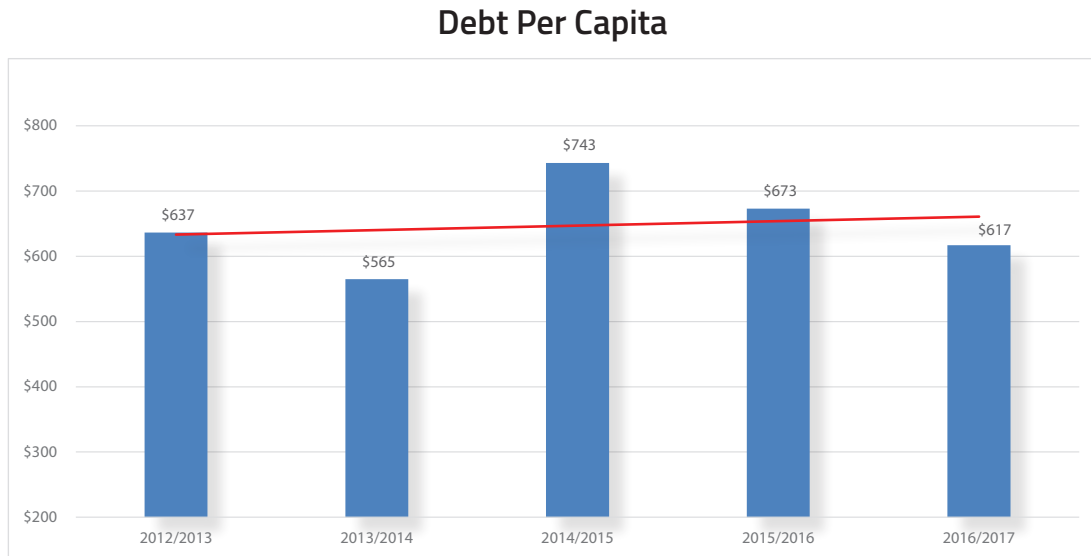


- Trade and Other payables (\$23.1m)
- Borrowings (\$58.3m)
- Provisions (\$29.1m)
- Unearned Revenue (\$0.6m)



## Why are borrowings so high?

Borrowings enable Council to provide timely essential services, whilst sharing the costs over the generations that benefit. Examples include the construction of the new Rubyanna Wastewater Treatment Plant and the Multi-Use Sport and Community Centre. Debt per capita has remained fairly constant, as indicated by the trend line in the graph below:



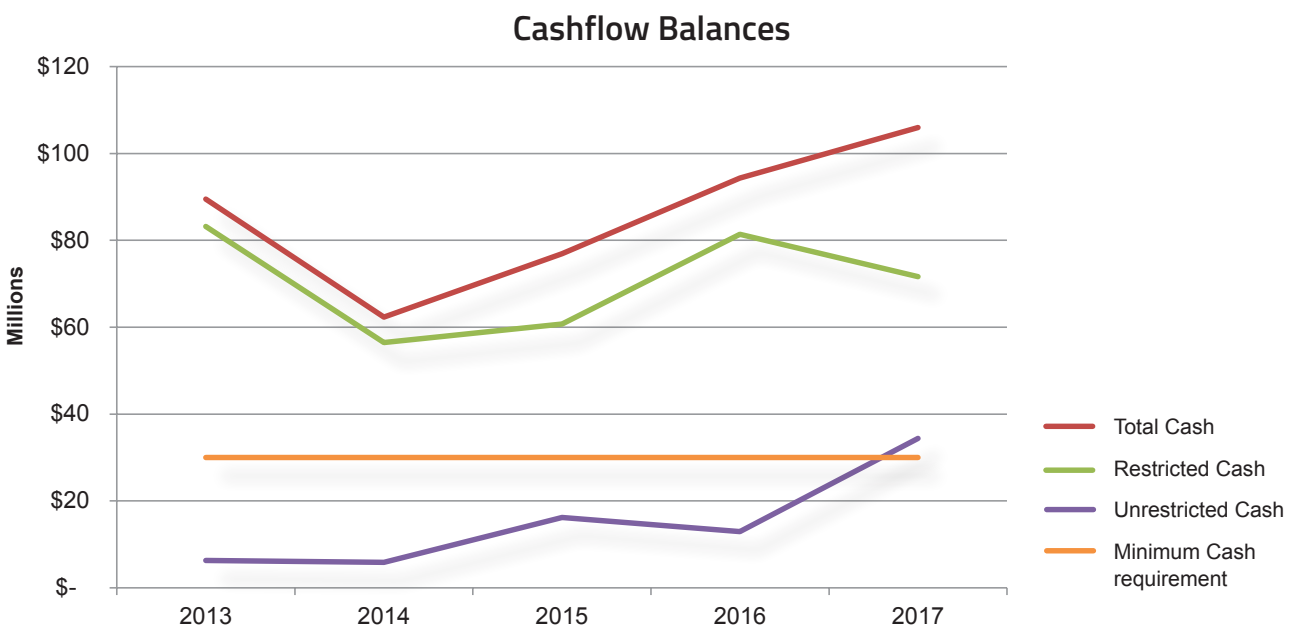
## 2.3 Statement of Cashflows

This statement records the movement in cash holdings during the year. In 2017 the cash balance increased by \$11.7 million from \$94.3 million to a closing balance of \$106 million at year end.

Council's cash is represented by Internally Restricted Cash (Reserves) of \$47.9 million, Externally Restricted Capital Cash (unspent grants and infrastructure charges) of \$23.8 million and Unrestricted Cash of \$34.4 million.

Council's cashflow from operating activities remains positive, with surplus operating cash of \$73 million available for investing in assets and for the repayment of loans. Council invested \$85 million in assets this financial year, which was funded by capital revenue and cash from operating activities forementioned.

Council's minimum cash requirement at 30 June 2017 was estimated to be \$30 million. By maintaining this balance, possible shocks in the areas of Accounts Receivable and Accounts Payable can be accommodated and significant capital expenditure outlays covered, which allows sufficient cash to be available between rating periods.



## 2.4 Statement of Changes in Equity

The Statement of Changes in Equity determines the net wealth of Council, and therefore the community and includes the asset revaluation surplus, retained surplus and capital. The statement explains the change in the community's retained earnings over the reporting period.

The Asset Revaluation Surplus consists of \$461 million in asset revaluation increases.

Retained Surplus of \$87.1 million represents restricted cash and the unallocated surplus/(deficit). At 30 June 2017 there was an unallocated surplus of \$15.5 million. An unallocated surplus represents the accumulative amount available to Council, that may be used to offset against expenditure in the following year.

Capital represents the net investment of Council funds in assets purchased to deliver future services to the community.

## 2.5 Financial Sustainability Ratios

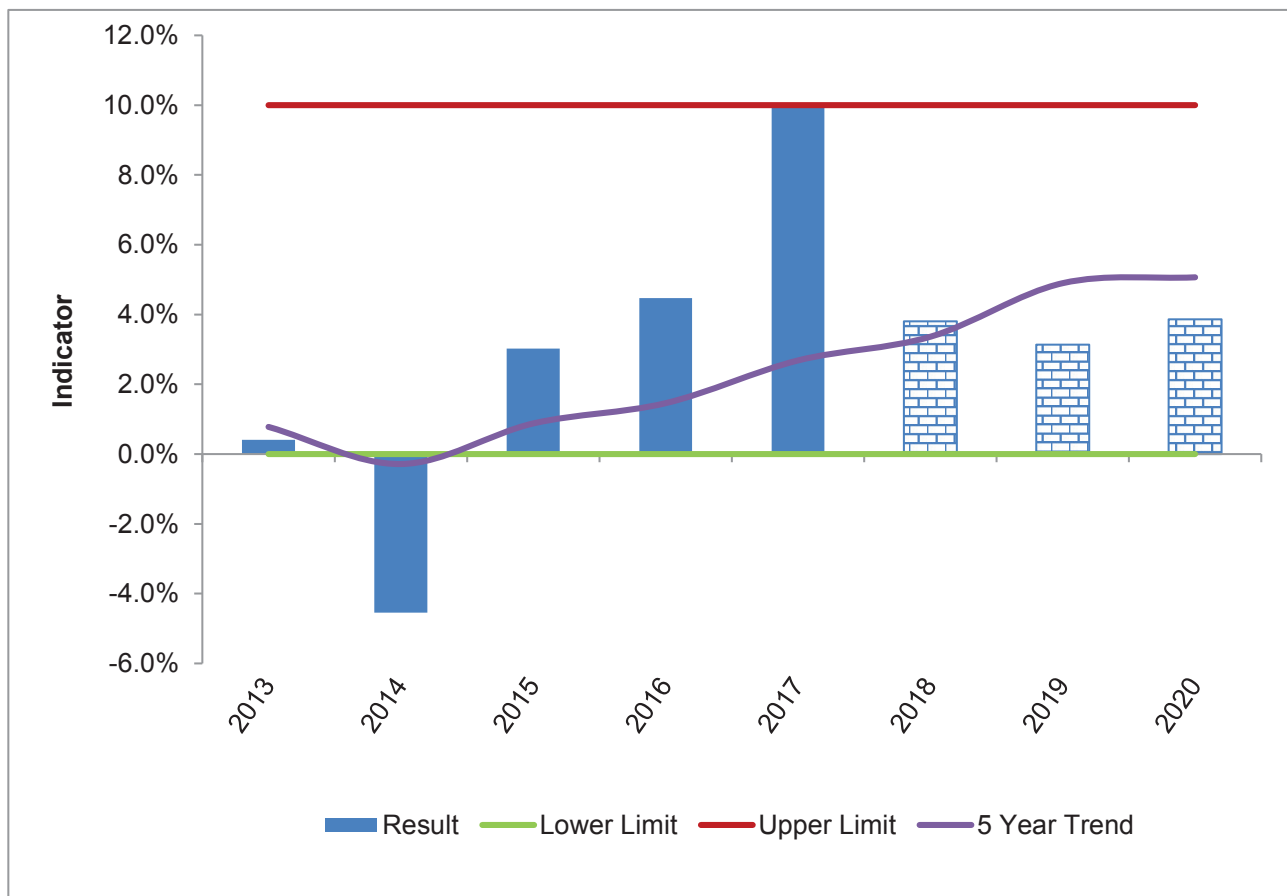
The Financial Sustainability of Council is now a cornerstone of the *Local Government Act 2009* and a core responsibility of Councils across Queensland.

A financially sustainable Local Government is able to maintain its financial capital by achieving an operating surplus, ensuring it has sufficient working capital and providing the funding required for asset renewals over the long term.

The *Local Government Regulation 2012* requires Council to publish Financial Sustainability measures.

The Department of Infrastructure, Local Government and Planning has set Targets for each measure in the *Financial Management Sustainability Guideline 2013*. Council does not use these measures of sustainability as targets that must be met at the end of each financial year. Instead, the anticipated long-term results from these measures are considered as planning tools to assess the current sustainability strategy. This feedback enables Council to adjust its respective strategies to produce the desired outcomes over the long-term. This may involve amendments to adopted policies, and/or changes to the desired service levels or proposed capital expenditure programs, which in turn, inform revisions to the budget and long-term financial forecast.

## (a) Operating Surplus Ratio



### INDICATOR

Operating Surplus Ratio (Financial)

### DESCRIPTION

Indicates the extent to which operating revenues are available to help fund proposed capital expenditure. If not required within the year, a surplus could be held for future capital expenditure (Reserves), to adjust working capital cash or used to reduce current debt levels.

### MEASURE

Net Operating Surplus divided by Total Operating Revenue

### TARGET

Between 0% and 10%

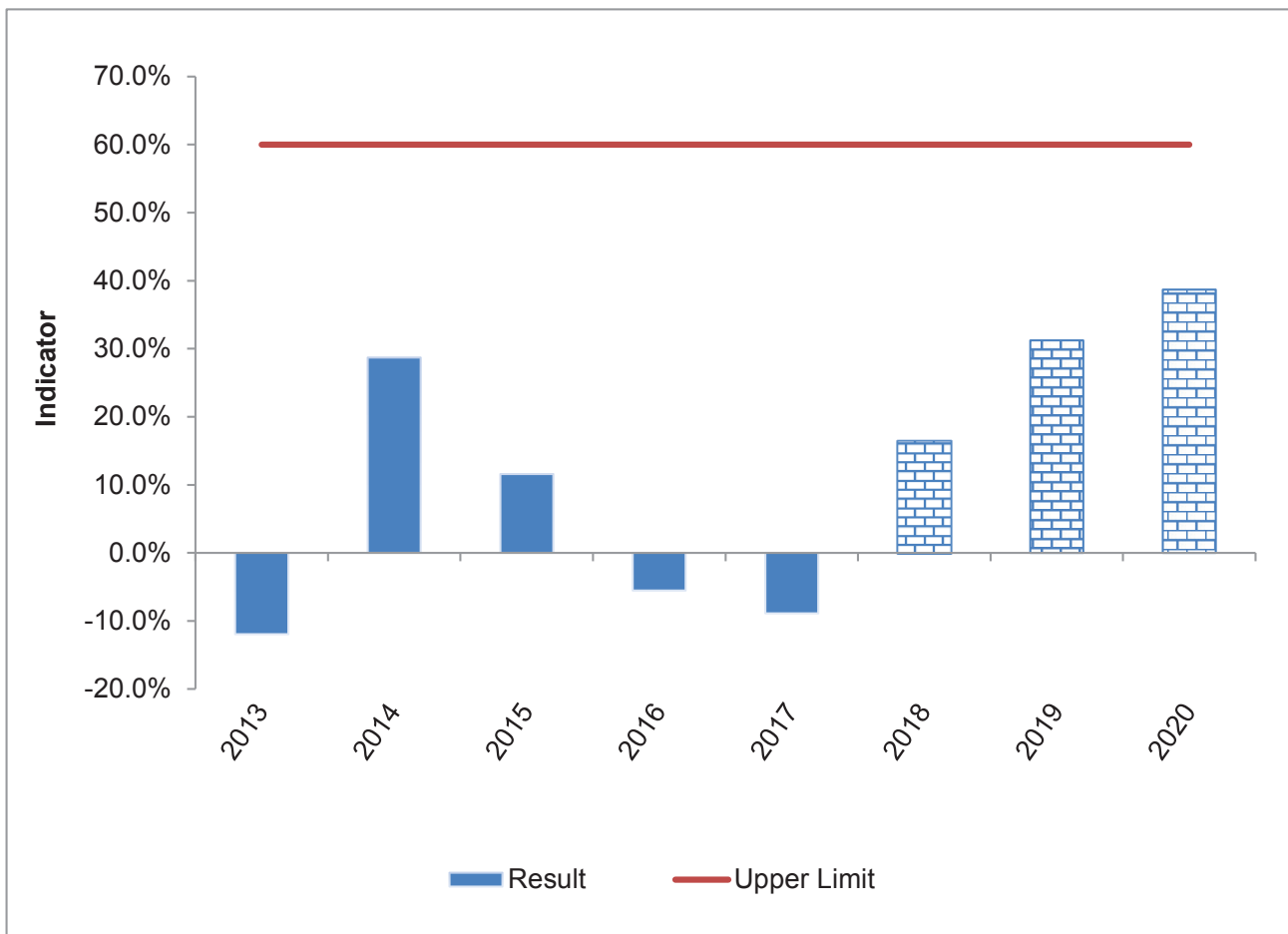
## Commentary

Council has consistently achieved an operating surplus result for all but the 2014 financial year. In 2014 the operating deficit occurred due to changes in the timing of the Federal Assistance Grants and revised methodology for calculating depreciation.

Two quarterly Federal Assistance Grant payments were received in advance for the 2018 financial year, totalling \$3.96 million. This contributed to the higher surplus achieved in 2017.

A positive ratio is essential for a growing community to assist in the funding of the proposed capital expenditure. Council aims to maintain its long term sustainability through a positive operating surplus over the 10 year budget forecast.

## (b) Net Financial Liabilities Ratio



### INDICATOR

Net Financial Liabilities Ratio (Financial)

### DESCRIPTION

Indicates the extent to which the net financial liabilities can be serviced by its operating revenue. A value less than 60% indicates the capacity to fund existing liabilities. A value greater than 60% indicates limited capacity to increase borrowings.

### MEASURE

Total Liabilities less Current Assets divided by Operating Revenue

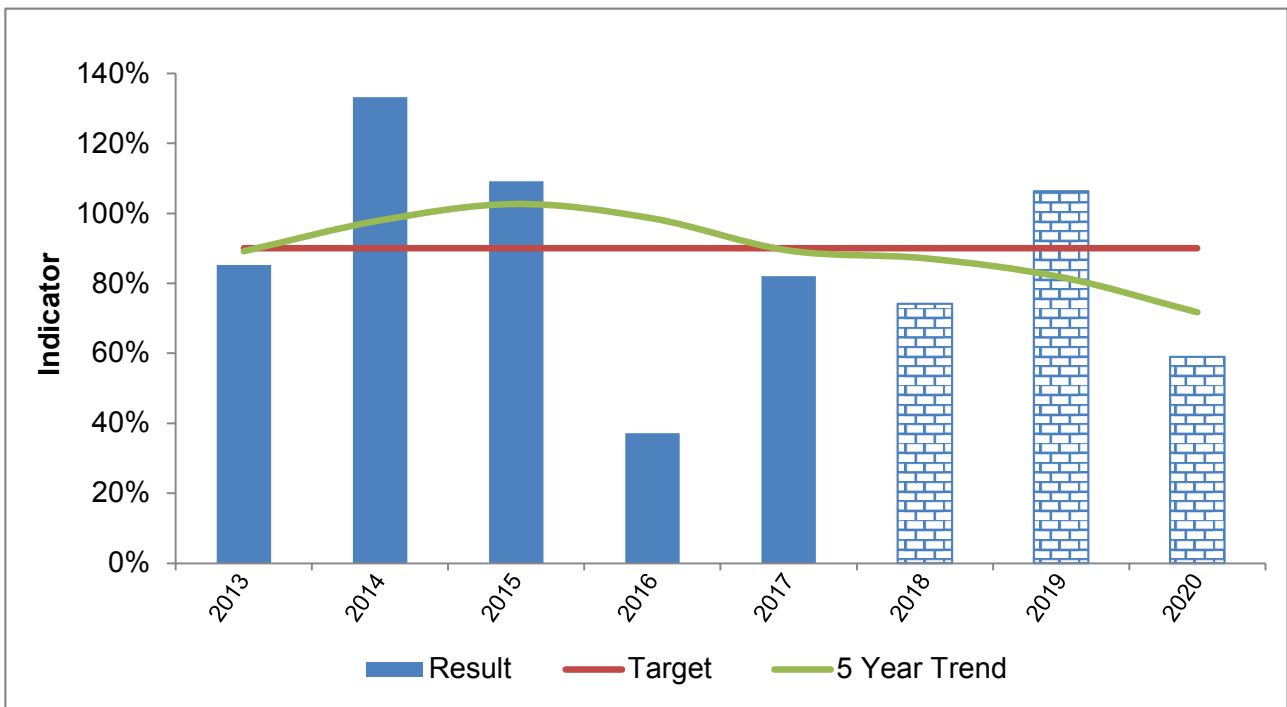
### TARGET

Not greater than 60%

## Commentary

Council has consistently had a ratio well below the upper threshold. The ratio is expected to increase with borrowings planned during the next three financial years, as Council undertakes significant capital projects in the budget forecast period. These include the Bundaberg and Burnett Heads CBD upgrades, Regional Aquatic Centre and the completion of the Rubyanna Wastewater Treatment Plant.

### (c) Asset Sustainability Ratio



**INDICATOR**

Asset Sustainability Ratio

**DESCRIPTION**

Indicates whether a council is renewing or replacing existing infrastructure assets at the same rate that its assets are being expended.

**MEASURE**

Capital Expenditure on Infrastructure Renewals divided by Depreciation Expense on Infrastructure Assets.

**TARGET**

Greater than 90%

### Commentary

The Asset Sustainability ratio for the 2017 financial year has increased to 82%, compared with 37% in 2016. The significant increase is partially due to the deferral of planned expenditure from the 2016 to the 2017 financial year for the Rubyanna Wastewater Treatment Plant. Council has identified a portion of the total budget expenditure as renewals, due to the increased capacity over the East Wastewater Treatment Plant that it replaces.

This ratio will fluctuate year to year depending on the projected renewal programs outlined in Council’s asset management plans. When assessing asset sustainability, Council looks at long term trends. The current 5 year average and the life-to-date average sits at the target rate of 90%. However, it is predicted to trend downwards slightly over the budget forecast years. Council will monitor this trend for future planning.

# 3. Annual Financial Statements

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# Annual Financial Statements

For the year ended 30 June 2017

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### 3.1 Statement of COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent Revenue</b>			
Rates, levies and charges	3(a)	134,793,580	128,542,564
Fees and charges	3(b)	19,360,242	19,253,907
Interest received	3(c)	3,747,774	3,661,865
Contract and recoverable works		5,039,489	3,969,102
Sale of goods		986,862	981,336
Grants, subsidies, contributions and donations	4(a)	15,864,226	11,762,203
Profit on sale of developed land held for resale		74,444	-
Total recurrent revenue		<u>179,866,617</u>	<u>168,170,977</u>
<b>Capital Revenue</b>			
Grants, subsidies, contributions and donations	4(b)	30,351,394	37,225,775
Total Revenue		<u>210,218,011</u>	<u>205,396,752</u>
Capital Income	5	3,491,816	1,030,618
<b>TOTAL INCOME</b>		<u>213,709,827</u>	<u>206,427,370</u>
<b>Expenses</b>			
<b>Recurrent Expenses</b>			
Employee benefits	6	(61,648,407)	(63,078,339)
Materials and services	7	(49,625,255)	(47,520,127)
Finance costs	8	(4,712,963)	(4,509,694)
Depreciation of property plant and equipment	15	(45,292,826)	(45,115,212)
Amortisation of intangible assets	17	(495,763)	(437,175)
Total recurrent expenses		<u>(161,775,214)</u>	<u>(160,660,547)</u>
<b>Capital Expenses</b>	9	(27,223,625)	(5,969,014)
<b>TOTAL EXPENSES</b>		<u>(188,998,839)</u>	<u>(166,629,561)</u>
<b>NET RESULT</b>		<u>24,710,988</u>	<u>39,797,809</u>
Net Result Attributable To:			
Operating surplus		18,091,403	7,510,430
Capital surplus		6,619,585	32,287,379
		<u>24,710,988</u>	<u>39,797,809</u>
<b>Other Comprehensive Income</b>			
<b>Items That Will Not Be Classified To Net Result</b>			
Increase/(decrease) in asset revaluation surplus	21	94,096,227	32,198,771
<b>Total Other Comprehensive Income</b>		<u>94,096,227</u>	<u>32,198,771</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>118,807,215</u>	<u>71,996,580</u>

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



## 3.2 Statement of FINANCIAL POSITION

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	106,021,236	94,357,604
Trade and other receivables	11	16,099,627	16,917,951
Inventories	12	4,090,453	4,137,946
Non-current assets held for sale	13	798,233	325,681
<b>Total Current Assets</b>		<b>127,009,549</b>	<b>115,739,182</b>
<b>Non-Current Assets</b>			
Investment property	14	8,347,178	5,693,418
Property, plant and equipment	15	1,994,932,761	1,799,000,742
Intangible assets	17	6,560,269	7,105,787
<b>Total Non-Current Assets</b>		<b>2,009,840,208</b>	<b>1,811,799,947</b>
<b>TOTAL ASSETS</b>		<b>2,136,849,757</b>	<b>1,927,539,129</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	18	23,117,219	14,117,403
Borrowings	19	5,638,483	5,382,267
Provisions	20	12,089,836	11,986,424
Unearned revenue		570,928	457,158
<b>Total Current Liabilities</b>		<b>41,416,466</b>	<b>31,943,252</b>
<b>Non-Current Liabilities</b>			
Borrowings	19	52,638,535	58,151,171
Provisions	20	17,005,728	16,330,258
<b>Total Non-Current Liabilities</b>		<b>69,644,263</b>	<b>74,481,429</b>
<b>TOTAL LIABILITIES</b>		<b>111,060,729</b>	<b>106,424,681</b>
<b>NET COMMUNITY ASSETS</b>		<b>2,025,789,028</b>	<b>1,821,114,448</b>
<b>Community Equity</b>			
Asset revaluation surplus	21	461,030,782	366,960,096
Retained surplus	22	87,144,143	76,730,862
Capital		1,477,614,103	1,377,423,490
<b>TOTAL COMMUNITY EQUITY</b>		<b>2,025,789,028</b>	<b>1,821,114,448</b>

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

### 3.3 Statement of CHANGES IN EQUITY

For the year ended 30 June 2017

	Total	Asset Revaluation Surplus Note 21	Retained Surplus Note 22	Capital
	\$	\$	\$	\$
<b>Balances as at 1 July 2016</b>	<u>1,821,114,448</u>	<u>366,960,096</u>	<u>76,730,862</u>	<u>1,377,423,490</u>
Assets not previously recognised/(derecognised)	85,867,365	-	-	85,867,365
Net result	24,710,988	-	24,710,988	-
Total other comprehensive income				
Increase/(decrease) in asset revaluation surplus	94,096,227	94,096,227	-	-
<b>Total comprehensive income for the year</b>	<u>118,807,215</u>	<u>94,096,227</u>	<u>24,710,988</u>	<u>-</u>
<b>Transfers</b>				
Transfers to/from capital	-	(25,541)	(14,297,707)	14,323,248
<b>Total transfers</b>	<u>-</u>	<u>(25,541)</u>	<u>(14,297,707)</u>	<u>14,323,248</u>
<b>Balance at 30 June 2017</b>	<u><u>2,025,789,028</u></u>	<u><u>461,030,782</u></u>	<u><u>87,144,143</u></u>	<u><u>1,477,614,103</u></u>
<b>Balances as at 1 July 2015</b>	<u>1,716,907,314</u>	<u>334,761,325</u>	<u>51,717,681</u>	<u>1,330,428,308</u>
Assets not previously recognised/(derecognised)	32,210,554	-	-	32,210,554
Net result	39,797,809	-	39,797,809	-
Total other comprehensive income				
Increase/(decrease) in asset revaluation surplus	32,198,771	32,198,771	-	-
<b>Total comprehensive income for the year</b>	<u>71,996,580</u>	<u>32,198,771</u>	<u>39,797,809</u>	<u>-</u>
<b>Transfers</b>				
Transfers to/from capital	-	-	(14,784,628)	14,784,628
<b>Total transfers</b>	<u>-</u>	<u>-</u>	<u>(14,784,628)</u>	<u>14,784,628</u>
<b>Balance at 30 June 2016</b>	<u><u>1,821,114,448</u></u>	<u><u>366,960,096</u></u>	<u><u>76,730,862</u></u>	<u><u>1,377,423,490</u></u>

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

### 3.4 Statement of CASHFLOWS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>Cash Flows from Operating Activities :</b>			
Receipts from customers		169,875,858	158,873,662
Payments to suppliers and employees		(112,326,066)	(118,572,520)
		57,549,792	40,301,142
Recurrent grants, subsidies, contributions and donations		15,376,615	11,799,470
Interest received		3,608,077	3,697,681
Proceeds from sale of developed land held for resale		96,100	-
Costs incurred on developed land held for resale		(5,552)	(26,557)
Borrowing costs		(3,111,804)	(3,437,995)
<b>Net Cash Inflow/(Outflow) from Operating Activities</b>	28	<u>73,513,228</u>	<u>52,333,741</u>
<b>Cash Flow from Investing Activities :</b>			
Proceeds from sale of non-current assets held for sale		61,487	823,727
Proceeds from sale of property, plant and equipment		693,119	3,082,892
Capital grants, subsidies, contributions and donations		28,102,217	14,656,242
Payments for property, plant and equipment		(85,324,153)	(46,174,499)
Payments for intangible assets		-	(490,938)
Payments for investment property		-	(135,788)
<b>Net Cash Inflow/(Outflow) from Investing Activities</b>		<u>(56,467,330)</u>	<u>(28,238,364)</u>
<b>Cash Flow from Financing Activities :</b>			
Repayment of borrowings		(5,382,266)	(6,671,925)
<b>Net Cash Inflow/(Outflow) from Financing Activities</b>		<u>(5,382,266)</u>	<u>(6,671,925)</u>
<b>Net Increase/(Decrease) in Cash Held</b>		11,663,632	17,423,452
Cash at beginning of reporting period		94,357,604	76,934,152
<b>Cash at End of Reporting Period</b>	10	<u>106,021,236</u>	<u>94,357,604</u>

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

## 3.5 Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 1 Significant accounting policies

#### 1.01 Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 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 Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

These financial statements have been prepared under the historical cost convention except for certain assets which are measured at fair value.

#### 1.02 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the AASB that are relevant to Bundaberg Regional Council's ('Council') operations and effective for the current reporting period. Because Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied this report does not comply with IFRS.

#### 1.03 Constitution

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

#### 1.04 Currency

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

#### 1.05 Date of authorisation

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

#### 1.06 Rounding and comparatives

Amounts included in 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.

#### 1.07 Critical accounting judgements and key sources of estimation uncertainty

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect or risk of causing an adjustment to Council's assets or liabilities relate to:

- Valuation of Investment Property (Note 14)
- Valuation of Property, Plant and Equipment (Note 16) including:
  - \* valuation of infrastructure assets using the depreciated replacement cost method
  - \* useful lives; and
  - \* residual values.
- Impairment of Property, Plant and Equipment (Note 16)
- Impairment of Intangibles (Note 17)
- Impairment of Non-Current Assets Held for Sale (Note 13)
- Impairment of Receivables (Note 11)
- Contingent Liabilities (Note 25)
- Employee Provisions (Note 20)
- Restoration Provisions (Note 20)

#### 1.08 Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax ('FBT') 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.

Council pays Payroll Tax to the Queensland Government on certain activities.

#### 1.09 Recurrent and 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, contributions and donations (cash and non-cash) received which are tied to specific projects for non-current assets.

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

- disposal of non-current assets
- disposal of non-current assets held for sale
- adjustments to restoration provisions on land not controlled by Council
- revaluations of investment property

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

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Significant accounting policies (Cont'd)

### 1.10 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 AASB that are relevant to its operations and effective for the current reporting period. This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 31.

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

The expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below: *AASB 15 - Revenue from Contracts with Customers; AASB 1058 Income of Not-for-Profit Entities; and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Non-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian Requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15. AASB 1058 will replace AASB 1004 Contributions. Together they come into effect from the 1 July 2019 and contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contract with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards. To date the following impact has been identified:

At 30 June 2017 Council had received pre-paid rates totalling \$6,553,892. These rates are recognised as revenue in the Statement of Comprehensive Income. If Council had applied AASB 1058 this year these rates would have been recognised as a liability in the Statement of Financial Position and therefore decrease Council's net result.

### 1.10 Adoption of new and revised accounting standards (Cont'd)

#### *AASB 16 - Leases*

Council has some leases that are not on its Statement of Financial Position. These will need to be included on the Statement of Financial Position when this standard comes into effect from the 1 July 2019. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term with a corresponding right-of-use asset to be recognised over the lease term.

Council is still reviewing the full impact of AASB 16.

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

### 1.11 Revenue

Revenue is measured at the fair value of the consideration received or receivable.

- (i) Rates, levies and charges  
Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the date they are levied.
- (ii) Grants, subsidies, contributions and donations  
Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Council only receives grants, subsidies and contributions that are non-reciprocal in nature.
- (iii) Fees and charges  
Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided. Rental revenue is recognised as income on a periodic straight line basis over the lease term.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Significant accounting policies (Cont'd)

### 1.11 Revenue (Cont'd)

(iv) Contract and recoverable works

Council generates revenues from a number of services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in unearned revenue and is recognised as revenue in the period when the service is performed.

(v) Infrastructure charges

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.

(vi) Non-Monetary contributions

Non-cash contributions with a value in excess of the asset recognition thresholds are recognised as capital revenue and as non-current assets. Non-cash contributions below the asset thresholds are recorded as recurrent revenue and expenses. Non-cash contributions are disclosed under grants, subsidies, contributions and donations.

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

### 1.12 Receivables

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

The collectability of receivables is assessed monthly and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.

Because Council has the power under the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council generally does not impair any rate receivables. However, Council cannot recover any debt by way of sale under the *Local Government Act 2009* where a lessee of a property is responsible for the rates on a property in accordance with formal lease conditions. Consequently, when the debt becomes unrecoverable, it is impaired.

### 1.13 Inventories

Stores inventories are valued at cost, adjusted, when applicable, for any loss of service potential.

Land purchased for development and sale is classified as inventory. As inventory, this land is valued at the lower of cost or net realisable value.

Profit arising upon sale of land is recognised at the date a signed contract becomes unconditional.

### 1.14 Non-Current assets held for sale

Non-current assets held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. The assets are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

The assets are valued at the lower of carrying value and fair value less cost to sell. Further information about the valuation techniques used to derive fair value are included in Note 16.

Impairment occurs when on transfer from property, plant and equipment the asset is no longer measured at its fair value but at fair value less disposal costs.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Significant accounting policies (Cont'd)

### 1.15 Investment property

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value.

All investment property was valued at fair value at 30 June 2017. Further information about the valuation techniques used to derive fair value are included in Note 16.

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated.

### 1.16 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. Buildings with a total value of less than \$10,000, plant and equipment with a total value of less than \$5,000 and land with a total value of less than \$1 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Land under the road network within Council's area that has been dedicated and opened for public use under the *Land Act* 1994 or the *Land Title Act* 1994 is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised as an asset in these financial statements. Purchases are disclosed in Note 7 as an recurrent expense.

#### (i) 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 design fees, architect's fees and 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.

### 1.16 Property, plant and equipment (Cont'd)

#### (ii) Valuation

Land and improvements, buildings and structures and infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

Council continuously reviews asset conditions through the processing of capital expenditure via condition assessment data gathered during planned inspections and reactive maintenance work. Where unit rates are provided by independent valuers, the data is entered into the asset register and the condition score is a factor in calculating the fair value of the asset. The valuers physically inspect a sampling of assets to confirm Council's condition assessment.

In the intervening years, Council will assess cost assumptions associated with infrastructure assets and may engage independent valuers to provide desktop valuations by indexation. Where the indices indicate a material movement in the fair value of a subclass of assets, all assets within that subclass, other than assets constructed or gifted during the year, will be revalued by the applicable indice.

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Significant accounting policies (Cont'd)

### 1.16 Property, plant and equipment (Cont'd)

#### (ii) Valuation (Cont'd)

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

Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 16.

#### (iii) Depreciation

Depreciation on property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Land and other identified asset components (road formation, specific excavation works and earthworks) are not depreciated as they have unlimited useful lives.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is practically complete.

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

### 1.16 Property, plant and equipment (Cont'd)

#### (iii) Depreciation (Cont'd)

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 are shown in Note 15.

### 1.17 Intangible assets

Only intangible assets which have a cost exceeding \$10,000 are recognised as intangible assets in the financial statements, with items of a lesser value being expensed.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council. The amortisation method and useful lives are reviewed at the end of each reporting period where appropriate.

### 1.18 Impairment of non-current assets

Property plant and equipment and intangible assets are assessed for indicators of impairment on an annual basis. Investment property is not tested for impairment.

### 1.19 Financial assets and financial liabilities

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

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

#### Financial assets

- Cash and cash equivalents (Note 10)
- Receivables - measured at amortised cost (Note 11)

#### Financial liabilities

- Payables - measured at amortised cost (Note 18)
- Borrowings - measured at amortised cost (Note 19)

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



# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 1 Significant accounting policies (Cont'd)

### 1.20 Trade payables

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

### 1.21 Liabilities - employee benefits

#### (i) Wages and other employee entitlements

A liability for wages, superannuation and time off in lieu 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. A liability for rostered days off are calculated on current wage and salary levels indexed for 50% of the annual increase in the Enterprise Bargaining Agreement (EBA). These entitlements are recorded as a liability in Note 18.

#### (ii) 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 indexed for the increase in the EBA and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels. These projections are based on increases in the EBA and averaged CPI for years beyond the EBA and related employee on-costs which are then discounted to present values using Commonwealth Bond Yields.

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 is reported in Note 18.

#### (iii) 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 based on increases in the EBA and averaged CPI for years beyond the EBA and related employee on-costs.

### 1.21 Liabilities - employee benefits (Cont'd)

#### (iii) Long service leave (Cont'd)

The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Bond Yields at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 20.

Where employees have met the prerequisite length of service (5 years) 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.

### 1.22 Borrowings

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 ten years. Council's current policy is to only borrow for capital projects and for a term of 5-20 years.

### 1.23 Restoration provisions

The provision is measured at the expected cost of the work required by applying averaged CPI and discounted to current day values using an appropriate rate. Queensland Treasury Corporation's lending rates are considered an appropriate rate.

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

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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## 1 Significant accounting policies (Cont'd)

### 1.23 Restoration provisions (Cont'd)

- (i) Restoration on land not controlled by Council  
Where the restoration site is on State reserves which Council does not control, the cost of the provisions for restoration of these sites is treated as an expense in the year the provision is first recognised. Changes in the provision not arising from the passing of time are treated as capital income or capital expense.
  
- (ii) Restoration on land controlled by Council  
Where the restoration site is on Council controlled land, the cost of the restoration provision is added to the cost of the land as an improvement and depreciated over the expected useful life of the landfill. 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 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.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 2 Analysis of results by function

### (a) Component functions of Council

The activities relating to Council's functions reported on in Note 2(b) - Analysis of results by function are as follows:

#### Council departments

##### Executive Support

###### Objectives:

- Engagement with all levels of government in the development of strategy and policy.
- Responsible ethical leadership and governance.
- Vibrant and positive profile for Council and our region within our state, nation and internationally.
- Well-informed, up-to-date and connected community and staff, inspired by our vision, leadership and teamwork, actively engaged in community life and Council work.
- Delivery of cost-effective and efficient essential services to support our growing population.
- Dynamic and vibrant region that attracts and supports innovation, creative enterprise and economic development.

###### Departments:

Chief Executive Officer  
Elected Representatives  
Communications and Media  
Commercial Business and Economic Development

##### Organisational Services

###### Objectives:

- Sustainable financial position.
- Strategic and coordinated asset investment and management.
- Safe working environments and a skilled workforce committed to delivering quality services.
- Responsive customer service that meets the needs of our community and supports Council's delivery of services.
- Organisational structure, processes and systems that innovatively support effective governance and service delivery.

###### Departments:

Financial Services  
Customer Service  
Human Resource Management  
Information Technology and Services  
Insurance and Legal Services

##### Infrastructure and Planning

###### Objectives:

- Connected, accessible and reliable roads and drainage infrastructure and networks.
- Quality and future-focused roads and drainage infrastructure that meets our community's current and future needs.

###### Departments:

Development  
Major Projects  
Roads, Infrastructure and Pathways  
Stormwater Drainage  
Support Services

##### Community and Environment

###### Objectives:

- Community that values arts and culture.
- Sustainable built environments and local projects that support our growing population and promote economic investment and development.
- Supportive business environment that facilitates collaboration and promotes positive economic growth and investment.
- Community places, spaces and facilities that promote and support safe, active and healthy community life.
- Community programs, projects and events that facilitate and encourage social connectedness and community wellbeing.
- Community actively engaged in creative industries, digital technologies and life-long learning.
- Our regional culture, identity and heritage, valued, celebrated, developed and preserved.
- Lifestyle and environments protected and maintained through environmental health programs and administration of regulatory responsibilities.
- Community safety and resilience in disaster events.
- Well-maintained foreshore, natural areas and facilities that enhance community and visitor enjoyment and stimulate economic and population growth.

###### Departments:

Airport  
Community Care  
Community and Youth Development  
Community Events  
Health and Regulatory Services  
Library, Arts and Theatre  
Parks and Natural Areas  
Tourism Activities  
Venues and Facilities

The following functions constitute Type 1 business activities under the National Competition Policy guidelines as outlined in the Local Government Act 2009 and Local Government Regulation 2012.

##### Waste Management

###### Objectives:

- Connected, accessible and reliable waste infrastructure and networks.
- Quality and future-focused waste infrastructure that meets our community's current and future needs.

##### Wastewater Services

###### Objectives:

- Connected, accessible and reliable wastewater infrastructure and networks.
- Quality and future-focused wastewater infrastructure that meets our community's current and future needs.

##### Water Services

###### Objectives:

- Connected, accessible and reliable water infrastructure and networks.
- Quality and future-focused water infrastructure that meets our community's current and future needs.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 2 Analysis of results by function

(b) Income and expenses are attributed to the following functions:

<b>Functions</b>	<b>Grant Revenue \$</b>	<b>Other Revenue \$</b>	<b>Total Revenue \$</b>	<b>Total Expenses \$</b>	<b>Net Result \$</b>	<b>Assets \$</b>
Council departments	34,182,002	94,333,934	128,515,936	118,550,958	9,964,978	1,565,425,800
Waste services	-	22,114,176	22,114,176	20,164,649	1,949,527	13,278,002
Wastewater services	1,740,898	31,434,805	33,175,703	24,984,353	8,191,350	334,860,991
Water services	-	29,904,012	29,904,012	25,298,879	4,605,133	223,284,964
<b>Total</b>	<b>35,922,900</b>	<b>177,786,927</b>	<b>213,709,827</b>	<b>188,998,839</b>	<b>24,710,988</b>	<b>2,136,849,757</b>

### For the year ended 30 June 2016

<b>Functions</b>	<b>Grant Revenue \$</b>	<b>Other Revenue \$</b>	<b>Total Revenue \$</b>	<b>Total Expenses \$</b>	<b>Net Result \$</b>	<b>Assets \$</b>
Council departments	22,931,422	99,461,211	122,392,633	98,627,433	23,765,200	1,406,808,669
Waste services	-	22,378,047	22,378,047	18,664,998	3,713,049	15,726,903
Wastewater services	3,037,176	29,619,759	32,656,935	23,896,260	8,760,675	299,446,754
Water services	-	28,999,755	28,999,755	25,440,870	3,558,885	205,556,803
<b>Total</b>	<b>25,968,598</b>	<b>180,458,772</b>	<b>206,427,370</b>	<b>166,629,561</b>	<b>39,797,809</b>	<b>1,927,539,129</b>

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>3 Revenue analysis</b>			
<b>(a) Rates, levies and charges</b>			
General rates		75,762,186	72,217,910
Waste collection		14,061,670	13,499,384
Water		25,948,163	24,792,200
Wastewater		26,481,226	25,180,884
Special rates and charges		384,210	383,291
Total rates and utility charge revenue		<u>142,637,455</u>	<u>136,073,669</u>
Less: Discounts		(6,451,137)	(6,146,053)
Less: Pensioner remissions		<u>(1,392,738)</u>	<u>(1,385,052)</u>
Net rates and utility charges		<u>134,793,580</u>	<u>128,542,564</u>
<b>(b) Fees and charges</b>			
Tourism and events		349,561	363,051
Community care and aged care fees		235,020	250,894
Cemetery fees		341,294	398,958
Hire of facilities and rental income		2,315,702	2,212,639
Airport fees		5,035,184	4,457,533
Fines, penalties and infringements		391,624	442,338
Health, licenses and registrations		883,674	916,788
Waste and recycling fees		3,764,984	4,004,312
Building, planning and plumbing fees		2,602,696	3,105,101
Holiday park income		2,342,505	2,151,298
Rate search fees		595,550	553,696
Commissions		229,976	212,432
Other fees and charges		272,472	184,867
		<u>19,360,242</u>	<u>19,253,907</u>
<b>(c) Interest received</b>			
Interest received from cash and cash equivalents		3,080,451	2,985,559
Interest from overdue rates, levies and charges		667,323	676,306
		<u>3,747,774</u>	<u>3,661,865</u>
<b>4 Grants, subsidies, contributions and donations</b>			
<b>(a) Recurrent</b>			
Recurrent grants, subsidies, contributions and donations are analysed as follows:			
Grants and subsidies		15,477,907	11,347,397
Contributions and donations		386,319	414,806
		<u>15,864,226</u>	<u>11,762,203</u>

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>4 Grants, subsidies, contributions and donations (Cont'd)</b>			
<b>(b) Capital</b>			
Capital grants, subsidies, contributions and donations are analysed as follows:			
(i) Monetary revenue received:			
Grants and subsidies		20,444,993	14,621,201
Infrastructure charges		4,069,070	3,298,419
Other capital contributions		1,291,539	1,125,291
		<u>25,805,602</u>	<u>19,044,911</u>
(ii) Non-Monetary revenue received:	*		
Infrastructure assets contributed by developers at fair value		4,485,292	17,565,548
Non-Infrastructure assets donated		60,500	615,316
		<u>4,545,792</u>	<u>18,180,864</u>
*Physical assets contributed to Council by developers in the form of roads, stormwater drainage, water and wastewater infrastructure, park equipment and plant.			
		<u>30,351,394</u>	<u>37,225,775</u>

### (c) Conditions over contributions

Restricted contributions recognised as income during the reporting period that were unspent at period end:

Capital grants and subsidies	3,900,152	784,544
Infrastructure charges	3,243,516	2,577,384
Other capital contributions	824,118	111,214
	<u>7,967,786</u>	<u>3,473,142</u>

Restricted contributions recognised as income during a previous reporting period that were spent in the current period:

Capital grants and subsidies	620,892	307,176
Infrastructure charges	1,022,176	2,468,549
Other capital contributions	154,991	-
	<u>1,798,059</u>	<u>2,775,725</u>

Council receives different forms of contributions from external parties including capital grants and subsidies from State and Federal Governments, infrastructure contributions from developers and other capital contributions from local business. These contributions have conditions attached which restrict what the funds can be spent on.

### 5 Capital income

Decrease in provision for land restoration		571,516	786,401
Revaluation of investment property	14	2,917,860	73,114
Gain on sale of non-current assets held for sale		2,440	171,103
Total capital income		<u>3,491,816</u>	<u>1,030,618</u>

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>6 Employee benefits</b>			
Staff wages and salaries		48,388,475	48,729,520
Councillors' remuneration		1,000,203	1,020,445
Annual, sick and long service leave entitlements		8,069,355	8,352,984
Superannuation	26	6,356,680	6,316,968
Other employee related expenses		2,021,176	2,403,552
Total employee benefits		65,835,889	66,823,469
Less: Capitalised employee expenses		(4,187,482)	(3,745,130)
Net employee benefits		61,648,407	63,078,339

Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.

### 7 Materials and services

Audit services	(i)	155,000	155,000
Rentals and investment property		793,807	631,192
Grants, contributions and donations		1,634,384	1,653,438
Valuation fees		450,453	353,899
Public safety and security		1,624,530	1,758,090
Communications		1,182,733	1,230,478
Licences and subscriptions		1,489,268	1,147,527
Information technology hardware and software		1,267,924	390,344
Consumables		13,282,356	13,001,971
Insurance premiums		1,648,165	1,691,579
External plant hire		3,825,683	3,756,156
Professional services		1,628,418	1,763,700
External labour hire		833,289	1,220,362
Repairs and maintenance		4,267,354	6,225,799
Land acquisitions and resumptions		177,689	350,122
Election costs		-	276,957
Literature for libraries		482,336	488,579
HMAS Tobruk Dive Experience project		1,125,000	-
Non-capital projects		2,250,212	725,068
Other material and services		11,506,654	10,699,866
		49,625,255	47,520,127

- (i) The audit services amount recorded in this note includes expected audit costs associated with the audit of Bundaberg Regional Council. Comparative information has been updated for actual costs incurred where applicable.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>8 Finance costs</b>			
Interest payable		3,237,651	3,584,001
Impairment of debts		767,809	144,748
Bank charges		287,283	282,513
Landfill restoration - change in provision over time	20	420,220	498,432
		<u>4,712,963</u>	<u>4,509,694</u>
<b>9 Capital Expenses</b>			
Loss on impairment of non-current assets held for sale	13	12,401	3,860
Increase in provision for landfill restoration		1,323,585	1,258,727
Revaluation decrement of land and improvements	(i)	21,305,959	-
Loss on disposal of property, plant and equipment		4,531,925	4,477,304
Loss on disposal of intangibles		49,755	229,123
		<u>27,223,625</u>	<u>5,969,014</u>

- (i) The land and improvements asset class was comprehensively revalued during the financial year. There was a change in valuation methodology from the previous comprehensive valuation in 2012. Consequently there was a significant decrease in the value of the asset class. This decrease was greater than the amount available in the Asset Revaluation Surplus.



## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>10 Cash and cash equivalents</b>			
Cash at bank and on hand		721,236	3,157,604
Deposits at call		37,400,000	43,050,000
Term deposits		67,900,000	48,150,000
Balance per statement of cash flows		<u>106,021,236</u>	<u>94,357,604</u>

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

Cash and deposits at call are held at the Commonwealth Bank, Bendigo Bank and in a Queensland Treasury Corporation Capital Guaranteed Cash Fund account, with credit ratings ranging from A1+ to A2.

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit the amount that is available for discretionary or future use. These restrictions are managed using internal management accounting functions.

Internally imposed expenditure restrictions at the reporting date	22	47,865,618	58,268,247
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent capital grants, subsidies and contributions	22	4,901,144	952,756
Unspent infrastructure charges	22	18,852,111	16,630,771
Unspent loan monies		-	5,559,729
		<u>23,753,255</u>	<u>23,143,256</u>
Total unspent restricted cash for capital projects		<u>71,618,873</u>	<u>81,411,503</u>

### 11 Trade and other receivables

Rateable revenue and utility charges		5,751,868	6,011,426
Accounts receivable		7,021,885	9,134,473
Less impairment		(116,847)	(34,902)
GST recoverable		2,376,684	777,830
Prepayments		1,066,037	1,029,124
		<u>16,099,627</u>	<u>16,917,951</u>

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on accounts receivable. All known bad debts were written-off at 30 June.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>12 Inventories</b>			
<b>(a) Stores inventories</b>		<u>699,153</u>	<u>730,542</u>
Stores inventories are held for distribution. They are goods to be supplied at no or a nominal charge and goods to be used for the provision of services at no or a nominal charge.			
The value of inventory recognised as an expense during the period was \$2,676,773 (2016 \$2,984,451).			
<b>(b) Land purchased for development and resale</b>			
Opening balance		3,407,404	3,380,847
Additions		5,552	26,557
Less: Cost of developed land sold		(21,656)	-
Closing balance at end of financial year		<u>3,391,300</u>	<u>3,407,404</u>
Total inventories		<u>4,090,453</u>	<u>4,137,946</u>

Land acquired with the intention of reselling it (with or without further development) and land transferred from Property, Plant and Equipment for development and sale is classified as inventory.

### 13 Non-current assets held for sale

Opening balance		325,681	982,166
Internal transfer from land and improvements	15	544,000	-
Assets sold during financial year		(59,047)	(652,625)
Impairment adjustment in period		(12,401)	(3,860)
Closing balance at end of financial year		<u>798,233</u>	<u>325,681</u>

Items of property, plant and equipment are reclassified as non-current assets held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use.

Council had resolved to sell parcels of vacant land that serve no strategic purpose.

### 14 Investment property

Fair value at beginning of financial year		5,693,418	-
Internal transfer from buildings and structures	15	-	167,216
Internal transfer from/(to) land and improvements	15	(264,100)	5,317,300
Investment property acquired at cost		-	135,788
Revaluation adjustment to the income account	5	2,917,860	73,114
Fair value at end of financial year		<u>8,347,178</u>	<u>5,693,418</u>

Investment property comprises:

- land which is held for an undetermined future use
- land which is held for capital appreciation
- land which is held to earn rentals
- residential property which is rented out

At reporting date there was no property being constructed or developed for future use as investment property.



## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 15 Property, plant and equipment

#### 30 June 2016

Basis of measurement

#### Asset values

Opening gross value as at 1 July 2015	
(i) Assets not previously recognised/(derecognised)	
Additions at cost	
Contributed assets	
Internal transfers from work in progress	
Disposals	
Revaluation adjustment to the asset revaluation surplus	
Assets transferred from/(to) other asset classes	
Prior year work in progress expensed	
Other internal transfers	
Closing gross value as at 30 June 2016	

Land and improvements	Buildings and structures		Plant and equipment		Cultural assets		Roads, footpaths and bridges		Stormwater drainage		Wastewater infrastructure		Water infrastructure		Work in progress		Total
	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	Revaluation	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
124,303,563	241,619,978	53,441,915	477,369	1,089,420,218	226,161,140	370,644,414	324,185,165	30,808,288	2,461,062,050								
(37,100)	(202,414)	-	-	38,657,609	2,379,210	129,398	583,525	-	41,510,228								
129,526	2,121,149	4,140,021	12,400	14,592,202	2,032,835	3,692,858	1,891,914	18,617,723	47,230,628								
-	907,390	-	-	11,761,830	3,673,046	1,728,419	931,780	-	19,002,465								
33,578	1,472,356	933,631	-	10,178,275	3,791,475	6,770,000	351,586	(23,530,901)	-								
(747,743)	(2,303,657)	(7,271,477)	-	(12,407,818)	(544,482)	(396,326)	(486,934)	-	(24,158,437)								
225,870	7,975,418	-	-	25,749,577	5,677,559	5,974,613	4,999,093	-	50,602,130								
(5,317,300)	(295,740)	(881,391)	-	-	-	-	-	-	(6,494,431)								
-	-	-	-	-	-	-	-	-	(826,806)								
-	(3,319,426)	9,989	-	3,053,145	299,667	(693,194)	649,819	-	-								
118,590,394	247,975,054	50,372,688	489,769	1,181,005,038	243,470,450	387,850,182	333,105,948	25,068,304	2,587,927,827								

#### Accumulated depreciation

Opening balance as at 1 July 2015	
(i) Assets not previously recognised/(derecognised)	
Depreciation provided in period	
Contributed assets	
Depreciation on disposals	
Revaluation adjustment to the asset revaluation surplus	
Assets transferred from/(to) other asset classes	
Other internal transfers	
Closing accumulated depreciation as at 30 June 2016	
Total written down value at 30 June 2016	
Residual value	
Range of estimated useful life in years	

2,336,751	90,058,004	20,744,181	-	276,311,273	82,138,706	119,061,418	141,382,293	-	732,032,626									
-	(190,821)	87	-	9,101,639	719,657	8,543	(339,431)	-	9,299,674									
494,491	6,528,211	4,500,482	-	21,555,860	2,915,813	4,357,387	4,762,968	-	45,115,212									
-	292,074	-	-	524,984	4,543	-	-	-	821,601									
-	(2,017,100)	(5,265,053)	-	(8,533,262)	(213,179)	(257,492)	(310,583)	-	(16,596,669)									
-	3,618,304	-	-	8,020,533	2,049,202	2,438,254	2,256,872	-	18,383,165									
-	(128,524)	-	-	-	-	-	-	-	(128,524)									
-	(557,909)	-	-	557,909	-	-	-	-	-									
2,631,242	97,602,239	19,979,697	-	307,538,936	87,614,742	125,608,110	147,752,119	-	788,927,085									
115,759,152	150,372,815	30,392,991	489,769	873,466,102	155,855,708	262,242,072	185,353,829	25,068,304	1,799,000,742									
-	-	9,346,477	-	-	-	-	-	-	9,346,477									
5-6	5-150	3-100	Not depreciated	10-100	60-80	20-90	10-100	-	9,346,477									

(i) Further information is provided on page 23.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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### 15 Property, plant and equipment (cont'd)

(ii) Assets not previously recognised/(derecognised)

Adjustments relate to either assets which have been identified by Council and recognised for the first time, or assets which were unable to be located and have therefore been derecognised, in the current financial year. These include:

- Stormwater assets with a carrying value of \$46,686,776 were identified initially by data matching of assets within the Local Government Infrastructure Planning (LGIP) trunk network and the stormwater drainage asset register, and additionally through a more detailed review of stormwater drainage assets beyond the trunk network.
- The review of stormwater assets also identified some stormwater drainage assets which, although they were on the asset register, did not exist in Council's GIS system and were unable to be physically verified. The review also discovered some assets which were duplicates of existing assets and others where the asset was already accounted for as part of the roads, bridges and drainage asset class. Assets with a carrying value of \$23,292,841 were therefore removed from the register.
- Council undertook a resegmentation of its road, bridge and drainage network assets during the year, using updated data collated during a survey completed by an independent consultant in March 2016. The purpose of this project was:
  - (a) To establish a consistent rule base across the region for defining 'road segments' and ensure these assets correlate to road assets in the financial asset register; and
  - (b) To ensure that all corporate systems are using the same asset dataset, whether it be for asset identification, location, accounting, maintenance, operational or capital works activities, to enable better asset management outcomes.The application of updated survey data and the resegmentation exercise resulted in the following outcomes:
  - Identification of previously unrecognised assets with a carrying value of \$25,248,414;
  - Changes in asset measurements which resulted in an increase in the carrying value of assets by \$33,302,918.
- Other minor changes in values arising from the initial recognition/derecognition of assets in the financial year amounted to \$3,922,099.

The amount recognised in the comparative period relate to the following:

- Footpaths with a carrying value of \$14,779,463 were identified by data matching of assets in GIS to Council's asset register.
- The review of footpaths also identified inconsistencies in the measurements of the footpaths. This resulted in an increase in the carrying amount of assets by \$14,776,503.
- Other minor changes in values arising from the initial recognition/derecognition of assets in the comparative period amounted to \$2,654,584

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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### 16 Fair value measurements

Council's valuation policies and procedures are reviewed and endorsed by the Audit and Risk Committee for adoption by Council. The committee comprises two Councillors and two external representatives. 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 and investment property (recurring fair value measurements) are set out in Note 1.16(ii) and Note 1.15 respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

#### (a) Recognised fair value measurements

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

Investment property  
Property, plant and equipment

- Land and improvements
- Buildings and other structures
- Roads, footpaths and bridges
- Stormwater drainage
- Wastewater infrastructure
- Water infrastructure

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 30 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

Council also has assets measured at fair value on a non-recurring basis as a result of being classified as assets held for sale. These comprise land as disclosed in Note 13. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land and improvements (level 3)".

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

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

The 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.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16 Fair value measurements (Cont'd)

#### (a) Recognised fair value measurements (Cont'd)

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.

At 30 June 2017	Note	Level 2		Level 3		Total	
		Significant other observable inputs		Significant unobservable inputs			
		2017	2016	2017	2016	2017	2016
		\$	\$	\$	\$		\$
Investment property	14	2,233,000	-	5,926,300	5,509,950	8,159,300	5,509,950
- Land							
- Rental property		73,213	73,213	114,665	110,255	187,878	183,468
Land and improvements	15	8,118,500	-	57,058,047	115,759,152	65,176,547	115,759,152
Cultural assets	15	-	-	-	489,769	-	489,769
Buildings and structures	15						
- Market Value		1,979,154	1,972,175	-	-	1,979,154	1,972,175
- Specialised		-	-	168,128,278	148,400,640	168,128,278	148,400,640
Roads, footpaths and bridges	15	-	-	1,005,040,073	873,466,102	1,005,040,073	873,466,102
Stormwater drainage	15	-	-	193,719,483	155,855,708	193,719,483	155,855,708
Wastewater infrastructure	15	-	-	278,031,650	262,242,072	278,031,650	262,242,072
Water infrastructure	15	-	-	205,234,660	185,353,829	205,234,660	185,353,829
		12,403,867	2,045,388	1,913,253,156	1,747,187,477	1,925,657,023	1,749,232,865
<i>Non-recurring fair value measurements</i>							
Land held for sale	13	-	-	798,233	325,681	798,233	325,681
		-	-	798,233	325,681	798,233	325,681

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

There were transfers during the year from level 3 to level 2 totalling \$7,778,200 for land and improvements and \$2,223,000 for investment property - land.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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## 16 Fair value measurements (Cont'd)

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

Specific valuation techniques used to value Council assets comprise:

#### **Land and improvements - (Level 2 and 3)**

Land fair values were determined by independent and qualified Valuers, Australis Asset Advisory Group based on a comprehensive revaluation effective 30 June 2017. Where an observable market for Council's land assets could be identified, Fair Value was measured by way of a Market Approach (Level 2), utilising sale prices of comparable properties after adjusting for differences in key attributes of the property, such as size. Where a significant adjustment was required between the sales prices of comparable properties, Fair Value was measured by way of a Market Approach (Level 3). All land assets were assessed under a Market Approach as either Level 2 or Level 3. The most significant inputs into this valuation approach are price per square metre.

Land improvements comprise waste landfill cells which were measured at fair value. Current Replacement Cost was determined by AECOM which referenced landfill areas, volume specifications, estimated labour and material inputs and overhead allocations. Existing supplier contracts and local conditions were factored into the unit rates.

In determining the level of accumulated depreciation, remaining useful lives were determined based on the estimated closure dates of the cell relative to its remaining capacity.

Investment property land is measured at fair value. The fair value of the land was determined using the approach described in the preceding paragraph.

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

#### **Buildings and structures (Level 2 and 3)**

Building and structures fair values were determined by independent valuer, AssetVal, effective 30 June 2017, using a desktop valuation approach. The last comprehensive valuation assessment for buildings and structures was performed by AssetVal as at 30 June 2014. The revaluation of assets was assessed using either a direct comparison approach (a level 2 assessment) or the cost approach (current replacement cost) which is a level 3 assessment. The current period desktop valuation applied indexation/growth percentage to asset cost or market values determined in the last comprehensive valuation. This indexation assessment has regard to the movement of costs of specified asset categories during the period 1 July 2016 to 30 June 2017.

Buildings and structures (level 3) were assessed by analysing data derived from Rawlinsons Australia Construction Handbook 2017, Costweb and the Australian Bureau of Statistics. The indexation assessment is based on inputs from producer price data, construction indices and recent construction cost guides. The buildings - Level 3 category adopted a 4% increase and structures category adopted a 2% increase. Indexation for buildings assessed on a market (level 2) basis at the original valuation has been undertaken with consideration of local market sales and general property movement in the region from 1 July 2016 to 30 June 2017. For the buildings - Level 2 category no change was recorded.

Ponds assets were assessed with regard to indices developed from inputs extracted from producer price, local government and construction indices. The civil index is a composite index developed from combining the road and bridge index with the engineering design and management index. The split is based on an estimated project cost breakdown of 60% and 40% respectively. The 'Ponds' category adopted a 2% increase.

Investment property rental property is measured at fair value. The fair value of the rental property was determined using the market value or cost approach described in the preceding paragraph.



# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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## 16 Fair value measurements (Cont'd)

### (b) Valuation techniques used to derive fair values for level 2 and level 3 valuations (Cont'd)

#### Infrastructure assets (Level 3)

All Council infrastructure assets were measured at fair value using a cost approach valuation technique. The fair value was the asset's current replacement cost (CRC) less accumulated depreciation 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.

#### Roads, footpaths and bridges

Council categorises its road infrastructure in urban and rural roads and then further sub-categorises these into sealed and unsealed roads. During 2016-17 Council undertook a survey and re-segmentation of its roads network which confirmed asset linear and area specifications for input into the calculation of current replacement cost (CRC). All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC is calculated by reference to asset linear and area specifications, then applying rates based on road stereotypes established by Roads Alliance Valuation Project (RAVP) a joint initiative by Local Government Association of Queensland and the Queensland Government. The RAVP approach uses valuation components, the replacement value of the reference asset is estimated based on the quantum of plant, labour and materials and indirect costs required to create it using the appropriate Work Breakdown Schedules (WBS). WBS are developed using the assumptions including width, length, pavement depth and clearing areas for each appropriate combination of the road stereotype, terrain, environment and soil type.

The roads, footpaths and bridges fair values were determined by independent and qualified Valuers, Lemmah Pty Ltd based on a comprehensive valuation effective 30 June 2017. During 2016-17 Council reviewed the asset valuation methodology for this class resulting in significant changes in the key valuation inputs, including unit rates and useful lives. These changes are considered to better reflect Council's current practices and road types. The revaluation was based on the RAVP methodology and rates which were adjusted to reflect local cost inputs for plant, labour and overheads.

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments. The condition assessments were made using a 10 point scale with 0 being the lowest and 10 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life.

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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## 16 Fair value measurements (Cont'd)

### (b) Valuation techniques used to derive fair values for level 2 and level 3 valuations (Cont'd)

#### Stormwater drainage

The stormwater drainage fair values were determined by independent and qualified Valuers, Lemmah Pty Ltd based on a comprehensive valuation effective 30 June 2017. The methodology and unit rates for stormwater drainage were developed through the RAVP.

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

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments. The condition assessments were made using a 10 point scale with 0 being the lowest and 10 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life.

#### Water and wastewater infrastructure

Water and wastewater active infrastructure assets fair values were determined by independent and qualified Valuers, Australis Asset Advisory Group based on a comprehensive revaluation effective 30 June 2017. Active assets include Treatment Plants, Pump Stations and Reservoirs. These were componentised dependant on size, capacity, site conditions and other relevant factors. Current replacement cost (CRC) was calculated by reference to asset linear and area specifications, or lump sum estimated labour and material inputs, service costs and overhead allocations.

A comprehensive valuation of water and wastewater passive assets was undertaken by AssetVal effective 30 June 2015. In 2017, Council engaged AssetVal to provide indices to determine whether there has been a material change in the current replacement cost over the index period for the water and wastewater passive assets. The passive water and wastewater price movements were determined by calculating a composite civil index combining the road and bridge index, the engineering design and management index and the concrete product manufacturing index. The weighting of each index is based on an estimated project cost breakdown at 30%, 40% and 30% respectively. For the passive water and wastewater category a 2% increase has been adopted.

Australis conducted a physical condition survey of the physically accessible assets. Australis has utilised a 0 to 10 point scoring system with 0 being the lowest and 10 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential and 10 represents an asset at the end of its useful life. The physical condition assessment applied any obsolescence factors to arrive at an adopted remaining useful life. While the inputs to the gross replacement cost being a rate per square metre or per unit can be supported by market evidence (Level 2), the estimates of useful life, pattern of consumption and condition score, which are used to calculate the accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified a level 3.

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

Estimated useful lives and residual values are disclosed in Note 15.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 16 Fair value measurements (Cont'd)

#### (c) Changes in fair value measurements using significant unobservable inputs (Level 3 Assets)

The changes in level 3 assets with recurring fair value measurements are detailed in Note 14 and Note 15. However, since the land and improvements, non specialised buildings and investment rental property disclosed in those notes comprise of both level 2 and level 3 assets, the movement in level 3 assets are detailed below.

	Buildings and structures - specialised		Investment property		Land and improvements	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
<b>Asset values</b>						
Opening gross value	245,931,943	239,437,178	5,620,205	-	118,590,394	124,303,563
Transfers to Level 2	-	-	(2,233,000)	-	(7,778,200)	-
Assets not previously recognised/(derecognised)	(206,951)	(202,414)	-	-	-	(37,100)
Additions	23,869,399	3,593,505	-	121,000	-	129,526
Contributed assets	50,000	907,390	-	-	-	-
Disposals	(2,060,957)	(2,227,157)	-	-	(1,000)	(747,743)
Revaluation adjustment	9,394,163	8,038,607	2,917,860	90,166	(50,690,474)	225,870
Transfers	(3,414,570)	(3,615,166)	(264,100)	5,409,039	(495,913)	(5,283,722)
Closing gross value	273,563,027	245,931,943	6,040,965	5,620,205	59,624,807	118,590,394
<b>Accumulated depreciation</b>						
Opening balance	97,531,303	90,020,416	-	-	2,831,242	2,336,751
Assets not previously recognised/(derecognised)	(148,276)	(190,821)	-	-	-	-
Depreciation provided in period	6,732,788	6,491,643	-	-	109,711	494,491
Contributed assets	-	292,074	-	-	-	-
Depreciation on disposals	(1,795,926)	(2,016,074)	-	-	-	-
Revaluation adjustment	3,569,366	3,620,498	-	-	(374,193)	-
Transfers	(454,506)	(686,433)	-	-	-	-
Closing accumulated depreciation	105,434,749	97,531,303	-	-	2,566,760	2,831,242
Written down value	<b>168,128,278</b>	<b>148,400,640</b>	<b>6,040,965</b>	<b>5,620,205</b>	<b>57,058,047</b>	<b>115,759,152</b>

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 17 Intangible assets

#### 30 June 2017

Basis of measurement

#### Asset values

Opening gross carrying value as at 1 July 2016

Additions at cost

Internal transfers from work in progress

Disposals

Prior year work in progress expensed

Assets transferred from/(to) property plant and equipment

Closing gross carrying value as at 30 June 2017

	Computer Software		Easements		Land Lease		Water Rights		Work in progress		Total
	Cost	\$	Cost	\$	Cost	\$	Cost	\$	Cost	\$	
Opening gross carrying value as at 1 July 2016	3,789,767		-		311,000		4,346,253		-		8,447,020
Additions at cost	-		-		-		-		-		-
Internal transfers from work in progress	-		-		-		-		-		-
Disposals	(162,263)		-		-		-		-		(162,263)
Prior year work in progress expensed	-		-		-		-		-		-
Assets transferred from/(to) property plant and equipment	-		-		-		-		-		-
Closing gross carrying value as at 30 June 2017	3,627,504		-		311,000		4,346,253		-		8,284,757

#### Accumulated amortisation

Opening balance as at 1 July 2016

Amortisation provided in period

Amortisation on disposals

Closing accumulated amortisation as at 30 June 2017

Total intangible assets at 30 June 2017

1,341,233		-		-		-		-		-	1,341,233
495,763		-		-		-		-		-	495,763
(112,508)		-		-		-		-		-	(112,508)
1,724,488		-		-		-		-		-	1,724,488
1,903,016		-		311,000		4,346,253		-		-	6,560,269

Easements were no longer recognised as intangibles in the prior financial year.

Computer software have finite estimated useful lives of 3-50 years. Straight line amortisation has been used with no residual value.

Land lease and water rights have an indefinite useful life, and as such are not amortised.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 17 Intangible assets

#### 30 June 2016

Basis of measurement

#### Asset values

Opening gross carrying value as at 1 July 2015

Additions at cost

Internal transfers from work in progress

Disposals

Prior year work in progress expensed

Assets transferred from/(to) property plant and equipment

Closing gross carrying value as at 30 June 2016

	Computer Software		Easements		Land Lease		Water Rights		Work in progress		Total
	Cost	\$	Cost	\$	Cost	\$	Cost	\$	Cost	\$	
	2,456,159		190,598		311,000		4,346,253		589,435		7,893,445
	490,938		-		-		-		-		490,938
	99,729		-		-		-		(99,729)		-
	(138,450)		(190,598)		-		-		-		(329,048)
	-		-		-		-		(489,706)		(489,706)
	881,391		-		-		-		-		881,391
	3,789,767		-		311,000		4,346,253		-		8,447,020

#### Accumulated amortisation

Opening balance as at 1 July 2015

Amortisation provided in period

Amortisation on disposals

Closing accumulated amortisation as at 30 June 2016

Total intangible assets at 30 June 2016

1,003,983	-	-	-	-	-	-	-	-	-	-	1,003,983
437,175	-	-	-	-	-	-	-	-	-	-	437,175
(99,925)	-	-	-	-	-	-	-	-	-	-	(99,925)
1,341,233	-	-	-	-	-	-	-	-	-	-	1,341,233
2,448,534	-	-	311,000	4,346,253	-	-	-	-	-	-	7,105,787

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>18 Trade and other payables</b>			
Creditors and accruals		17,810,693	9,223,063
Annual leave		4,451,703	4,330,385
Wages and other employee entitlements		854,823	563,955
		<u>23,117,219</u>	<u>14,117,403</u>
<b>19 Borrowings</b>			
<b>Current</b>			
Loans - Queensland Treasury Corporation		<u>5,638,483</u>	<u>5,382,267</u>
<b>Non-Current</b>			
Loans - Queensland Treasury Corporation		<u>52,638,535</u>	<u>58,151,171</u>
<b>Loans - Queensland Treasury Corporation</b>			
Opening balance		63,533,438	70,059,356
Principal repayments		<u>(5,256,420)</u>	<u>(6,525,918)</u>
Balance at end of financial year		<u>58,277,018</u>	<u>63,533,438</u>

Financing facilities are limited by the requirement to obtain State Government approval for all loan applications. All loans are unsecured.

No interest has been capitalised during the current or comparative reporting period.

Expected final repayment dates vary from 15 March 2021 to 21 July 2032 .

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

Principal and interest repayments are made quarterly in arrears.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>20 Provisions</b>			
<b>Current</b>			
Landfill restoration		139,050	-
Long service leave		11,950,786	11,986,424
		<u>12,089,836</u>	<u>11,986,424</u>
<b>Non-Current</b>			
Landfill restoration		16,223,452	15,466,609
Long service leave		782,276	863,649
		<u>17,005,728</u>	<u>16,330,258</u>

### Details of movements in provisions:

#### (a) Landfill restoration provision

Opening balance		15,466,609	14,493,577
Increase in provision - finance cost due to change in time	8	420,220	498,432
Increase/(decrease) in provision - change in discount rate		5,823	1,388,651
Decrease in provision for actual restoration expenditure		(276,396)	(17,920)
Increase/(decrease) in estimate of future cost		746,246	(896,131)
Balance at end of financial year		<u>16,362,502</u>	<u>15,466,609</u>

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of the facility. This liability is provided in respect of significant operational landfills.

It represents the present value of the anticipated future costs associated with the closure of the landfills, decontamination and monitoring of historical residues and leaching on these sites.

#### (b) Long service leave provision

Opening balance		12,850,073	12,589,481
Additional provision made during the period		1,538,295	1,471,304
Amounts used during the period		(1,409,618)	(1,346,928)
Unused amounts reversed during the period		(47,200)	(91,439)
Change in discount and time		(198,488)	227,655
Balance at end of financial year		<u>12,733,062</u>	<u>12,850,073</u>

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>21 Asset revaluation surplus</b>			
<b>(a) Movements in the asset revaluation surplus were as follows:</b>			
Opening balance		366,960,096	334,761,325
Movement in property plant and equipment		94,096,227	32,198,771
Decrecognition of cultural assets		(25,541)	-
Balance at end of financial year		<u>461,030,782</u>	<u>366,960,096</u>

### (b) Asset revaluation surplus analysis

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

Land and improvements	-	29,010,322
Buildings and structures	34,619,296	28,794,500
Cultural assets	-	25,541
Roads, footpaths and bridges	199,251,521	123,473,510
Stormwater drainage	54,166,681	43,154,075
Wastewater infrastructure	95,384,431	85,693,284
Water infrastructure	77,608,853	56,808,864
	<u>461,030,782</u>	<u>366,960,096</u>

The asset revaluation surplus comprises adjustments relating to changes in value of non-current assets 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.

## 22 Retained surplus

Internally restricted cash	10	47,865,618	58,268,247
Unspent capital grants, subsidies and contributions	10	4,901,144	952,756
Unspent infrastructure charges	10	18,852,111	16,630,771
Unallocated surplus		15,525,270	879,088
		<u>87,144,143</u>	<u>76,730,862</u>

Retained surplus represents restricted cash as outlined in Note 10 along with the remaining (unallocated) funds that are available to meet specific future funding needs. An unallocated surplus represents the accumulative amount available to Council that may be used to offset against expenditure in the following year.



## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>23 Commitments for expenditure</b>			
<b>(a) Operating leases</b>			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Not later than one year		470,243	520,836
Later than one year but not later than five years		1,064,567	1,276,903
Later than five years		252,485	368,290
		<u>1,787,295</u>	<u>2,166,029</u>
Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term. Council only discloses lease commitments associated with significant leases.			
<b>(b) Recurrent commitments</b>			
Significant recurrent contractual commitments at the reporting date but not recognised as liabilities		<u>4,019,525</u>	<u>2,442,375</u>
<b>(c) Capital commitments</b>			
Significant capital contractual commitments at the reporting date but not recognised as liabilities are as follows:			
Buildings and structures		11,551,490	10,232,463
Plant and equipment		-	419,538
Roads, footpaths and bridges		2,148,942	2,138,769
Wastewater infrastructure		18,205,916	38,578,681
Water infrastructure		1,126,570	-
		<u>33,032,918</u>	<u>51,369,451</u>
<b>24 Expected operating lease income</b>			
<b>(a) Lease receipts</b>			
Future minimum lease payments are expected to be received in relation to non-cancellable operating leases as follows:			
Not later than one year		393,908	235,529
Later than one year but not later than five years		1,162,396	591,380
Later than five years		1,619,727	453,087
		<u>3,176,031</u>	<u>1,279,996</u>
<b>(b) Sub-lease receipts</b>			
Future minimum lease payments are expected to be received in relation to non-cancellable sub-leases of operating leases as follows:			
Not later than one year		192,496	218,249
Later than one year but not later than five years		694,178	716,306
Later than five years		520,670	709,063
		<u>1,407,344</u>	<u>1,643,618</u>
<b>(c) Contingent rent for the period</b>			
		<u>154,881</u>	<u>108,671</u>

Council only discloses expected lease income associated with significant leases.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

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	Note	30-Jun-17 \$	30-Jun-16 \$
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### 25 Contingent liabilities

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

#### Claims

Council is a defendant in a number of claims that arise as a result of the operations of Council. Council is of the opinion that the claims can be successfully defended and that no costs in excess of the recorded accruals will result. Information in respect of individual claims has not been disclosed in accordance with AASB137 *Provisions, Contingent Liabilities and Contingent Assets* on the basis that council considers such disclosures would seriously prejudice the outcome of the claims.

#### Landfills

Council has a number of operational and closed landfills throughout the region. Obligations for future remediation are determined annually, with the nature and extent of work required dependant on a condition assessment of the land and any proposed use of that land. The future use of the land has not yet been determined for closed landfills. Council has yet to make a formal determination on the closure of smaller operational landfills and has delayed the remediation of part of the University Drive Landfill. As a consequence Council is unable to reliably estimate potential rehabilitation costs for these sites. A provision for restoration costs for larger operational landfills has been disclosed in Note 20.

#### Local Government Mutual

Council is a member of the local government mutual liability self-insurance pool, Queensland Local Government Mutual Liability Pool. In the event of the scheme being wound up or if 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 scheme members in the same proportion as their contribution is to the total scheme contributions, in respect to any year that a deficit arises. As at June 2017 the financial statements reported an accumulated surplus and it is not anticipated that any liability will arise.

#### Local Government Workcare

Council is a member of the Local Government Self-Insurance Scheme, Local Government Workcare. Under this scheme Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled because of insufficient funds being available to cover outstanding liabilities. Only Local Government Workcare may call on any part of the guarantee should the above circumstances arise.

Council's maximum exposure is:

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2,102,687	2,418,007
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# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>26 Superannuation</b>			
<p>The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 <i>Employee Benefits</i>.</p> <p>The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.</p> <p>The scheme has three elements referred to as:</p> <p>The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund.</p> <p>The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and</p> <p>The Accumulation Benefits Fund (ABF)</p> <p>The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the <i>Local Government Act 2009</i>. Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.</p> <p>The Regional DBF is a defined benefit plan as defined in 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.</p> <p>To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee salaries and there are no known requirements to change the rate of contributions.</p> <p>Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.</p> <p>As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.</p> <p>The most recent actuarial assessment of the scheme was undertaken as at 1 July 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".</p> <p>In the 2015 actuarial report the actuary has recommended no change to the employer contributions levels at this time.</p> <p>Under the <i>Local Government Act 2009</i> 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 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Bundaberg Regional Council made 4.42% of the total contributions to the plan for the 2016-17 financial year.</p> <p>The next actuarial investigation will be conducted as at 1 July 2018.</p>			
The amount of superannuation contributions paid by Council to the Superannuation Fund in this period for the benefit of employees was:		6,236,654	6,194,513
Council also contributes to the scheme for the benefit of Councillors'.			
The amount of contributions paid during the reporting period was:		120,026	122,455
Total superannuation paid	6	6,356,680	6,316,968

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$	30-Jun-16 \$
<b>27 Trust funds</b>			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities:		3,218,366	2,767,952
Council performs only a custodial role in respect of these monies and because the monies cannot be used by Council, they are not brought to account in these financial statements.			
<b>28 Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities</b>			
Net result		24,710,988	39,797,809
Non-cash operating items:			
Depreciation of property plant and equipment	15	45,292,826	45,115,212
Amortisation of intangible assets	17	495,763	437,175
Change in restoration provision to finance costs	8	420,220	498,432
Current cost of developed land sold	12(b)	21,656	-
Prior year work in progress expensed	15	570,499	1,316,512
		46,800,964	47,367,331
Investing and financing activities:			
Change in restoration provision		475,673	454,406
Capital grants, subsidies, other contributions and donations	4(b)	(30,351,394)	(37,225,775)
Loss on disposal of non-current assets	9	4,581,680	4,706,427
Loss on impairment of non-current assets held for sale	9	12,401	3,860
Revaluation decrement of land and improvements	9	21,305,959	-
Revaluation of investment property	5	(2,917,860)	(73,114)
Gain on disposal of non-current assets held for sale	5	(2,440)	(171,103)
		(6,895,981)	(32,305,299)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		(1,360,688)	344,971
(Increase)/decrease in inventories		25,837	9,822
Increase/(decrease) in payables		10,235,349	(3,162,679)
Increase/(decrease) in long service leave provision		(117,011)	260,592
Increase/(decrease) in unearned revenue		113,770	21,194
		8,897,257	(2,526,100)
<b>Net cash inflow from operating activities</b>		<b>73,513,228</b>	<b>52,333,741</b>

### 29 Events after the reporting period

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

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

## 30 Financial instruments and financial risk management

### Financial risk management

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

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management.

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 or other high risk investments.

### (a) Credit risk

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

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

In other cases, Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk. There is no concentration of credit risk for trade and other receivables.

Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks and other financial institutions in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with regulated financial institutions which are rated AAA to BBB based on ratings agency Standard & Poors, and whilst not capital guaranteed, the likelihood of a credit failure is remote.

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

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

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

### Financial assets

	Note	2017	2016
Cash and cash equivalents	10	106,021,236	94,357,604
Receivables - rates	11	5,751,868	6,011,426
Receivables - other	11	9,281,722	9,877,401
Other credit exposures - Guarantee	25	2,102,687	2,418,007
Total		<u>123,157,513</u>	<u>112,664,438</u>

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

Included within Council's receivable balance are debtors past due date for which Council has not provided against as there has been no significant change in credit quality and amounts are still considered recoverable.

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 30 Financial instruments (Cont'd)

#### (a) Credit risk (Cont'd)

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

	2017	2016
Not past due	6,239,285	8,210,059
Past due less than 30 days	1,630,725	373,936
Past due 31-60 days	711,212	453,886
Past due 61-90 days	51,896	214,061
Past due more than 90 days	6,517,319	6,671,787
Impairment	(116,847)	(34,902)
Total	<u>15,033,590</u>	<u>15,888,827</u>

#### (b) Liquidity risk

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from QTC for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient cash reserves to cater for unexpected volatility in cash flows.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2017</b>					
Trade and other payables	23,117,219	-	-	23,117,219	23,117,219
Loans - QTC	8,494,053	31,769,478	35,935,673	76,199,204	58,277,018
	<u>31,611,272</u>	<u>31,769,478</u>	<u>35,935,673</u>	<u>99,316,423</u>	<u>81,394,237</u>
<b>2016</b>					
Trade and other payables	14,117,403	-	-	14,117,403	14,117,403
Loans - QTC	8,494,053	33,534,864	42,664,360	84,693,277	63,533,438
	<u>22,611,456</u>	<u>33,534,864</u>	<u>42,664,360</u>	<u>98,810,680</u>	<u>77,650,841</u>

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

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 30 Financial instruments (Cont'd)

#### (c) Market risk

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

##### *Interest rate risk*

Council is exposed to interest rate risk through its investments held with financial institutions.

Financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity. Council's loan portfolio is subject to fixed interest rates.

##### *Sensitivity*

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

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net carrying amount		Profit		Equity	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Deposits - Call	37,400,000	43,050,000	374,000	430,500	374,000	430,500
Term Deposits	67,900,000	48,150,000	679,000	481,500	679,000	481,500
	<u>105,300,000</u>	<u>91,200,000</u>	<u>1,053,000</u>	<u>912,000</u>	<u>1,053,000</u>	<u>912,000</u>

#### **Fair value**

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

QTC applies a book rate approach in the management of debt. The book value represents the carrying value based on amortised cost using the effective interest method.

The net fair values of other financial assets and liabilities, except QTC loans, approximates their carrying amounts.

#### **Financial liabilities**

	Note	2017		2016	
		Carrying amount	Fair Value	Carrying amount	Fair Value
		\$	\$	\$	\$
Loans - QTC	19	<u>58,277,018</u>	<u>64,528,961</u>	<u>63,533,438</u>	<u>72,884,775</u>

# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	Note	30-Jun-17 \$
<b>31 Related parties</b>		
<b>(a) Joint controlled entities</b>		
Council is a joint member of the Wide Bay Burnett Regional Organisation of Councils (WBBROC) Incorporated.		
WBBROC represents the interests of all councils within the Wide Bay Burnett region. WBBROC lobbies Federal and State Governments on behalf of members Councils on matters of common interest and is often the point of contact for other levels of Government seeking the views of Councils on a broad range of issues.		
WBBROC other member Councils are Cherbourg Community Council, Fraser Coast Regional Council, Gympie Regional Council, North Burnett Regional Council and South Burnett Regional Council.		
The following transactions occurred with WBBROC:		
Council membership contributions		<u>78,510</u>
WBBROC is dependent on contributions from member Councils.		
<b>(b) Key management personnel (KMP) compensation</b>		
KMP include the Mayor, Councillors, Chief Executive Officer and three General Managers.		
The compensation paid to KMP comprises:		
Short-term benefits		2,292,114
Long-term benefits		13,133
Post-employment benefits		<u>221,469</u>
		<u>2,526,716</u>
Additional remuneration disclosures are provided in the Annual Report.		
<b>(c) Transactions with other related parties</b>		
Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members.		
Details of transactions between Council and other related parties are disclosed below:		
Donation to an entity controlled by KMP	(i)	<u>23,259</u>
Provision of facilities to an entity controlled by KMP	(i)	<u>55,225</u>
Purchases of materials and services from an entity controlled by KMP	(ii)	<u>64,829</u>



# Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

	30-Jun-17
Note	\$
<b>31 Related parties (Cont'd)</b>	
<b>(c) Transactions with other related parties (Cont'd)</b>	
(i) Council has historically supported the Bundaberg Police Citizens Youth Club (PCYC) in providing a broad range of recreational, youth and sporting programs, catering for all sections of the community. Council has a trustee lease agreement with PCYC over the new Bundaberg Multiplex facility. This allows the PCYC to deliver their services whilst also maximising the use of the Council facility. The lease agreement provides that the PCYC will collect all hire fees associated with the Multiplex and pay Council 30% of said fees. The PCYC will retain the remaining fee income for maintenance and operational costs associated with the Multiplex. Council provided temporary accommodation for the PCYC during construction of the Multiplex as well as reimbursing the relocation expenses. Councillor David Batt is currently the Deputy Chairman of the PCYC.	
(ii) Impact Community Services (Impact) are engaged by Council under a panel of prequalified suppliers for transportation services in relation to waste throughout the region. Impact is a not-for-profit organisation which offers a wide range of support, training and employment programs to the Bundaberg community. The application to the panel and the engagement of Impact services were at arm's length and in accordance with Council's Purchasing Policy and associated procedures. Councillor David Batt is currently the Chairperson of Impact.	
Council employs 779 full time equivalent staff. Less than 1% of staff are close family members of KMP with their remuneration representing less than 1% of employee benefits. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the relevant industrial award for the job they perform and Council's enterprise bargaining agreement.	
Council has 99 community service lease agreements where Council owned facilities are leased at a nominal value. 4% of these leases are with community groups which are related parties of KMP. The community groups are required under the lease to maintain and operate the facilities at their expense. Council believes the value of the maintenance and operating costs borne by groups approximates the lease value forgone.	
<b>(d) Outstanding balances</b>	
The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:	
Contribution to Eggmolesse Street drainage works	(iv) <u><u>80,000</u></u>
(iii) Council has an infrastructure deed with Across The Waves (ATW) in relation to drainage works in Eggmolesse Street associated with an adjoining development. The agreement was executed by senior staff in accordance with the <i>Sustainable Planning Act 2009</i> , Council's Planning Scheme and Register of Delegations. Councillor David Batt is currently a Committee Member of ATW.	
No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.	
<b>(e) Loans and guarantees to/from related parties</b>	
Council does not make loans to or receive loans from related parties. No guarantees have been provided.	
<b>(f) Commitments to/from other related parties</b>	
Council has no outstanding commitments to/from other related parties.	

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 32 National competition policy

#### Business activities to which the code of competitive conduct is applied

Bundaberg Regional Council has applied the competitive code of conduct (CCC) to the following activities:

Water and Wastewater Operations;  
Waste Management;  
Caravan Parks; and  
Airport Operations.

This requires the application of full cost pricing, the identification of community service obligations (CSOs) and the elimination of any advantages or disadvantages of public ownership within that activity.

The CSO value is determined by Council and represents an activity's cost(s) which would not be incurred if the activity's primary objective was to make a profit. Council provides funding from general revenue to the business activity to cover cost of providing non-commercial community services or costs deemed to be CSOs by Council.

In calculating the value of some CSO's management is required to make judgements, estimates and assumptions which may impact on the values disclosed. 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 following table summarises the financial performance of Council's activities subject to the CCC:

#### Financial performance of activities subject to competition reforms:

	Water	Wastewater	Waste Management	Caravan Parks	Airport Operations
	2017	2017	2017	2017	2017
	\$	\$	\$	\$	\$
Revenue for services provided to Council	1,305,278	446,341	232,174	-	-
Revenue for services provided to external clients	25,794,822	26,769,689	17,919,242	2,648,665	5,437,514
Community service obligations	972,244	981,619	3,201,597	-	164,375
	28,072,344	28,197,649	21,353,013	2,648,665	5,601,889
Less: Expenditure	(16,498,256)	(14,885,153)	(15,084,937)	(2,242,130)	(3,800,523)
Surplus/(deficiency)	11,574,088	13,312,496	6,268,076	406,535	1,801,366

## Notes to the FINANCIAL STATEMENTS

For the year ended 30 June 2017

### 32 National competition policy (Cont'd)

#### Description of CSO's provided to business activities

Activities	CSO description	Amount
		\$
Water	Provision of water allocations to unlicensed sporting clubs free of charge	\$148,775
	Pension remissions	\$165,165
	Water leak relief	\$94,120
	Infrastructure charges incentives	\$516,012
	Internal bulk water provisions	\$48,172
Wastewater	Providing pedestal discount for community and aged care facilities	\$299,484
	Clearance of private sanitary drains	\$5,982
	Infrastructure charges incentives	\$463,600
	Pension remissions	\$212,553
Waste Management	Provision of bins and waste disposal for community events	\$31,746
	Provision of free disposal days for residents	\$68,395
	In-kind assistance - for charities	\$110,205
	Provision of wheelie bins and waste disposal for public spaces	\$112,008
	Unrecovered costs incurred in operating rural transfer stations	\$504,612
	Internal waste collection	\$2,179,409
	Pension remissions	\$195,222
Airport Operations	Access agreement	\$164,375

### 3.6 Management Certificate

For the year ended 30 June 2017

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These general purpose financial statements have been prepared pursuant to Section 176 and Section 177 of the *Local Government Regulation 2012* 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.



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Mayor

Date: 21 / 9 / 17



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Chief Executive Officer

Date: 21 / 9 / 17

## 3.7 Independent Auditor's Report

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To the Councillors of Bundaberg Regional Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Bundaberg Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in Bundaberg Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

### **Responsibilities of the council for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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


- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

**Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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



D A STOLZ  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

### 3.8.1 Current Year Financial Sustainability Statement

For the year ended 30 June 2017

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#### 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 2017.

#### Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets:

	How the measure is calculated	2017	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	10%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by depreciation expense for infrastructure assets.	82%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-9%	not greater than 60%




### 3.8.2 Current Year Financial Sustainability Statement - Certificate of Accuracy

For the year ended 30 June 2017

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

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

  
\_\_\_\_\_  
Mayor  
Date: 21 / 9 / 17

  
\_\_\_\_\_  
Chief Executive Officer  
Date: 21 / 9 / 17

### 3.8.3 Independent Auditor's Report

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To the Councillors of Bundaberg Regional Council

#### **Report on the Current-Year Financial Sustainability Statement**

##### **Opinion**

I have audited the accompanying current year financial sustainability statement of Bundaberg Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Bundaberg Regional Council for the year ended 30 June 2017 has been accurately calculated.

##### **Basis of opinion**

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

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

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

##### **Emphasis of matter – basis of accounting**

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

##### **Other information**

Other information comprises the information included in Bundaberg Regional Council's annual report for the year ended 30 June 2017, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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

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

### **Responsibilities of the council for the current year financial sustainability statement**

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

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


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

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

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

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

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

  
D A STOLZ  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

### 3.8.4 Long Term Financial Sustainability Statement

For the year ended 30 June 2017

#### Measures of Financial Sustainability

How the measure is calculated	Target	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Operating surplus ratio	Between 0% and 10%	4%	3%	4%	5%	6%	7%	7%	8%	8%
Asset sustainability ratio*	Capital expenditure on the replacement of infrastructure assets (renewals) divided by depreciation expense for infrastructure assets. greater than 90%	74%	106%	59%	53%	41%	56%	55%	42%	54%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items). not greater than 60%	30%	45%	52%	45%	37%	30%	20%	6%	11%

\* The Asset sustainability Ratio is based on Council's Asset Management Plans adopted by Council during the financial year. Subsequently, there has been significant work undertaken on infrastructure asset resegmentation and underlying assumptions. It's expected that this will impact on Council's future renewal programs and long-term Asset Sustainability Ratio. The Asset Management Plans and Asset Sustainability Ratios will be updated during the 2017/2018 financial year to reflect this.

#### Financial Management Strategy

Financial management within Bundaberg Regional Council supports the delivery of the objectives identified within Council's Community Plan *Bundaberg Region 2031* and Council's Corporate Plan. This ensures that financial resources are allocated according to the annual priorities set by Council in achieving that vision, within the parameters determined through the long-term financial planning, particularly asset management planning.

All financial decisions are made in the context of long term financial sustainability with funding decisions having due regard to intergenerational equity, so that those who enjoy the benefits of assets and services provided by Council, contribute to the funding of those assets and services. Conversely, assets and services that are consumed in the short term do not place a financial burden on future generations.

Council regularly models financial performance, financial position and cash flow forecasts to monitor the long term sustainability of financial decisions.

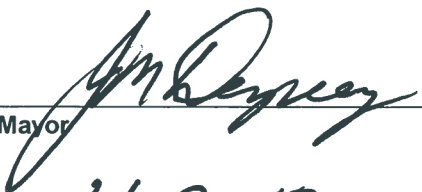
### 3.8.5 Long Term Financial Sustainability Statement - Certificate of Accuracy


For the year ended 30 June 2017

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

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

  
\_\_\_\_\_  
Mayor  
Date: 21 / 9 / 17

  
\_\_\_\_\_  
Chief Executive Officer  
Date: 21 / 9 / 17

# 4. Statutory Information

## Mayor and Councillors

### 4.1 Remuneration, Superannuation and Provision of Facilities

In accordance with the Local Government Regulation 2012, Sections 186(a) and (b), the total remuneration, superannuation and expenses incurred by each one of our Councillors during the financial year are as follows.

Table 3.1

Councillor	Remuneration	Superannuation	Provision of Facilities
Mayor Jack Dempsey	\$145,623.92	\$17,474.87	\$26,510.54
Cr Jason Bartels	\$84,308.12	\$10,116.97	\$13,167.41
Cr Bill Trevor (Deputy Mayor)	\$95,806.10	\$11,496.73	\$15,278.07
Cr Wayne Honor	\$84,308.12	\$10,116.97	\$16,433.43
Cr Helen Blackburn	\$84,308.12	\$10,116.97	\$13,890.92
Cr Greg Barnes	\$84,308.12	\$10,116.97	\$12,088.77
Cr Scott Rowleson	\$84,308.12	\$10,116.97	\$13,491.91
Cr Ross Sommerfeld	\$84,308.12	\$10,116.97	\$14,622.56
Cr David Batt	\$84,308.12	\$10,116.97	\$16,960.89
Cr Judy Peters	\$84,308.12	\$10,116.97	\$16,244.81
Cr Peter Heuser	\$84,308.12	\$10,116.97	\$12,249.47
	<b>\$1,000,203.10</b>	<b>\$120,024.37</b>	<b>\$170,938.78</b>

A full copy of Council's *Reimbursement of Expenses and Provision of Facilities for Councillors–Policy* is available at Council's website (reference no. GP-3-047). This policy was reviewed and amendments were made and adopted by Council on 27 September 2016.

### Overseas travel

As required by the Local Government Regulation 2012 (s 188) the following international travel expenses were incurred by the Mayor and Councillors and a local government employee, in an official capacity, during the financial year.

Table 3.2

Councillor / Position	From	To	Destination	Purpose	Total
Mayor Jack Dempsey	9/09/16	18/09/16	Nanning, China	Sister City Conference and China ASEAN Trade Expo - China	<b>\$20,439.90</b>
Cr Ross Sommerfeld					
Cr David Batt					
Cr Peter Heuser					
Haiyi Wu Senior Development Officer - International Relations					
Mayor Jack Dempsey	1/11/16	6/11/16	Settsu, Japan	50th Anniversary of Municipal Organisation Enforcements at Settsu	<b>\$3,190.96</b>

## 4.2 Attendance at Council meetings

The attendance of Councillors to Ordinary, Special and Budgetary meetings is detailed below in accordance with Section 186(c) of the Regulation.

Table 3.3

Councillor	Ordinary	Special & Budgetary	Total
Mayor Jack Dempsey	15	3	18
Cr Jason Bartels	16	3	19
Cr Bill Trevor (Deputy Mayor)	15	3	18
Cr Wayne Honor	15	3	18
Cr Helen Blackburn	14	3	17
Cr Greg Barnes	13	3	16
Cr Scott Rowleson	13	3	16
Cr Ross Sommerfeld	15	3	18
Cr David Batt	15	3	18
Cr Judy Peters	12	2	14
Cr Peter Heuser	13	3	16

## 4.3 Councillors Conduct

### Orders and Recommendations

Section 186(d) requires Council to disclose the number of orders and recommendations made during the financial year in relation to allegations of misconduct or inappropriate conduct by Councillors. There were no orders or recommendations to disclose for 2016-17.

Section 186(e) requires Council to disclose the detail of orders and recommendations made during the financial year in relation to allegations of misconduct or inappropriate conduct by Councillors. There were no orders or recommendations to disclose for 2016-17.

### Councillor Complaints

Section 186(f) requires Council to disclose the number of complaints in relation to alleged misconduct or inappropriate conduct by Councillors. There was one complaint referred to the Mayor under section 176C (3) (a) (ii) of the Act.

## Corporate Governance

### 4.4 Remuneration of Senior Management

As required by the Local Government Act 2009 (s 201) the details of remuneration for senior management during the financial year were as follows.

Table 3.4

Number of Executives	Salary Range
3	\$200,000 - \$300,000
1	\$300,000 - \$400,000

## 4.5 Administrative Action Complaints

Council is committed to ensuring that complaints are addressed in a responsive, responsible and fair manner. We have established a comprehensive and flexible framework to achieve this, and this framework includes the position of Internal Ombudsman. Our Internal Ombudsman oversees the process by which complaints are investigated and through proactive management also seeks to identify trends to minimise the likelihood of future complaints. Council's *Administrative Action Complaints Policy and Administrative Action Complaints Management Procedure* also forms part of this framework.

Section 187 of the Local Government Regulation 2012 requires Council to report annually on the performance of the organisation in dealing with Administrative Action Complaints (AAC). In 2016-17 a total of 15 Administrative Action Complaints were processed and resolved. Reviews tested processes and departmental systems and some recommendations were made to review certain practices or processes.

The table below provides a summary of AAC outcomes for 2016-17.

Table 3.5

Outcome of administrative action complaints	2015-16	2016-17
Number of complaints made under the AAC process	22	15
Number of AAC resolved	22	15
Number of unresolved complaints under the AAC process	0	0
Number of unresolved complaints under the AAC process from previous financial year	0	0

## 4.6 Code of Competitive Conduct for Business Activities

The National Competition Policy (NCP) requires that the competitive neutrality principle be applied to government businesses so they do not attract any net competitive advantage over their competitors as a result of public sector ownership. A review of the appropriate application of NCP reforms across Bundaberg Regional Council determined that the adoption of full-cost pricing is the appropriate structural reform to apply to its significant business activities.

In accordance with Section 45(a) of the Local Government Act 2009, Council conducts the following business activities: Water and Wastewater; Waste and Recycling; Caravan Parks and Bundaberg Airport.

### Significant Business Activities and the Competitive Neutrality Principle

In accordance with Section 45(b) the following business activities have been identified as being financially significant:

- Water and Wastewater; and
- Waste and Recycling.

Both activities were conducted in the previous year and the competitive neutrality principle has been applied in accordance with Section 45(c) of the Local Government Act.

Council has elected to apply the Code of Competitive Conduct, involving the application of the competitive neutrality principle, to the following business activities:

- Caravan Parks; and
- Bundaberg Airport.

### Competitive Neutrality Complaints

No competitive neutrality complaints were received during the reporting period.



## 4.7 Assets Recognition Policy

Pursuant to the Local Government Regulation 2012 (s206 (2)), a resolution was made on 26 April 2017 to adopt a revised *Non-current Asset Recognition Policy*. The reference to cultural assets was amended, as the category is no longer relevant to Council's policy or legislative requirements.

## 4.8 Summary of Concessions for Rates and Charges

A summary of all concessions for rates and charges granted by Council is provided in the following section and tables, in accordance with Section 190(1-(g)) of the Local Government Regulation 2012.

### Pensioner rebates

Pensioners who are either registered owners or life tenants of their principal place of residence, and who hold a Queensland Pensioner Concession Card, or a Repatriation Health Card are eligible to claim a State Government Pensioner Rate Subsidy and a Council pensioner remission. The Council pensioner rate remission during 2016-17 was \$140 per annum for rates and charges.

### Discount on general rates

A discount of 10% of the current year's Council general rates is conditional on the payment of current rates, service charges and all arrears by the due date stated on the rate notice, which is at least 30 clear days from the issue date of the rate notice. This discount is granted for prompt payment. Council's pension remission is not a payment and is therefore deducted from the general rate before discount is applied.

### Community concessions

Council recognises the following not-for-profit organisations as providing a service to the community by encouraging community and cultural development. During 2016-17 Council contributed up to a maximum \$1,700 per annum, towards the payment of rates and charges (with the exception of water consumption) for the following facilities and organisations:

- Apple Tree Creek Memorial Hall
- Avenell Heights Progress Association Hall
- Avondale Football Club
- Booyal Memorial Hall
- Bucca Hall
- Bullyard Hall
- Bundaberg & District Air Sea Rescue
- Bundaberg Kindergarten
- Bundaberg Railway Historical Society
- Burnett Heads Kindergarten
- Burnett Heads Progress Hall
- Childers Kindergarten
- CWA Hall Bargara
- CWA Hall Bundaberg
- CWA Hall Childers
- CWA Hall Yandaran
- CWA Oakwood
- CWA Wallaville
- Drinan Hall
- Forestview Community Kindergarten
- Gin Gin & District Historical Society Hall
- Gin Gin Kindergarten
- Kepnock Progress Association Hall
- North Bundaberg Progress Association Hall
- Pine Creek Hall
- Sandy Hook Ski Club
- Sharon Hall
- South Kolan Kindergarten
- Tegege Hall
- Wallaville Kindergarten

Council also paid all rates and charges with the exception of water consumption charges for the following sports clubs:

- Bundaberg Surf Life Saving Club
- Elliott Heads Surf Life Saving Club
- Moore Park Surf Life Saving Club

## Other concessions

Council has a *Water Leak Relief Policy* which provides relief for ratepayers who experience a large and undetectable water leak that results in a large unbudgeted water bill. If ratepayers have the water leak repaired within ten days of its discovery and apply for relief within thirty days after having the leak repaired, Council charges the water consumption at the first step in the water tariff, which in 2016-17 was \$1.15 instead of the second tier tariff, which was \$1.88. Ratepayers were assisted in 2016-17, to a value of \$94,120.

## Concessions to ratepayers for 2016-17

Table 3.6

Type of organisation	Assistance Provided
Council Pensioner Rates Concessions	\$1,392,737.75
Rates Concessions to Community Organisations	\$501,689.51
Water Leak Relief	\$94,120.05
<b>Total</b>	<b>\$1,988,547.31</b>

## Analysis of Concessions provided to Community Organisations in 2016-17

Table 3.7

Type of organisation	Assistance Provided
Reduced Rates and Charges to Community Organisations	\$53,430.36
Free Water Consumption Allocation to Unlicensed Sporting Bodies	\$105,620.15
Benefit only charging Water Access Charges to Unlicensed Sporting Bodies for largest meter	\$43,155.00
60% reduction in Sewerage Charges to Community Organisations	\$299,484.00
<b>Total</b>	<b>\$501,689.51</b>

## Total of Community Organisations

Table 3.8

No.	Type of organisation	Annual Rates Levied	Assistance Provided	Average assist per organisation
19	Halls	\$43,601.76	\$28,956.80	\$1,524.04
7	Kindergartens	\$22,771.29	\$10,368.60	\$1,481.23
7	Surf Lifesaving Clubs	\$10,376.54	\$8,893.98	\$1,270.57
4	Community Organisations	\$5,954.66	\$5,210.98	\$1,302.74
<b>37</b>	<b>Total</b>	<b>\$82,704.25</b>	<b>\$53,430.36</b>	<b>\$1,444.06</b>

## 4.9 Expenditure on Grants to Community Organisations

As required by Section 195 of the Local Government Regulation 2012, Council has an established a *Community Financial Assistance Governance Policy*. This policy is available on request (reference No. GP-3-067).

Pursuant to Section 189(a) of the Regulation, Council's expenditure on grants to community organisations for the 2016-17 financial year totalled \$290,922, as shown in table 3.9.

### Summary of Expenditure on Grants to Community Organisations

Table 3.9

Community Organisation	Expenditure on Grants
Community Grants Program	\$61,671.63
Life Education Contribution	\$10,000.00
Lifeflight Rescue Helicopter	\$50,000.00
Mayors Christmas Appeal	\$2,500.00
Micro Grants program	\$14,783.78
Operation Wanted	\$10,000.00
Police Citizen Youth Club	\$23,259.09
Regional Arts Development Fund (RADF)	\$24,661.45
Special Event Grant	\$13,946.70
Sponsorship/ Donation	\$21,800.00
Sport Championship Funding Program	\$23,750.00
Toy Library Contribution	\$10,000.00
Young People In Sport Funding Program	\$24,550.00
<b>Total</b>	<b>\$290,922.65</b>

Pursuant to Section 189(b) there were no discretionary fund expenditure by Councillors for community organisations in the reporting period.

## 4.10 Council Registers

The following list of Council Registers is provided in accordance with Section 190(f) of the Local Government Regulation 2012.

- Register of Business Activities
- Register of Contact with Lobbyists
- Register of Cost-Recovery Fees
- Register of Delegations - Council to CEO and CEO to Officers and/or Contractors
- Register of Interests for CEO and Senior Executive Employees
- Register of Interests of a Councillor and their Related Persons
- Register of Local Laws
- Register of Pre-Qualified Suppliers
- Register of Roads

## 4.11 Risk Management

Council recognises that effective risk management is paramount in managing its enterprise risks to achieve its corporate strategies, objectives and vision for the future. Council's commitment to risk management practices aim to effectively manage and limit risk exposures but also identify opportunities through best practice risk management strategies and continuous improvement established in accordance with Risk Management Standards AS/NZS IS 31000:2009.

Council is committed to the identification and implementation of processes appropriate to the ongoing management of risk and this is achieved by:

- Regular reporting to the Audit and Risk Committee of enterprise risks and the Risk Management Program
- Continuous review of:
  - the adopted Integrated Risk Management Policy
  - Bundaberg Regional Council Risk Management Framework, and risk assessment tools.
- Training for staff at induction
- Biennial review of risk registers
- Operational risk analyses of departmental business plans.

## 4.12 Report on the Internal Audit

### Audit and Risk Committee

The Audit and Risk Committee is established in accordance with the Local Government Act 2009 (s 106(4)). The Committee acts as an advisory committee to Council. It provides independent comment, advice and counsel on audit and risk management issues, covering all Council operations and projects reported and considered by the Committee at its regular meetings. The Audit and Risk Committee was comprised of Councillors and independent external representatives as follows:

- Bradley Grogan, Chairman and External Community Representative
- Mayor Jack Dempsey, Finance and Economic Development Portfolio spokesperson
- Cr Helen Blackburn, Governance Portfolio spokesperson
- Debbie Rayner, External Community Representative (appointed June 2017 following the resignation of Emma Habermann in May 2017).

The Committee is also attended by the External Auditors, Chief Executive Officer, General Managers, Chief Financial Officer, Internal Auditor, Quality Auditor, Governance Manager and other key staff. The Committee held four meetings during the year in which the following matters were reviewed and assessed:

- Internal Audit reports
- Quality Audit reports
- External Audit reports and updates
- Risk Management updates
- Internal Audit Charter
- Audit and Risk Committee Charter
- Annual Internal Audit Plan
- Strategic Internal Audit Plan
- Major Projects updates
- Accounting position papers
- Annual Report and Financial Statements
- Accounting Policies.

## Internal Audits

The internal audit function is established under the Local Government Act 2009 (s 105(1)) and is an integral component of Council's corporate governance framework. Pursuant to Section 190 (1)(h) of the Local Government Regulations 2012, audits and other activities undertaken in 2016-17 included:

- Internal audit reviews involving:
  - Corporate Purchase Cards
  - Cash Handling, Receipting and Banking Audits of holiday parks and waste facilities
  - Commercial Invoicing
  - Purchase Order Processing
  - Penetration Testing of ICT Infrastructure.
- Quality audit reviews involving:
  - Road Maintenance Performance Contract
  - Evaluation of Technical Competence
  - Contractor Management
  - East Treatment Plant Biogas Facility Safety Management Plan
  - Calibration and Measurement Traceability.
- Assisting with development of Fraud Risk Assessments
- Assisting with updating of Corporate Risk Registers
- Assisting with internal investigations
- Monitoring the actions resulting from internal and external audit recommendations
- Advising on the development of policies, procedures and internal controls.

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