

Financial statements for the year ended 30 June 2019

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¹ The department's financial statements have been prepared in compliance with the Financial and Performance Management Standard 2009 and approved prior to 1 September 2019. The Financial Performance Management Standard 2019 came into effect on 1 September 2019.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Comprehensive Income for the year ended 30 June 2019

	Variance	Note	2019 Actual \$'000	2019 Original Budget \$'000	2019 Budget Variance \$'000	2018 Actual \$'000
Income						
Appropriation revenue	a.	2	409,763	422,299	(12,536)	468,519
User charges and fees			104	103	1	9,977
Grants and other contributions			820	-	820	2,533
Land sales			-	-	-	24,632
Interest			332	327	5	4,707
Other revenue			590	921	(331)	409
Total revenue			411,609	423,650	(12,041)	510,777
Gains on disposal/remeasurement of assets			-	-	-	40
Total income			411,609	423,650	(12,041)	510,817
Expenses						
Employee expenses		3	24,044	22,991	1,053	43,918
Supplies and services	b.	6	14,190	21,638	(7,448)	41,211
Grants and subsidies	c.	7	321,608	391,138	(69,530)	378,872
Deferred appropriation payable (expense) to Consolidated Fund	d.	2	57,168	-	57,168	29,109
Depreciation and amortisation	e.	9	1,910	25	1,885	2,897
Revaluation decrement			-	-	-	26,239
Cost of land sales			-	-	-	14,252
Land inventory written off			-	-	-	3,558
Finance/borrowing costs			-	-	-	1,046
Other expenses			487	271	216	5,924
Total expenses			419,407	436,063	(16,655)	547,027
Operating result before income tax equivalent			(7,797)	(12,413)	4,614	(36,209)
Income tax equivalent benefit			-	-	-	8,612
Operating result after income tax equivalent			(7,797)	(12,413)	4,614	(27,598)
Other comprehensive income						
Items that will not be reclassified to operating result:						
Increase in asset revaluation surplus	f.	11	4,389	-	4,389	4,194
Total other comprehensive income			4,389	-	4,389	4,194
Total comprehensive income			(3,408)	(12,413)	9,003	(23,405)

The accompanying notes form part of these statements.

Explanations of major budget versus actual variances:

a. Appropriation revenue

The actual appropriation revenue is \$12.536 million less than the budgeted figure. This is due to funds deferred to 2019-20 for the Indigenous Councils Critical Infrastructure Program of \$33.148 million as a result of a one-year extension of the program to provide Indigenous Councils with a four year period to complete projects (this revised timeline acknowledges the challenges of undertaking infrastructure projects in remote locations) and for the Racing Infrastructure Fund of \$29.454 million due to delayed claims and applications by Racing Queensland.

The deferrals are offset by:

- increased Works for Queensland funding of \$35.949 million due to the advance payment of the 2019-21 program
- new funding of \$5 million for the continuation of seawalls and coastal inundation mitigation upgrades within the Torres Strait Islands
- new funding of \$4.757 million for the Local Government Levy Ready Grants Program to assist local councils with waste disposal facility infrastructure upgrades
- new funding for the upgrade to critical sewerage infrastructure in the Paroo Shire Council of \$2.1 million
- the bring forward of a \$2.7 million payment to Torres Shire Council as the water treatment infrastructure upgrade project milestone was achieved earlier than anticipated.

b. Supplies and services

The actual supplies and services is \$7.448 million less than the budget due to:

- the reclassification of \$5.142 million to grants for Multicultural Affairs
- the reclassification of \$1.050 million to grants for the Bundaberg Regional Council to undertake flood evacuation 4WD tracks in Pine Creek and Givelda under the Bundaberg 10-year action plan (these works will continue into the 2019-20 financial year)
- planned investigation and rectification of leaks within the Solomon Dam on Palm Island not occurring in 2018-19 due to the dam levels being above the required height for these works to be progressed (\$0.933 million).

c. Grants and subsidies

The actual grants and subsidies are \$69.530 million lower than budgeted due to the following:

- Planned expenditure of \$44.513 million in 2018-19 was deferred to 2019-20 and 2020-21 due to a one-year extension of the Indigenous Councils Critical Infrastructure Program.
- Delayed claims and applications for funding by Racing Queensland resulted in funding of \$36.097 million deferred from 2018-19 to 2019-20 and beyond.
- \$55.098 million in expenditure for the 2017-19 Works for Queensland and Local Government Grants and Subsidies Programs was not finalised by 30 June as agreement end dates of 30 June 2019 provide council with a one-month period to lodge final acquittal documents. Additionally, some individual project completion dates have been re-negotiated by councils and the department and will be completed after 30 June 2019.
- The \$11.775 million transfer of Cherbourg wastewater infrastructure assets to the council was delayed to early 2019-20 due to an increase in project scope made possible by project savings.

These underspends are offset by:

- advance payment of the 2019-21 Works for Queensland program resulting in additional expenditure of \$50 million
- the \$5.280 million transfer of Palm Island wastewater infrastructure assets to the council in July 2018 that was planned to occur in June 2018
- unplanned expenditure of \$5 million due to new funding provided for seawalls and coastal inundation mitigation upgrades within the Torres Strait Islands
- unplanned expenditure of \$3.606 million due to new funding provided for the Local Government Levy Ready Grants Program to assist local councils with waste disposal facility infrastructure upgrades
- unplanned expenditure of \$2.1 million due to new funding provided for the upgrade to critical sewerage infrastructure in the Paroo Shire Council
- early payment of \$2.7 million to Torres Shire Council as the milestone for their water treatment infrastructure upgrade project was achieved earlier than anticipated
- unplanned expenditure of \$3.952 million for Multicultural Affairs initiatives following re-classification from supplies and services
- expenditure of \$3.1 million to finalise claims under the 2016-17 Works for Queensland program that remained outstanding at 30 June 2018 due to re-negotiation of agreement end dates.

d. Deferred appropriation payable (expense) to Consolidated Fund

The variance of \$57.168 million represents appropriation payable to Queensland Treasury for cash received for budgeted expenses that were unspent at 30 June 2019. This under-expenditure is mainly due to re-negotiation of some individual project completion dates by the council and the department to after 30 June 2019 for the 2017-19 Works for Queensland and Local Government Grants and Subsidies Programs. Additionally, some payments forecast under the Indigenous Councils Critical Infrastructure Program and the Racing Infrastructure Fund were unable to be made due to grantees not lodging claims prior to 30 June 2019.

e. Depreciation and amortisation

The variance of \$1.885 million in depreciation and amortisation expense is due to depreciation of the water infrastructure assets held in the Northern Peninsula Area which were planned to transfer to council by 30 June 2019.

f. Increase in asset revaluation surplus

The increase of \$4.389 million in the asset revaluation surplus is due to water infrastructure assets' method of revaluation used. GRC Quantity Surveyors used a combination of pricing methodologies that is, the base unit rate for each asset component was adjusted with relevant indices such as GRC gross adjustment index, locality index and building price index while in the previous year the revaluation was done applying a building price index.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Financial Position as at 30 June 2019

	Variance	Note	2019 Actual \$'000	2019 Original Budget \$'000	2019 Budget Variance \$'000	2018 Actual \$'000
Current assets						
Cash and cash equivalents	g.	14	68,094	8,699	59,395	42,818
Receivables		8	2,333	2,465	(132)	4,253
Other assets			92	-	92	-
Total current assets			<u>70,519</u>	<u>11,164</u>	<u>59,355</u>	<u>47,071</u>
Non-current assets						
Receivables		8	4,010	4,009	1	4,597
Property, plant and equipment	h.	9	58,964	45,833	13,131	59,560
Intangible assets	i.		-	1,300	(1,300)	-
Total non-current assets			<u>62,974</u>	<u>51,142</u>	<u>11,832</u>	<u>64,157</u>
Total assets			<u>133,493</u>	<u>62,306</u>	<u>71,187</u>	<u>111,228</u>
Current liabilities						
Payables	j.	10	60,756	2,696	58,060	34,555
Accrued employee benefits			1,048	897	151	913
Other current liabilities			45	-	45	-
Total current liabilities			<u>61,849</u>	<u>3,593</u>	<u>58,256</u>	<u>35,468</u>
Non-current liabilities						
Payables		10	-	-	-	126
Other non-current liabilities			222	-	222	683
Total non-current liabilities			<u>222</u>	<u>-</u>	<u>222</u>	<u>809</u>
Total liabilities			<u>62,071</u>	<u>3,593</u>	<u>58,478</u>	<u>36,277</u>
Net assets			<u>71,422</u>	<u>58,713</u>	<u>12,709</u>	<u>74,951</u>
Equity						
Contributed equity			79,101	-	-	79,162
Accumulated surplus/(deficit)			(21,893)	-	-	(14,036)
Asset revaluation surplus		11	14,214	-	-	9,825
Total equity			<u>71,422</u>	<u>58,713</u>	<u>12,709</u>	<u>74,951</u>

The accompanying notes form part of these statements.

Explanations of major budget versus actual variances:

g. Cash and cash equivalents

The variance of \$59.395 million is mainly due to unspent appropriation received by the department for budgeted expenses that were unspent at 30 June 2019. This under-expenditure is mainly due to re-negotiation of some individual project completion dates by the council and the department to after 30 June 2019 for the 2017-19 Works for Queensland and Local Government Grants and Subsidies Programs. Additionally, some payments forecast under the Indigenous Councils Critical Infrastructure Program and the Racing Infrastructure Fund were unable to be made due to grantees not lodging claims prior to 30 June 2019.

h. Property, plant and equipment

The variance of \$13.131 million is due to the continuation of works on the Cherbourg wastewater infrastructure assets that are now planned to transfer to the Cherbourg Aboriginal Shire Council in early 2019-20. Savings realised on this project allowed additional works to be undertaken which has delayed final completion and handover to the council.

i. Intangible assets

The variance of \$1.3 million is due to the new local government grants management system project not commencing the development phase this year. However, the project has undertaken an intensive research phase during 2018-19 that involved consultation with stakeholders and documentation of the system requirements. This phase has been necessary to ensure suitable product/system selection for implementation.

j. Current payables

The current payables variance of \$58.060 million is principally due to unspent appropriation to be returned to Queensland Treasury for unspent funds at 30 June 2019. This under-expenditure is mainly due to re-negotiation of some individual project completion dates by the council and the department to after 30 June 2019 for the 2017-19 Works for Queensland and Local Government Grants and Subsidies Programs. Additionally, some payments forecast under the Indigenous Councils Critical Infrastructure Program and the Racing Infrastructure Fund were unable to be made due to grantees not lodging claims prior to 30 June 2019.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Changes in Equity for the year ended 30 June 2019

	Note	Contributed Equity \$'000	Accumulated Surplus/ (Deficit) \$'000	Asset Revaluation Surplus \$'000	Total \$'000
Balance - 1 July 2017		<u>861,459</u>	<u>(10,009)</u>	<u>29,204</u>	<u>880,654</u>
Operating result		-	(27,598)	-	(27,598)
Other comprehensive income					
Increase in asset revaluation surplus	11	-	-	4,194	4,194
Total comprehensive income for the year		<u>-</u>	<u>(27,598)</u>	<u>4,194</u>	<u>(23,405)</u>
Transactions with owners as owners:					
Appropriated equity injections	2	15,647	-	-	15,647
Appropriated equity withdrawals	2	(1,987)	-	-	(1,987)
Net transfers out to other Queensland Government entities - machinery of government		(799,206)	-	-	(799,206)
Net transfers in from other Queensland Government entities		4,989	-	-	4,989
Non-appropriated equity withdrawals		(1,739)	-	-	(1,739)
Transfer of asset revaluation surplus to accumulated surplus/(deficit)		-	23,572	(23,572)	-
Net transactions with owners as owners		<u>(782,296)</u>	<u>23,572</u>	<u>(23,572)</u>	<u>(782,296)</u>
Balance - 30 June 2018		<u>79,162</u>	<u>(14,036)</u>	<u>9,825</u>	<u>74,951</u>
Net effect of changes in accounting policies	16	-	(60)	-	(60)
Operating result					
Operating result from continuing operations		-	(7,797)	-	(7,797)
Other comprehensive income					
Increase in asset revaluation surplus	11	-	-	4,389	4,389
Total comprehensive income for the year		<u>-</u>	<u>(7,797)</u>	<u>4,389</u>	<u>(3,408)</u>
Transactions with owners as owners:					
Appropriated equity injections	2	853	-	-	853
Appropriated equity withdrawals	2	(914)	-	-	(914)
Net transactions with owners as owners		<u>(61)</u>	<u>-</u>	<u>-</u>	<u>(61)</u>
Balance - 30 June 2019		<u>79,101</u>	<u>(21,893)</u>	<u>14,214</u>	<u>71,422</u>

The accompanying notes form part of these statements.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Cash Flows for the year ended 30 June 2019

			2019	2019	2019	2018
	Variance Note	Note	Actual \$'000	Original Budget \$'000	Budget Variance \$'000	Actual \$'000
Cash flows from operating activities						
Inflows:						
Appropriation receipts	k.	2	380,431	422,299	(41,868)	407,346
User charges and fees			331	103	228	17,761
Grants and other contributions			41	-	41	411
GST input tax credits received from ATO			5,593	-	5,593	9,765
GST collected from customers			52	-	52	2,674
Land sales			-	-	-	24,632
Interest			332	-	332	4,719
Other			600	921	(321)	126
Outflows:						
Employee expenses			(23,297)	(22,991)	(306)	(45,793)
Supplies and services	l.		(15,498)	(21,638)	6,140	(47,819)
Grants and subsidies	m.		(316,615)	(378,398)	61,783	(374,316)
GST paid to suppliers			(4,348)	-	(4,348)	(10,186)
GST remitted to ATO			(75)	-	(75)	(4,628)
Payment for land inventories			-	-	-	(23,052)
Income tax expense			-	-	-	(7,245)
Finance/borrowing costs			-	-	-	(1,046)
Other			(453)	(271)	(182)	(12,947)
Net cash used in/provided by operating activities			27,094	25	27,069	(59,600)
Cash flows from investing activities						
Inflows:						
Sales of property, plant and equipment			-	-	-	4,087
Loans and advances redeemed			587	914	(327)	3,328
Outflows:						
Payments for property, plant and equipment			(2,345)	(1,990)	(355)	(18,641)
Payments for intangible assets	n.		-	(1,300)	1,300	-
Payments for investments			-	-	-	(12,550)
Loans and advances provided			-	-	-	(23,034)
Net cash used in/provided by investing activities			(1,758)	(2,376)	618	(46,810)
Cash flows from financing activities						
Inflows:						
Proceeds from borrowings			-	-	-	24,016
Equity injections	o.		853	3,265	(2,412)	15,647
Outflows:						
Equity withdrawals			(914)	(914)	-	(3,726)
Borrowing redemptions			-	-	-	(5,535)
Net cash used in/provided by financing activities			(61)	2,351	(2,412)	30,402
Net increase/(decrease) in cash and cash equivalents			25,275	-	25,275	(76,008)
Decrease in cash and cash equivalents from restructuring			-	-	-	(148,735)
Cash and cash equivalents - opening balance		14	42,818	8,699	34,119	267,562
Cash and cash equivalents - closing balance		14	68,094	8,699	59,395	42,818

The accompanying notes form part of these statements.

Explanations of major budget versus actual variances:

k. Appropriation receipts

The actual appropriation receipts are lower than the budgeted figure by \$41.868 million mainly due to funds deferred to 2019-20 and beyond for the Indigenous Councils Critical Infrastructure Program and the Racing Infrastructure Fund. This is offset to some extent by funds brought forward for the early release of the 2019-20 Works for Queensland Program.

l. Supplies and services

The actual supplies and services payments is \$6.140 million less than the budget due to the reclassification of \$5.142 million to grants for Multicultural Affairs and \$1.050 million in grants for the Bundaberg Regional Council to undertake flood evacuation 4WD tracks in Pine Creek and Givelda under the Bundaberg 10-year action plan (these works will continue into the 2019-20 financial year).

m. Grants and subsidies

The actual grants and subsidies payments are \$61.783 million lower than budget due to reduced payments for the Indigenous Councils Critical Infrastructure Program (\$44.513 million), the Racing Infrastructure Fund (\$34.725 million), and the 2017-19 Local Government Grants and Subsidies Program and Works for Queensland Program (\$55.098 million).

This is offset by:

- the bring forward for the 2019-20 Works for Queensland Program (\$50 million)
- higher than anticipated expenditure for the Torres Shire Council water treatment infrastructure upgrade project (\$2.7 million)
- new funding received and paid during the year for seawalls and coastal inundation mitigation upgrades within the Torres Strait Islands (\$5 million), Local Government Levy Ready Grants Program (\$3.606 million), and upgrades to critical sewerage infrastructure in the Paroo Shire Council (\$2.1 million)
- unplanned expenditure of \$3.952 million for Multicultural Affairs initiatives following re-classification from supplies and services
- expenditure of \$3.1 million to finalise claims under the 2016-17 Works for Queensland program that remained outstanding at 30 June 2018 due to re-negotiation of agreement end dates.

n. Payments for intangible assets

The variance of \$1.3 million is due to the new local government grants management system project not commencing the development phase this year. However, the project has undertaken an intensive research phase during 2018-19 that involved consultation with stakeholders and documentation of the system requirements. This phase has been necessary to ensure suitable product/system selection for implementation.

o. Equity injections

Reduced equity injections of \$2.412 million are due to deferred capital expenditure on the new local government grants management system project and deferred commencement of works to replace asbestos cement pipes within the Northern Peninsula Area Water Supply System.

	2019	2018
	\$'000	\$'000
Reconciliation of operating result to net cash provided by operating activities		
Operating surplus/(deficit)	(7,797)	(27,598)
Non-cash items included in operating result:		
Depreciation and amortisation expense	1,910	2,897
Impairment losses	52	4
Goods and services provided below fair value	-	2,649
Net losses on disposal of property, plant and equipment	1	305
Revaluation decrements	-	26,239
Transfer of non-current physical assets to local councils	5,279	-
Change in assets and liabilities:		
(Increase)/decrease in receivables	194	815
(Increase)/decrease in GST input tax credits receivable	1,222	-
(Increase)/decrease in ALCS and LSL reimbursement receivables	615	-
(Increase)/decrease in deferred tax	-	(21,112)
(Increase)/decrease in inventories	-	(5,245)
(Increase)/decrease in other assets	(92)	67
Increase/(decrease) in payables	25,081	(40,685)
Increase/(decrease) in accrued employee benefits	594	(1,469)
Increase/(decrease) in other liabilities	36	3,532
Net cash provided by operating activities	27,094	(59,600)

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Comprehensive Income by Major Departmental Service for the year ended 30 June 2019

	Local Government ⁽¹⁾⁽²⁾		Multicultural Affairs Queensland ⁽³⁾		Racing ⁽⁴⁾		Better Planning for Queensland ⁽⁵⁾	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Income								
Appropriation revenue	352,949	410,289	15,010	6,650	41,804	19,859	24,456	
Land sales	-	-	-	-	-	-	-	
User charges and fees	104	290	-	51	-	7	2,744	
Grants and other contributions	398	436	405	146	17	5	256	
Interest	327	366	-	-	5	-	-	
Other revenue	100	53	62	1	428	250	11	
Total revenue	353,878	411,434	15,477	6,847	42,254	20,121	27,467	
Gains on disposal/remeasurement of assets	-	-	-	-	-	-	-	
Total income	353,878	411,434	15,477	6,847	42,254	20,121	27,467	
Expenses								
Employee expenses	18,011	13,129	5,224	2,313	809	83	16,732	
Supplies and services	11,525	9,977	2,424	1,042	241	91	7,765	
Grants and subsidies	281,058	369,477	5,561	2,693	34,989	15,379	1,848	
Deferred appropriation payable (expense) to Consolidated Fund	48,865	23,807	2,097	738	6,207	4,564	-	
Depreciation and amortisation	1,909	1,990	-	-	-	-	894	
Other expenses	307	642	171	61	9	4	237	
Total expenses	361,675	419,022	15,477	6,847	42,254	20,121	27,466	
Operating result before income tax equivalent	(7,797)	(7,588)	-	-	-	-	-	
Income tax equivalent (expense)/benefit	-	-	-	-	-	-	-	
Operating result after income tax equivalent	(7,797)	(7,588)	-	-	-	-	-	
Other comprehensive income								
Items that will not be reclassified to operating result:								
Increase in asset revaluation surplus	4,389	1,806	-	-	-	-	-	
Total comprehensive income	(3,408)	(5,782)	-	-	-	-	-	

(1) Funding Programs and Community Initiatives have been incorporated to Local Government in 2018-19. Corresponding 2017-18 comparative balances have been restated to be consistent with the current reporting period.
(2) Includes Office of the Independent Assessor, established 3 December 2018.
(3) Function was transferred from the former Department of Communities, Disability Services and Seniors effective 1 January 2018.
(4) Function was transferred from the abolished Department of National Parks, Sports and Racing effective 13 December 2017.
(5) Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Comprehensive Income by Major Departmental Service for the year ended 30 June 2019

	Infrastructure Policy and Planning ⁽⁶⁾		Business and Economic Growth ⁽⁷⁾		Inter-service/unit eliminations		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Income								
Appropriation revenue	7,266	-	-	-	-	-	409,763	468,519
Land sales	-	-	24,632	-	-	(630)	-	24,632
User charges and fees	95	7,420	7,420	7,420	-	(18,538)	104	9,977
Grants and other contributions	65	-	20,163	-	-	-	820	2,533
Interest	-	4,341	4,341	-	-	-	332	4,707
Other revenue	-	1	93	-	-	-	590	409
Total revenue	7,427	7,427	56,649	56,649	(19,168)	(19,168)	411,609	510,777
Gains on disposal/remasurement of assets	-	-	40	-	-	-	-	40
Total income	7,427	7,427	56,689	56,689	(19,168)	(19,168)	411,609	510,817
Expenses								
Employee expenses	4,119	-	7,542	-	-	-	24,044	43,918
Supplies and services	3,202	-	19,762	-	-	(630)	14,190	41,211
Grants and subsidies	56	-	7,958	-	-	(18,538)	321,608	378,872
Deferred appropriation payable (expense) to Consolidated Fund	-	-	-	-	-	-	57,168	29,109
Depreciation and amortisation	-	-	23	-	-	-	1,909	2,897
Revaluation decrement	-	-	26,239	-	-	-	-	26,239
Cost of land sales	-	-	14,252	-	-	-	-	14,252
Land inventory written off	-	-	3,558	-	-	-	-	3,558
Finance/borrowing costs	-	-	1,046	-	-	-	-	1,046
Other expenses	49	-	4,932	-	-	-	487	5,925
Total expenses	7,426	7,426	85,312	85,312	(19,168)	(19,168)	419,407	547,027
Operating result before income tax equivalent	-	1	(28,623)	(28,623)	-	-	(7,797)	(36,210)
Income tax equivalent (expense)/benefit	-	-	8,612	-	-	-	-	8,612
Operating result from after income tax equivalent	-	1	(20,011)	(20,011)	-	-	(7,797)	(27,598)
Other comprehensive income								
Items that will not be reclassified to operating result:								
Increase in asset revaluation surplus	-	-	2,388	-	-	-	4,389	4,194
Total comprehensive income	-	1	(17,623)	(17,623)	-	-	(3,408)	(23,405)

⁽⁶⁾ Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning except for the Cities Transformation Taskforce which was transferred to Queensland Treasury. The effective date of transfer was 1 January 2018.

⁽⁷⁾ Function was transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Statement of Assets and Liabilities by Major Departmental Service for the year ended 30 June 2019

	Local Government ⁽¹⁾⁽²⁾		Multicultural Affairs Queensland ⁽³⁾		Racing ⁽⁴⁾		Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current assets								
Cash and cash equivalents	57,762	33,786	2,696	4,029	7,636	5,003	68,094	42,818
Receivables	2,026	3,197	271	806	36	250	2,333	4,253
Other assets	68	-	21	-	3	-	92	-
Total current assets	59,857	36,983	2,988	4,835	7,675	5,253	70,519	47,071
Non-current assets								
Receivables	4,010	4,597	-	-	-	-	4,010	4,597
Property, plant and equipment	58,961	59,554	3	5	-	1	58,964	59,560
Total non-current assets	62,971	64,151	3	5	-	1	62,974	64,157
Total assets	122,827	101,134	2,991	4,840	7,675	5,254	133,493	111,228
Current liabilities								
Payables	50,736	27,739	2,417	2,139	7,603	4,677	60,756	34,555
Accrued employee benefits	781	647	234	235	33	31	1,048	913
Other current liabilities	-	-	45	-	-	-	45	-
Total current liabilities	51,517	28,386	2,696	2,374	7,636	4,708	61,849	35,468
Non-current liabilities								
Payables	-	126	-	-	-	-	-	126
Other non-current liabilities	166	483	50	176	7	23	222	683
Total non-current liabilities	166	609	50	176	7	23	222	809
Total liabilities	51,682	28,995	2,745	2,550	7,643	4,731	62,071	36,277

(1) Funding Programs and Community Initiatives have been incorporated to Local Government in 2018-19. Corresponding 2017-18 comparative balances have been restated to be consistent with the current reporting period.
(2) Includes Office of the Independent Assessor, established 3 December 2018.
(3) Function was transferred from the former Department of Communities, Disability Services and Seniors effective 1 January 2018.
(4) Function was transferred from the abolished Department of National Parks, Sports and Racing effective 13 December 2017.

General information

The Department of Local Government, Racing and Multicultural Affairs is a Queensland Government department established under the *Public Service Act 2008* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business of the department is level 34, 1 William Street, Brisbane QLD 4000.

For information in relation to the department's financial statements, please call 13 74 68, email info@dlgrma.qld.qov.au or visit the department's website www.dlgrma.qld.gov.au.

Compliance with prescribed requirements

The department has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

The department is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the statement of cash flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards applied for the first time in these financial statements are outlined in note 16.

Presentation

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or where the amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required. Amounts shown in these financial statements may not add to the correct sub-totals or totals due to rounding.

Comparative information reflects the audited 2017-18 financial statements and has been restated, where necessary, to be consistent with disclosures in the current reporting period.

Authorisation of financial statements for issue

The financial statements are authorised for issue by the Director-General and Chief Finance Officer at the date of signing the management certificate.

The reporting entity

The financial statements include all income, expenses, assets, liabilities and equity of the department. The department has no controlled entities.

Major departmental services

At reporting date, the reporting entity consists of the following three major departmental services:

- **Local Government**

Provide high quality and timely administration of both the local government system and local government funding programs.

- **Racing**

Administer the *Racing Act 2002* and manage programs that support a viable, prosperous racing industry in Queensland.

- **Multicultural Affairs Queensland**

Promote Queensland as a unified, harmonious and inclusive community.

1. Objectives and principal activities of the department

The department has a vision for dynamic and effective local governments, engaged and cohesive communities and for a sustainable and vibrant racing industry in Queensland.

The department actively contributes to the Queensland Government's plan to:

- create jobs in a strong economy through funding of local government infrastructure and community projects across the State
- be a responsive government by delivering integrated services in collaboration with other agencies and with stakeholders and partners in the local government sector, across the racing industry and in diverse communities across Queensland
- support initiatives to encourage participation and social cohesion to keep Queenslanders healthy.

2. Appropriation revenue

	Note	2019 \$'000	2018 \$'000
Reconciliation of payments from Consolidated Fund to appropriation revenue recognised in operating result			
Budgeted appropriation revenue		422,299	514,218
Transfers from other departments		-	33,305
Transfers to other departments		-	(92,008)
Treasurer's transfers		(41,868)	(48,169)
Total appropriation receipts (cash)		380,431	407,346
Plus: closing balance of appropriation revenue receivable	8	223	-
Less: opening balance of appropriation revenue receivable transferred in as a result of machinery of government changes		-	(25)
Plus: opening balance of deferred appropriation payable to Consolidated Fund		29,109	61,198
Less: closing balance of deferred appropriation payable to Consolidated Fund (note 10)		(57,168)	(29,109)
Net appropriation revenue		352,595	439,410
Plus: deferred appropriation payable to Consolidated Fund (expense)		57,168	29,109
Appropriation revenue recognised in Statement of Comprehensive Income		409,763	468,519
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity			
Budgeted equity adjustment appropriation		2,351	66,940
Transfers to other departments		-	(48,675)
Treasurer's transfers		(2,412)	(4,605)
Equity adjustment recognised in contributed equity		(61)	13,660

Accounting policy - Appropriation revenue

Appropriations provided under the *Appropriation Act 2019* are recognised as revenue when received. Amounts appropriated to the department for transfer to other entities in accordance with legislative or other requirements are reported as administered item appropriations (refer note 15).

3. Employee expenses	2019 \$'000	2018 \$'000
Employee benefits		
Salaries and wages	17,952	31,869
Employer superannuation contributions	2,502	4,485
Annual leave levy	1,918	3,608
Sick leave expense	632	1,166
Long service leave levy	371	689
Termination benefits	78	709
Other employee benefits	45	290
Employee related expenses		
Workers' compensation premium	29	119
Other employee related expenses	517	983
Total employee expenses	24,044	43,918
Full-time equivalent employees	184	171

Accounting policy - Employee expenses

Salaries and wages

Salaries and wages due but unpaid at reporting date are recognised in the statement of financial position at current salary rates. As the department expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

Sick leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Annual leave and long service leave

Under the Queensland Government's Annual Leave Central Scheme and Long Service Leave Scheme, the department is required to pay a levy to cover the cost of employees' annual leave (including leave loading and on-costs) and long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for leave are claimed from the scheme quarterly in arrears. No provision for leave is recognised in the department's financial statements as the liability is held on a whole-of-government basis and reported in those financial statements.

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Queensland Government's QSuper defined benefit plan as determined by the employee's conditions of employment.

Defined Contribution Plans - Contributions are made to eligible complying superannuation funds based on the rates specified in the relevant Enterprise Bargaining Agreement or other conditions of employment. Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined Benefit Plan - The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements. The amount of contributions for defined benefit plan obligations is based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by the department at the specified rate following completion of the employee's service each pay period. The department's obligations are limited to those contributions paid.

Workers' compensation premiums

The department pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not an employee benefit and is recognised separately as employee related expenses.

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in note 4.

4. Key management personnel disclosures

(a) Details of key management personnel (KMP)

The department's responsible Minister is identified as part of the department's KMP. That Minister is the Minister for Local Government, Minister for Racing and Minister for Multicultural Affairs.

The following details for non-Ministerial KMP reflect those departmental positions that had authority and responsibility for planning, directing and controlling the activities of the department during 2018-19 and 2017-18. Further information about these positions can be found in the body of the Annual Report under the section relating to the Executive Leadership Team.

Position	Position responsibility
Director-General	Provides values-based leadership and management to ensure the department is responsive to community and business needs and government priorities.
Deputy Director-General (Local Government Division)	Leads the development and implementation of strategies, policies and programs that support a sustainable local government sector.
Deputy Director-General (Strategy, Governance and Engagement)	Delivers responsive and robust governance and engagement strategies to the department and oversight of the multicultural affairs and racing policy functions.
Executive Director (Strategy, Governance and Engagement) ⁽¹⁾	Maintains appropriate statutory and policy frameworks for portfolio responsibilities, including the provision of corporate services such as legal services and Cabinet and Executive Services.
Executive Director (Strategy and Service Delivery) ⁽¹⁾	Maintains appropriate statutory and policy frameworks, develop local government strategy and policy and promote the sustainability, integrity, capacity and performance of local government through a network of regional advisors.
Executive Director (Finance, Performance and Programs)	Provides direction and leadership to enhance strategic capability and capacity to deliver legislative frameworks, funding programs and services to local governments.
Executive Director (Grants Review)	Leads the implementation planning phase of the review of state government grants provided to local governments and deliver a new grants to local government model.
Executive Director (Corporate)	Delivers strategic advice, legal services, human resources, service delivery and contract management of people, procedures, corporate reporting and planning, service level agreements and change.
Executive Director (Chief Finance Officer)	Provides strategic leadership and direction for the efficient, effective and economic financial administration of the department.
Executive Director (Multicultural Affairs Queensland and Engagement)	Promotes Queensland as a united, harmonious and inclusive community and the communication and engagement functions of the department.
Executive Director (Racing)	Administers the <i>Racing Act 2002</i> and the provision of policy advice to the government relating to the long term sustainability of the racing industry in Queensland.
Positions relevant only to 2017-18	
Deputy Director-General (Infrastructure Policy and Planning)	Drives the department's whole-of-government leadership role in infrastructure policy, planning and coordination, including delivery of the State Infrastructure Plan.
Deputy Director-General (Planning)	Delivers the legislative framework and overarching policy for land use planning and development assessment.
General Manager (Economic Development Queensland)	Identifies, plans, facilitates and delivers property development and infrastructure projects across Queensland.
Executive Director - South Bank	Manages the department's relationship with South Bank Corporation and manages the State's obligations and responsibilities with Brisbane City Council in its role as park managers for the South Bank and Roma Street Parklands.
Queensland Government Architect	Provides whole-of-government leadership and strategic advice in relation to the built environment, urban design, procurement and heritage issues.
Executive Director (Local Government and Regional Services)	Promotes the sustainability, integrity, capacity and performance of local government through a sound governance framework, a network of regional advisors, capacity building training and tools and through grants and financial advice.

⁽¹⁾ Due to restructure that took effect on 4 February 2019, Executive Director-Strategy, Governance and Engagement has changed to Executive Director-Strategy and Service Delivery

(b) Remuneration expenses

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The department does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole-of-Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the department's other KMP is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. Individual remuneration and other terms of employment (including motor vehicle entitlements) are specified in employment contracts.

Remuneration expenses for KMP comprise the following elements:

- short-term employee expenses including:
 - salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied a KMP position
 - non-monetary benefits consisting of provision of car parking together with fringe benefits tax applicable to the benefit
- long-term employee benefits include amounts expensed in respect of long service leave entitlement earned
- post-employment expenses include amounts expensed in respect of employer superannuation obligations
- termination benefits include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

4. Key management personnel disclosures (continued)

(b) Remuneration expenses (continued)

The following disclosures focus on the expenses incurred by the department attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the statement of comprehensive income.

2019

Position	Short-term employee expenses		Long-term employee expenses	Post - employment expenses	Termination benefits	Total expenses
	Monetary expenses \$'000	Non - monetary expenses \$'000	\$'000	\$'000	\$'000	\$'000
Director-General	320	7	7	41	-	375
Deputy Director-General (Local Government Division) (from 13/8/18)	197	6	4	22	-	229
Deputy Director-General (Strategy, Governance and Engagement) (from 25/2/19 to 30/6/19)	79	2	2	7	-	89
Deputy Director-General (Strategy, Governance and Engagement) - former (to 15/2/19)	104	5	2	12	-	123
Executive Director (Strategy and Service Delivery) (from 4/2/19)	85	3	2	9	-	99
Executive Director (Strategy, Governance and Engagement) (to 1/2/19)	93	4	2	10	-	109
Executive Director (Finance, Performance and Programs) (from 11/4/19)	45	2	1	4	-	51
Executive Director (Grants Review) (from 1/3/19)	62	-	1	7	-	70
Executive Director (Corporate)	183	7	4	19	-	213
Executive Director (Chief Finance Officer)	199	7	4	22	-	232
Executive Director (Multicultural Affairs Queensland and Engagement)	197	7	4	21	-	228
Executive Director (Racing) (from 1/3/19)	63	2	1	7	-	73

4. Key management personnel disclosures (continued)

(b) Remuneration expenses (continued)

2018

Position	Short-term employee expenses		Long-term employee expenses	Post - employment expenses	Termination benefits	Total expenses
	Monetary expenses	Non - monetary expenses	\$'000	\$'000	\$'000	\$'000
	\$'000	\$'000				
Director-General - (from 28/5/18)	34	1	1	4	-	39
Director-General - former acting (17/3 - 27/5/18) ⁽²⁾	71	2	1	8	-	82
Director-General - former acting (2/1 - 31/5/18) ⁽²⁾	67	3	-	16	153	238
Director-General - former (to 23/2/18) ⁽²⁾	201	5	-	32	190	428
Deputy Director-General (Local Government and Regional Services) - acting (1/7 - 1/9/17 and from 30/11/17)	152	6	3	15	-	176
Deputy Director-General (Local Government and Regional Services) - former (4/9 - 29/12/17)	79	3	1	8	-	91
Deputy Director-General (Strategy, Governance and Engagement)	228	8	5	26	-	267
Executive Director (Multicultural Affairs Queensland and Engagement) (from 2/2/18)	90	3	2	9	-	103
Executive Director (Strategy, Governance and Engagement) (from 2/02/18)	70	3	1	7	-	82
Executive Director (Corporate) (from 2/2/18)	76	3	2	7	-	87
Executive Director (Chief Finance Officer) (from 2/2/18)	86	3	2	9	-	99
Executive Director (Local Government and Regional Services) (from 2/2 - 22/5/18)	53	-	1	5	-	58
Positions transferred out as a result of the machinery of government changes						
Deputy Director-General (Planning) - acting (from 25/9/17)	80	2	2	8	-	92
Deputy Director-General (Planning) - acting former (1/7 - 26/7/17 and 29/8 - 22/9/17)	40	1	1	4	-	46
General Manager (Economic Development Queensland)	187	4	4	21	-	215
Deputy Director-General (Infrastructure Policy and Planning)	121	4	2	14	-	140
Executive Director - South Bank	74	4	2	8	-	87
Queensland Government Architect	109	4	2	11	-	127

⁽²⁾ Due to leave arrangements, the periods of service for the Director-General role include time periods that overlap.

(c) Performance payments

No remuneration packages for KMP provide for any performance or bonus payments.

5. Related party transactions

(a) Transactions with people/entities related to KMP

The department had no transactions with people and entities related to its key management personnel during the financial year.

(b) Transactions with other Queensland Government-controlled entities

The department's primary ongoing sources of funding from government for its services are appropriation revenue (note 2) and equity injections (note 2), both of which are provided in cash via Queensland Treasury.

The department has service level and partnering agreements with the following Queensland Government controlled entities:

- Department of State Development, Manufacturing, Infrastructure and Planning (DSDMIP) who provides corporate services relating to Ethics and Integrity, Information Management and Technology, Facilities Management, Internal Audit and Procurement. Corporate services fees paid to DSDMIP in 2019 was \$0.922 million (2018: \$1.572 million)
- Queensland Shared Services (QSS) who provides corporate business services and technology solutions to support finance and human resources transactions. Business services and technology solutions fees paid to QSS in 2019 was \$1.047 million (2018: \$1.840 million).

The department has leases with the Department of Housing and Public Works for commercial office accommodation, storage facilities and car park spaces (refer notes 6 and 12).

Queensland Audit Office (QAO) performs the financial audit of the department. Total audit fees payable to QAO relating to the 2018-19 financial statements are quoted to be \$99,500 (2017-18: \$208,000).

6. Supplies and services

	2019 \$'000	2018 \$'000
Consultants and contractors	6,491	25,903
Property and building expenses	2,819	6,693
Shared service provider fee	1,749	2,743
Computer/information technology expenses	1,113	2,453
Marketing and public relations expenses	542	1,190
Other	1,476	2,229
Total supplies and services	14,190	41,211

Accounting Policy – Distinction between Grants and procurement

For a transaction to be classified as supplies and services, the value of goods or services received by the department must be of approximately equal value to the value of the consideration exchanged for those goods or services. Where this is not the substance of the arrangement, the transaction is classified as a grant in note 7.

7. Grants and subsidies

Local governments	278,640	348,903
Statutory bodies	34,988	15,843
Charities and community groups	7,425	4,219
Queensland Government departments	356	1,388
Industry	10	7,958
Contributions	189	562
Total grants and subsidies	321,608	378,872

Accounting policy - Grants and subsidies

Grants and subsidies are in accordance with the funding agreement between the department and the recipient and are non-reciprocal. Grants are treated as an expense when the recipient can control the use of the resources or when the department's obligation for a transfer arises.

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Notes to the financial statements for the period ended 30 June 2019

8. Receivables	2019	2018
Current	\$'000	\$'000
Trade debtors	1,098	1,939
Less: Loss allowance	(694)	(582)
	<u>404</u>	<u>1,357</u>
GST input tax credits receivable	297	1,519
Appropriation revenue receivable	223	-
Loans receivable ⁽¹⁾	914	914
Other	495	463
Total current receivables	<u>2,333</u>	<u>4,253</u>
Non-current		
Loans receivable ⁽¹⁾	<u>4,010</u>	<u>4,597</u>
Total non-current receivables	<u>4,010</u>	<u>4,597</u>

⁽¹⁾ These amounts represent interest free loans to councils under the Smaller Communities Assistance Program.

Accounting policy - Receivables

Receivables are measured at amortised cost which approximates their fair value at reporting date.

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

Loans are measured at fair value upon initial recognition and amortised over the life of the loan using the effective interest method. Where loans are provided at concessional below market interest rates, they are considered to have a fair value less than the actual amount lent. Any additional amount lent above the fair value is initially recognised as a grant in the statement of comprehensive income and then notional interest income is recognised over the term of the loan.

Accounting policy - Impairment of receivables

The loss allowance reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information. Economic changes impacting the department's debtors, and relevant industry data form part of the department's impairment assessment.

No loss allowance is recorded for the department's receivables from Queensland Government agencies, Australian Government agencies or Queensland Local Government on the basis of materiality. Refer to note 14 for the department's credit risk management policies.

Where the department has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the department has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Credit risk exposure of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to the department's receivables.

As the department has few debtors, receivables are assessed individually per type of debtor to measure the expected credit losses. Amount outstanding are assessed for probability of default and loss given default. The probability of default reflect historical observed default rates calculated using credit losses experienced on past transactions during the last 10 years preceding 30 June 2019 for each type of debtor.

Set out below is the credit risk exposure on the department's trade and other debtors broken down by type of debtor. The comparative disclosure for 2018 is made under AASB 139 impairment rules, where receivables are assessed individually for impairment.

Type of debtor	2019			2018	
	Gross receivables \$'000	Loss rate %	Expected credit losses \$'000	Gross receivables \$'000	Impairment allowance \$'000
Queensland Government agencies	739	0.00	-	1,708	-
Australian Government agencies	308	0.00	-	1,530	-
Queensland Local Government	5,261	0.00	-	5,536	-
Private entities - grantees	693	100	693	642	582
Private entities	29	0.00	-	-	-
Other	7	9.00	1	17	-
	<u>7,037</u>		<u>694</u>	<u>9,432</u>	<u>582</u>

Movement in loss allowance	Note	2019 \$'000	2018 \$'000
Balance at 1 July		582	1,261
Net effect of changes in accounting policy	16	60	-
Increase in allowance recognised in operating result		52	-
Balance transferred as a result of machinery of government changes		-	(679)
Balance at 30 June		<u>694</u>	<u>582</u>

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Notes to the financial statements for the year ended 30 June 2019

9. Property, plant and equipment

(a) Closing balances and reconciliation of carrying amount

	Infrastructure		Plant and equipment		Capital work in progress		Land	Buildings	Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2018 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Gross	94,186	93,253	57	108	12,161	9,987	-	-	106,404	103,348
Less: Accumulated depreciation	(47,398)	(43,702)	(42)	(87)	-	-	-	-	(47,440)	(43,789)
Carrying amount - 30 June	46,788	49,552	15	21	12,161	9,987	-	-	58,964	59,560
Represented by movements in carrying amount:										
Carrying amount at 1 July	49,552	44,457	21	377	9,987	59,315	153,119	373	59,560	257,641
Transfer as a result of machinery of government changes	-	-	-	-	-	-	(201,828)	(241)	-	(202,069)
Acquisitions	-	-	8	-	2,204	20,187	554	-	2,213	20,741
Disposals	-	-	(8)	(340)	-	-	(335)	-	(8)	(675)
Transfer out to local government entities	(5,248)	(4,514)	(31)	-	-	(394)	-	-	(5,279)	(4,514)
Transfer to inventory	-	-	-	-	-	(14,265)	-	-	-	(394)
Transfer to/from investment property	-	-	-	-	-	(54,856)	-	-	-	(14,265)
Transfers between asset classes	-	9,776	31	-	(31)	-	45,080	-	-	-
Net revaluation increment/(decrement)	4,389	1,806	-	-	-	-	3,411	(109)	4,389	5,108
Depreciation expense	(1,905)	(1,973)	(5)	(17)	-	-	-	(23)	(1,910)	(2,013)
Carrying amount - 30 June	46,788	49,552	15	21	12,161	9,987	-	-	58,964	59,560

9. Property, plant and equipment (continued)

(b) Fair value measurement

Infrastructure

The department holds water infrastructure assets such as reservoirs, treatment facilities and distribution systems over five managed sites located on the mainland of Far North Queensland. These assets are operated and maintained by a utility solutions company under contract with the department. The department continues discussions with Northern Peninsula Area Regional Council (NPARC) regarding the transfer of the water supply system and its operations to the council.

Key judgement: Specific appraisal was performed in 2018-19 by Gray Robinson & Cottrell (GRC) Quantity Surveyors. Due to the specialised nature of the water infrastructure assets and lack of observable market data, the most relevant basis of valuation was determined to be current replacement cost. GRC performed physical inspections during their site visit to assess the condition of the assets.

Key estimates: Fair value is determined by estimating the cost to replace the existing assets with a modern equivalent asset. GRC applied a combination of pricing methodologies, all of which are adjusted to reflect the anticipated construction market for similar asset components as at 30 June 2019. The base unit rate for each asset component was adjusted with relevant indices such as GRC gross adjustment index, locality index and building price index. This is to account for the additional costs to deliver the replacement assets such as trade preliminaries, statutory charges and professional fees, increase in transportation of labour and material to the site and reflect the current construction market trends.

Categorisation of assets measured at fair value

As the fair value of the water infrastructure assets are derived from unobservable inputs, the total fair value balance of \$46.788 million (2018: \$49.552 million) is categorised as level 3 in accordance with fair value hierarchy.

Transfers between levels

There were no transfers of assets between fair value hierarchy levels during the period.

Valuation processes

The department's valuation policies and procedures are overseen by the Audit and Risk Management Committee and approved by the Chief Finance Officer. They are reviewed annually taking into consideration an analysis of movement in fair value and other relevant information.

Accounting policy - Recognition

Items of property, plant and equipment with a historical cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Land	\$1
Infrastructure	\$10,000
Plant and equipment	\$5,000

Items with a lesser value are expensed in the year of acquisition.

The department has a comprehensive annual maintenance program for its infrastructure assets. Expenditure is only capitalised if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential is expensed.

Accounting policy - Cost of acquisition

Historical cost is used for the initial recording of all property, plant and equipment acquisitions. Historical cost is determined as the value given as consideration and costs incidental to the acquisition (such as architects' fees and engineering design fees), plus all other costs incurred in getting the assets ready for use.

Where assets are received free of charge from a Queensland Government entity (whether as a result of a machinery-of-government or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other entity immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at the date of acquisition.

9. Property, plant and equipment (continued)

Accounting policy - Measurement

Infrastructure assets are measured at fair value. With respect to this asset class, the cost of items acquired during the financial year has been judged by management to materially represent their fair value at the end of the reporting period.

Plant and equipment is measured at historical cost.

Work in progress is recognised at cost. All costs relating to items of property, plant and equipment constructed in house are recorded as work in progress until construction is complete using all direct and indirect costs, where the latter are reliably attributable. Work in progress performed under external contracts is recorded using the invoice amount supplied by the contractor.

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

Revaluation of property, plant and equipment measured at fair value

Infrastructure assets are revalued on an annual basis, either by appraisals undertaken by an independent professional valuer or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is overseen by the Chief Finance Officer who determines the specific revaluation practices and procedures in conjunction with the asset managers.

Specific appraisals using an independent professional valuer are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value (that is, where indicators suggest that the value of the asset class may have changed by 20% or more since the previous reporting period), that asset class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of previous such method of revaluation.

The fair values reported by the department are based on appropriate valuation techniques that maximise the use of available significant and relevant observable inputs and minimise the use of unobservable inputs.

Where assets have not been specifically appraised in the reporting period, their previous valuations are materially kept up-to-date via the application of relevant indices. The department ensures that the application of such indices would result in a valid estimation of the assets' fair values at reporting date. The independent professional valuer, who performed the specific appraisals of the assets, supplies the indices to ensure consistency of valuation methodology. The independent professional valuer provides assurance of their robustness, validity and appropriateness for application to the relevant assets. Indices used are tested for reasonableness by benchmarking the recommended indices to relevant publicly available indices and analysing the trend of changes in values over time. Through this process, which is undertaken annually, management assesses and confirms the relevance and suitability of indices provided by the independent professional valuer based on the department's circumstances.

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

On revaluation, for assets revalued using a cost valuation approach (e.g. current replacement cost), accumulated depreciation is adjusted to equal the difference between the gross amount and carrying amount, after taking into account accumulated impairment losses. This is generally referred to as the 'gross method'. This applies to the department's infrastructure assets.

Depreciation of property, plant and equipment

Infrastructure and plant and equipment have finite useful lives and are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset progressively over its estimated useful life to the department.

Assets under construction (work in progress) are not depreciated until construction is complete and the asset is put to use or is ready for its intended use, whichever is the earlier. These assets are then reclassified to the relevant class within property, plant and equipment.

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 and are depreciated accordingly. Assessments of remaining useful lives of depreciable assets are performed annually.

Key estimates: For each class of depreciable assets the following depreciation rates are used:

Class	2019 Rate %	2018 Rate %
Infrastructure	1.25 - 16.67	1.25 - 16.67
Plant and equipment	10.00 - 25.00	10.00 - 25.00

Impairment of non-current assets

Key judgement: Assets measured at cost are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed as a revaluation decrement.

10. Payables	2019 \$'000	2018 \$'000
Current		
Trade creditors	2,183	3,746
Grants payable	1,372	1,658
Deferred appropriation payable to Consolidated Fund	57,168	29,109
Other	33	42
Total current payables	<u><u>60,756</u></u>	<u><u>34,555</u></u>
Non-current		
Trade creditors	-	126
Total non-current payables	<u><u>-</u></u>	<u><u>126</u></u>

Accounting policy - Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the contracted amount (net of any discounts). Amounts owing are unsecured and are generally settled on 30-day terms unless otherwise specified by the creditor. Payables of a capital nature are settled within 12 months.

11. Asset revaluation surplus	Land \$'000	Infrastructure \$'000	Total \$'000
Balance - 1 July 2017	21,184	8,020	29,204
Revaluation increment	2,388	1,806	4,194
Transfer of asset revaluation surplus to accumulated surplus/(deficit)	(23,572)	-	(23,572)
Balance - 30 June 2018	-	9,825	9,825
Revaluation increment	-	4,389	4,389
Balance - 30 June 2019	<u><u>-</u></u>	<u><u>14,214</u></u>	<u><u>14,214</u></u>

Accounting policy - Asset revaluation surplus

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

12. Commitments	2019	2018
	\$'000	\$'000

Non-cancellable operating lease commitments

Commitments under operating leases at reporting date (inclusive of non-recoverable GST input tax credits) are payable as follows:

- Not later than one year	2,258	1,786
- Later than one year and not later than five years	9,250	7,159
- Later than five years	19,086	17,230
	30,594	26,175

Operating leases are entered into as a means of acquiring access to office accommodation and car park space. Lease payments are fixed but with an annual escalation clause. Where it is reasonably certain that the renewal options will be exercised, the lease commitment includes the extended option period. No operating leases contain restrictions on financing or other leasing activities. Operating leases are recognised on a straight line basis over the period of the lease term.

For 2018-19, \$1.560 million (2017-18: \$3.842 million) was recognised by the department as an expense in the statement of comprehensive income in respect of operating leases.

Capital expenditure commitments

Infrastructure capital commitments (inclusive of non-recoverable GST input tax credits) contracted for at reporting date but not recognised in the accounts are payable as follows:

- Not later than one year	2,013	5,062
- Later than one year and not later than five years	2,546	291
	4,559	5,353

Grants and subsidies expenditure commitments

As at 30 June 2019, approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies (inclusive of non-recoverable GST input tax credits) provided certain criteria are met:

- Not later than one year	202,814	211,366
- Later than one year and not later than five years	131,883	70,261
	334,697	281,627

The above commitments for grants and subsidies expenditure are allocated to the following categories:

- Charities and community groups	7,360	277
- Local governments	281,383	281,350
- Statutory bodies	45,954	-
	334,697	281,627

Other expenditure commitments

Other expenditure committed at the end of the period, but not recognised in the accounts, are as follows:

- Not later than one year	2,010	1,444
- Later than one year and not later than five years	-	20
	2,010	1,464

13. Contingencies

Financial guarantees and associated risk

Bank guarantees are mainly held for financial security against non-conformance of contracts across the department. The total value of bank guarantees held for these projects as at 30 June 2019 is \$0.085 million (2017-18: \$0.170 million).

Key judgement: No contract performance breaches have occurred and the department does not expect that the guarantees will be called upon. Consequently, the probability of default is considered remote and no provision for losses has been recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

There is no claim against the department through Queensland Government and Insurance Fund as at 30 June 2019.

Native title claims

At 30 June 2019, there had been no change to the information of the two native title determinations made by the Federal Court in respect of departmental land covering a total area of 124,698 sqm in the Northern Peninsula area. The land has a carrying amount of \$98,000. At reporting date it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

14. Financial risk disclosures

Financial instrument categories

Financial assets and financial liabilities are recognised when the department becomes party to the contractual provisions of the financial instrument. The department has the following categories of financial assets and financial liabilities:

	2019 \$'000	2018 \$'000
Financial assets		
Cash and cash equivalents	68,094	42,818
Financial assets at amortised cost:		
Receivables (note 8)	6,343	8,850
Total financial assets	<u>74,436</u>	<u>51,668</u>

The Under Treasurer has approved an overdraft limit of \$30 million for the department's controlled bank account. There is no overdraft interest charged on this facility. This facility was undrawn at 30 June and is available for use in the next reporting period.

Accounting policy - Cash and cash equivalents

For the purposes of the statement of financial position and the statement of cash flows, cash assets include all cash and cheques received but not banked at 30 June 2019.

Departmental bank accounts are grouped within the whole-of-government set-off arrangement with Queensland Treasury and do not earn interest on surplus funds. Interest earned on the aggregate set-off arrangement balance accrues to the Consolidated Fund.

Financial liabilities

Financial liabilities at amortised cost:

Payables (note 10)	60,756	34,681
Total financial liabilities	<u>60,756</u>	<u>34,681</u>

No financial assets and financial liabilities have been offset and presented net in the statement of financial position.

Financial risk management

(a) Risk exposure

Financial risk management is implemented pursuant to government and departmental policies. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the department.

All financial risk is managed under policies approved by the department which relate to financial arrangements as required by Queensland Treasury.

The department's activities expose it to a variety of financial risks as set out in the following table:

Risk exposure	Definition	Exposure
Credit risk	The risk that the department may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The department is exposed to credit risk in respect of its receivables (note 8).
Liquidity risk	The risk that the department may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The department is exposed to liquidity risk in respect to its payables (note 10).
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	The department does not trade in foreign currency and is not materially exposed to interest rate changes, commodity price changes or other market prices.

14. Financial risk disclosures (continued)

(b) Risk measurement and management strategies

The department measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method	Risk management strategies
Credit risk	Ageing analysis	Credit risk is managed through the use of a credit management policy articulated in the department's Financial Management Practice Manual. This policy aims to reduce the exposure to credit default by ensuring that credits are granted to customers with good credit history that have the capacity to repay the department within the agreed timeframe. The department monitors all funds owed on a monthly basis.
Liquidity risk	Sensitivity analysis	The department manages liquidity risk through the use of the Under Treasurer approved overdraft limit for the department's controlled bank account. This overdraft limit reduces the exposure to liquidity risk by ensuring the department has sufficient funds available to meet employee and supplier obligations as they fall due.
Market risk	Interest rate sensitivity analysis	The department does not undertake any hedging in relation to interest risk and manages its risk as per the department's risk management policy.

Credit risk management practices

The department considers financial assets that are over 30 days past the due date to have a significantly increased credit risk, and measures the loss allowance of such assets at lifetime expected credit losses instead of 12-month expected credit losses. The exception is trade receivables (note 8), for which the loss allowance is always measured at lifetime expected credit losses.

All financial assets with Queensland Government agencies, Australian Government agencies and Queensland Local Governments are considered to have low credit risk as the department has no prior experience of default from these counterparties. The department assumes that credit risk has not increased significantly for these low credit risk assets.

The department typically considers a financial asset to be in default when it becomes 90 days past due. However, a financial asset can be in default before that point if information indicates that the department is unlikely to receive the outstanding amounts in full. The department's assessment of default does not take into account any collateral or other credit enhancements.

The department's write off policy is disclosed in note 8.

Credit risk exposure

Credit risk exposure relating to receivables is disclosed in note 8.

Liquidity risk - contractual maturity of financial liabilities

The following tables set out the liquidity risk of financial liabilities held by the department. They represent the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities at reporting date.

Financial liabilities	2019 payable in			Total
	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	
Payables	60,756	-	-	60,756
Total	60,756	-	-	60,756

Financial liabilities	2018 payable in			Total
	< 1 year \$'000	1 - 5 years \$'000	> 5 years \$'000	
Payables	34,555	126	-	34,681
Total	34,555	126	-	34,681

DEPARTMENT OF LOCAL GOVERNMENT, RACING AND MULTICULTURAL AFFAIRS
Notes to the financial statements for the year ended 30 June 2019

15. Administered activities

Schedule of administered items	Note	Local Government - Actual ⁽¹⁾		Racing - Actual		Funding Programs and Community Initiatives - Actual ⁽²⁾		Better Planning for Queensland - Actual ⁽²⁾		Infrastructure Policy and Planning - Actual ⁽²⁾		Actual		Budget	Budget Variance
		2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2019
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administered income															
Appropriation revenue ⁽³⁾	(a)	493,026	490,652	50,630	-	-	244,571	-	-	-	15,500	543,656	750,723	242,144	301,512
Grants and other contributions ⁽⁴⁾	(b)	496,889	473,087	-	-	-	-	-	-	-	-	496,889	473,087	246,380	250,509
User charges and fees	(c)	382	370	-	-	-	-	1,434	-	-	-	382	1,804	444	(62)
Other revenue		-	-	-	-	-	6,480	-	-	-	-	-	6,480	-	-
Total administered income		990,297	964,109	50,630	-	-	251,051	1,434	-	15,500	1,040,927	1,232,094	488,968	551,959	-
Administered expenses															
Grants and subsidies ⁽³⁾	(d)	497,854	490,565	50,630	-	-	244,571	-	-	15,500	548,484	750,636	247,124	301,360	
Transfers of administered revenue to government ⁽⁴⁾		492,291	473,470	-	-	-	6,480	-	1,434	-	492,291	481,384	241,844	250,447	
Other expenses	(a)	152	74	-	-	-	-	-	-	-	152	74	-	152	
Total administered expenses		990,297	964,109	50,630	-	-	251,051	1,434	-	15,500	1,040,927	1,232,094	488,968	551,959	-
Operating surplus/(deficit)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administered assets															
Current															
Cash		303	80	3,667	-	-	-	-	-	-	3,970	80	-	3,970	
Receivables		-	-	-	-	-	-	-	-	-	-	-	-	-	
Total current assets		303	80	3,667	-	-	-	-	-	-	3,970	80	-	3,970	
Non-current															
Land	(e)	98	98	-	-	-	-	-	-	-	-	-	98	98	
Total non-current assets		98	98	-	-	-	-	-	-	-	-	-	98	98	
Total assets		401	178	3,667	-	-	-	-	-	-	4,068	178	98	3,970	
Administered liabilities															
Current															
Payables	(a)	152	6	3,667	-	-	-	-	-	-	3,818	6	-	3,818	
Payables to government		152	74	-	-	-	-	-	-	-	152	74	-	152	
Total current liabilities		303	80	3,667	-	-	-	-	-	-	3,970	80	-	3,970	
Net administered assets		98	98	-	-	-	-	-	-	-	98	98	-	98	

⁽¹⁾ Relevant Local Government Funding Programs and Community Initiatives have been incorporated into Local Government in 2018-19. Corresponding 2017-18 comparative balances have been restated to be consistent with the current reporting period.

⁽²⁾ Function has transferred to Department of State Development, Manufacturing, Infrastructure and Planning effective 1 January 2018 as a result of machinery of government changes.

Explanations of major variances - administered activities:
⁽³⁾ The actual figure is higher than the budgeted amount mainly due to the early payment of the Financial Assistance Grants of \$250,578 million by the Australian Government in June 2019 that applies to 2019-20 and additional funding from the Queensland Government for Racing Queensland initiatives.
⁽⁴⁾ The actual figure is higher than the budgeted amount mainly due to the early payment of the Financial Assistance Grants of \$250,578 million by the Australian Government in June 2019 that applies to 2019-20.

15. Administered activities (continued)

	2019 \$'000	2018 \$'000
(a) Reconciliation of payments from Consolidated Fund to administered income		
Budgeted appropriation	242,144	847,409
Transfers to other departments	-	(337,446)
Treasurer's transfers	44,280	52,774
Unforeseen expenditure	257,158	187,947
Total administered receipts	543,582	750,684
Plus: opening balance of appropriation revenue payable to Consolidated Fund	74	40
Less: closing balance of deferred appropriation payable	(152)	(74)
Net appropriation revenue	543,504	750,650
Plus: deferred appropriation payable (expense)	152	74
Administered revenue recognised	543,656	750,723
Reconciliation of payments from Consolidated Fund to equity adjustment recognised in contributed equity		
Budgeted equity adjustment appropriation	-	129,000
Transfers to other departments	-	(83,664)
Equity adjustment recognised in contributed equity	-	45,336
(b) Grants and other contributions		
Commonwealth	496,889	473,087
Total grants and other contributions	496,889	473,087
(c) User charges and fees		
Administered fees and levies were received for the following:		
State Assessment and Referral Agency	-	1,434
Levy - Queensland Government entities ⁽¹⁾	382	370
Total user charges and fees	382	1,804
⁽¹⁾ Kuranda Skyrail levy is collected by Queensland Rail and forwarded to the department.		
(d) Grants and subsidies		
Administered grants and subsidies were made to the following entities:		
Local governments	497,854	490,565
Racing Queensland	50,630	-
Queensland Reconstruction Authority ⁽²⁾	-	244,571
Cross River Rail Delivery Authority ⁽²⁾	-	10,000
Building Queensland ⁽²⁾	-	5,500
Total grants and subsidies	548,484	750,636
⁽²⁾ Following the machinery of government changes effective 1 January 2018, the responsibility of forwarding the administered appropriation revenue to Queensland Reconstruction Authority and Building Queensland has been reallocated to DSDMIP. Administered appropriation revenue to the Cross River Rail Delivery Authority has been reallocated to Queensland Treasury.		
(e) Land at fair value		
Land - Northern Peninsula Area Regional Council	98	98
Total land at fair value	98	98

The department as trustee for the State of Queensland holds seven parcels of deed of grant in trust land located in the remote Northern Peninsula Area Regional Council (NPARC). The department continues discussions with NPARC regarding the transfer of these land to the council.

Fair value for land is determined by establishing its market value by reference to observable prices in an active market or recent market transactions using direct comparison to the sales history of similar properties based on location, area, access and topography.

Key judgement: State Valuation Services (SVS) performed specific appraisal on the land assets in 2017-18. Due to the use of market observable prices from similar assets, land has been valued using a market approach and has been categorised as level 2 in accordance with fair value measurement hierarchy.

In 2018-19, there has been no movement in the fair value of the land assets using the market-based indices as provided by SVS. The use of market-based indices are observable inputs that are developed using market data and publicly available information on market transactions.

Accounting policy - Administered activities

The department administers, but does not control, certain resources on behalf of the government. In doing so, it has responsibility for administering those activities and related transactions and balances efficiently and effectively, but does not have the discretion to deploy those resources for the achievement of the department's own objectives.

Major administered revenues include appropriations and grants received from the Australian and the Queensland Government that are forwarded onto local governments and other Queensland government bodies.

The Under Treasurer has approved an overdraft limit of \$350 million for the department's administered bank account. There is no overdraft interest charged on this facility. This facility was undrawn at 30 June and is available for use in the next reporting period.

Accounting policies applicable to administered items are consistent with the equivalent policies for controlled items, unless stated otherwise.

16. Changes in accounting policies – AASB 9 Financial Instruments

The department applied AASB 9 Financial Instruments for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continues to be reported under AASB 139 Financial Instruments: Recognition and Measurement. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

Classification and measurement

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest'
- the department's business model for managing the assets.

The department's debt instruments comprise of receivables disclosed in note 8. They were classified as Loans and Receivables as at 30 June 2018 under AASB 139 and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely payments of principal and interest. As such, they continue to be measured at amortised cost beginning 1 July 2018.

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing the AASB 139 incurred loss approach. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

On adoption of the AASB 9 new impairment model, the department recognised additional impairment losses of \$60,000 on its trade and other receivables. This resulted in a decrease in the opening accumulated surplus of \$60,000. Below is a reconciliation of the ending impairment allowance under AASB 139 to the opening loss allowance under AASB 9.

AASB 139 measurement category	AASB 9 measurement category	Impairment allowance 30 June 2018 \$'000	Re- measurement \$'000	Loss allowance 1 July 2018 \$'000
Loans and receivables				
Trade and other receivables	Amortised cost	582	60	642

17. Future impact of accounting standards not yet effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

(a) AASB 16 Leases

This standard will first apply to the department's 2019-20 financial statements and will replace the current lease accounting standards.

The department has completed its review of the impact of adoption of AASB 16 and has identified the following major impacts which are outlined below.

During the 2018-19 financial year, the department held operating leases under AASB 117 from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Lease payments under these arrangements totalled \$2.185 million. The department has been advised by Queensland Treasury and DHPW that, effective 1 July 2019, amendments to the framework agreements that govern QGAO will result in the above arrangements being exempt from lease accounting under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation used within these arrangements. From 2019-20 onwards, costs for these services will continue to be expensed as supplies and services expense when incurred.

The department has also been advised by Queensland Treasury and DHPW that, effective 1 July 2019, motor vehicles provided under DHPW's QFleet program will be exempt from lease accounting under AASB 16. This is due to DHPW holding substantive substitution rights for vehicles provided under the scheme. From 2019-20 onward, costs for these services will continue to be expensed as supplies and services expense when incurred. Existing QFleet leases were not previously included as part of non-cancellable operating lease commitments.

(b) AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers

These standards will first apply to the department's 2019-20 financial statements. The new requirements may result in a change to the timing of revenue recognition of the department. As such, some revenue may need to be deferred to a later reporting period to the extent that the department has received cash but has not satisfied its performance obligations.

The department has reviewed the impact of AASB 1058 and AASB 15 and the impact is expected to be minimal. The department's main source of revenue are appropriations. The timing of recognition of these is based on when control of the funds passes to the department, which is usually on receipt of the funds. For revenue obtained from other sources, such as capital grants and contributions, the department will assess the impact as it occurs based on the funding agreement.

The department administers grants from the government for which there are no sufficiently specific performance obligations. The total of these grants in the 2018-19 year was \$496.889 million (refer note 15) and the administered grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act, we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the department for the financial year ended 30 June 2019 and of the financial position of the department as at the end of that year.

We acknowledge responsibility under s.8 and s.15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



John Clifton CPA
Chief Finance Officer

Date: 16/8/19.



Warwick Agnew
Director-General

Date: 16-8-'19