



2019–2020

**ANNUAL REPORT**

This annual report provides information about MIWB's financial and non-financial performance during 2019–20.

The report describes MIWB's performance in meeting the bulk water needs of existing customers and ensuring the future bulk water needs of North West Queensland are identified and met.

The report has been prepared in accordance with the *Financial Accountability Act 2009*, which requires that all statutory bodies prepare annual reports and table them in the Legislative Assembly each financial year; the Financial and Performance Management Standard 2019, which provides specific requirements for information to be disclosed in annual reports; other legislative requirements and the Queensland Government's Annual Report requirements for Queensland Government agencies for 2019–20.

This report has been prepared for the Minister for Natural Resources, Mines and Energy to submit to Parliament. It has also been prepared to inform stakeholders including Commonwealth, state and local governments, industry and business associations and the community.



MIWB is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact MIWB on (07) 4740 1000 and an interpreter will be arranged to effectively communicate the report to you.

Mount Isa Water Board proudly acknowledges Australia's Aboriginal and Torres Strait Islander community and their rich culture and pays respect to their Elders past, present and emerging. We acknowledge Aboriginal and Torres Strait Islander peoples as Australia's first peoples and as the Traditional Owners and custodians of the land and water on which we rely.

### Contact us for further information:

Telephone: (07) 4740 1000

Email: [info@mountisawater.qld.gov.au](mailto:info@mountisawater.qld.gov.au)

Address: 31 Carbonate Street, Mount Isa, Queensland, 4825

Postal: PO Box 1712, Mount Isa, Queensland, 4825

Website: [www.mountisawater.qld.gov.au](http://www.mountisawater.qld.gov.au)

Cover image: Lake Julius Dam, photograph courtesy of Alan Mathieson

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4 September 2020

The Honourable Anthony Lynham MP  
Minister for Natural Resources, Mines and Energy  
PO Box 15216  
City East QLD 4002

Dear Minister,

I am pleased to present the Annual Report 2019–20 and financial statements for Mount Isa Water Board.

I certify that this annual report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the Annual report requirements for Queensland Government agencies.

A checklist outlining the annual reporting requirements can be found on pages 85 and 86 of this annual report or accessed at [www.mountisawater.qld.gov.au](http://www.mountisawater.qld.gov.au).

Yours sincerely

**Steve de Kruijff**  
Chair  
Mount Isa Water Board

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# About Mount Isa Water Board

Mount Isa Water Board supplies bulk water to industrial customers in our region and drinking water to the Mount Isa City Council.

Mount Isa is located on the Leichhardt River, about 340 kilometres south of the Gulf of Carpentaria with the Coral Sea coast about 750 kilometres to the east.

The Leichhardt River catchment covers around 33,000 square kilometres. The river rises in the Selwyn Ranges, 40 kilometres south-east of Mount Isa, flowing in a northerly direction through the city and Lake Moondarra, before passing through to the Lake Julius Dam.

Leichhardt River Dam, which forms Lake Moondarra, is the primary source of local water. This supply is augmented by Lake Julius Dam to assure the region's total water demand. We distribute and treat bulk water from Lake Moondarra, which has a capacity of 106,800 megalitres, and from Lake Julius, which has a capacity of 107,500 megalitres.

Lake Julius is a higher quality water source but customers prefer to use supply from Lake Moondarra because of the additional operating costs to pump water from Lake Julius. We continue to engineer system improvements to reduce these costs and make supply from Lake Julius more accessible for customers.

The combined capacity of Lake Moondarra and Lake Julius can provide several years' supply based on typical consumption. In an average year, Lake Moondarra can supply all water demand.

We construct, operate and maintain the bulk water transport and treatment infrastructure that transports bulk water from storages at Lake Moondarra and Lake Julius to three major customers:

- Mount Isa City Council which reticulates potable water to approximately 20,000 people
- Mount Isa Mines Ltd, a Glencore company, which uses non-potable water in extraction, concentration and smelting processes, and
- Incitec Pivot Ltd, which uses non-potable water for manufacturing acid.

MIWB is also responsible for water treatment to comply with our legislative and commercial requirements for water quality. We also conduct ongoing investigations and planning for future infrastructure requirements for our operations.

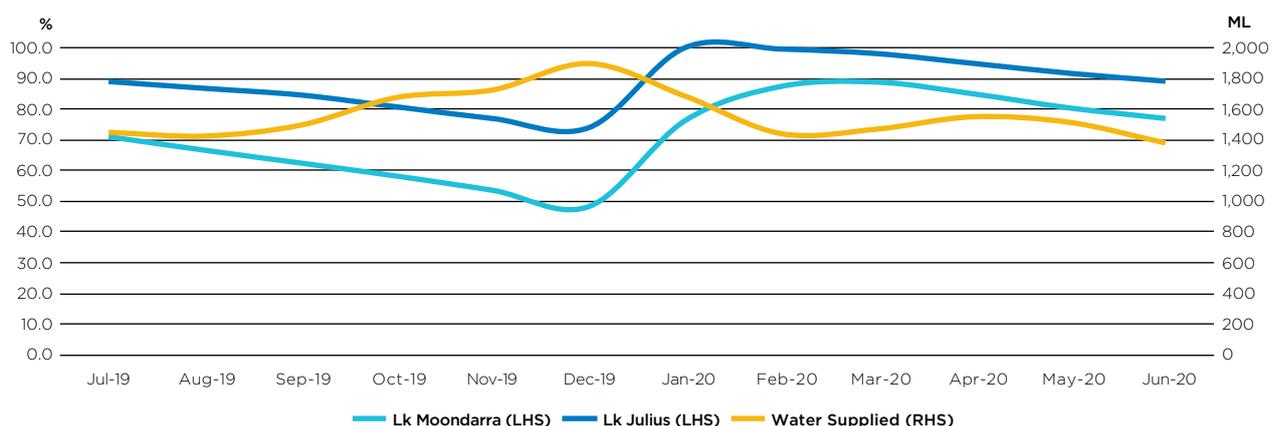
MIWB is also the trustee of Mount Isa's largest water catchment and recreation reserve (R48 Reserve) around Lake Moondarra, which provides a sanctuary for wildlife and popular leisure areas. We maintain recreational facilities including picnic and play areas and water sports facilities which are enjoyed by thousands of people each year, including residents and visitors to the region.

## Regional rainfall

**Mount Isa district's rainfall can vary from less than 250 mm one year to more than 500 mm the following year.**

During 2019-20, Mount Isa received 312.6 mm rainfall which was approximately 33 per cent below the historic average. With the heavy rains in the region in January, Lake Julius reached full capacity. However, Lake Moondarra peaked at 93.3 per cent on 6 March. The lake finished the year above the June average level. Water allocations for both schemes were announced at 100 per cent at the start of the 2019-20 water year, the official water volume accounting period.

## Lake capacity and water supplied



# Role and functions

MIWB is responsible to the Minister for Natural Resources, Mines and Energy, and our practices are subject to regulating principles of the Water Act including autonomy, accountability and competitive neutrality.

MIWB is a Category 1 Water Authority under the *Water Act 2000* which operates as a commercialised statutory authority. Our core business activities include:

- undertaking activities necessary as a registered Water Service Provider under the *Water Supply (Safety and Reliability) Act 2008*
- managing the infrastructure required to transport bulk water from storages at Lake Moondarra and Lake Julius to customers, and applying appropriate water treatment processes to comply with MIWB's legislative and commercial requirements
- conducting ongoing investigations and planning for future infrastructure requirements relevant to MIWB operations, and
- constructing, operating and maintaining the bulk water transport and treatment infrastructure, core to MIWB operations.

Each year, we submit a Performance Plan to the Minister for approval, which details how MIWB will meet its responsibilities to its owner, the Queensland Government. These responsibilities are to:

- conserve, store and supply bulk water to local and industrial customers
- take appropriate measures to protect the quantity and quality of present and future water supplies
- investigate and plan for future infrastructure requirements
- construct, operate and maintain water infrastructure necessary to meet customer demands
- administer and manage property under MIWB's control, and
- act as trustee for R48 Recreational Reserve, a major catchment area around Lake Moondarra and one of the region's primary water sources.

# Strategy and objectives

## Vision

Mount Isa Water Board's Vision is to be a respected leader in regional water distribution and treatment.

## Mission

Our Mission is to provide efficient and reliable distribution and treatment of bulk water to meet our customers' needs, in line with government policy, by performing as a profitable, proactive, highly competent and engaged organisation.

## Values



### Customers first

- Know your customers
- Deliver what matters
- Make decisions with empathy



### Ideas into action

- Challenge the norm and suggest solutions
- Encourage and embrace new ideas
- Work across boundaries



### Unleash potential

- Expect greatness
- Lead and set clear expectations
- Seek, provide and act on feedback



### Be courageous

- Own your actions, successes and mistakes
- Take calculated risks
- Act with transparency



### Empower people

- Lead, empower and trust
- Play to everyone's strengths
- Develop yourself and those around you

## Government objectives for the community

The Queensland Government has set objectives for the community including creating jobs in a strong economy, giving all children a great start, keeping Queenslanders healthy, keeping communities safe, protecting the Great Barrier Reef and being a responsive Government.

A reliable water supply underpins the economy of the Mount Isa region and MIWB continues to invest locally to ensure existing industrial businesses are sustained and emerging businesses have access to this essential, enabling water.

We have maintained a keen focus on supplying safe and reliable drinking water, which is essential to the health of our community.

As Trustee for the R48 Reserve, we have responded to the community regarding the value and need for continuing and improved recreational facilities at Lake Moondarra.

## MIWB strategy

In implementing MIWB's statutory objectives and the government's objectives for the community, and in order to advance the achievement of the vision, the Board has set out a strategy to:

### Assure

Ensure our governance and business management practices are of the highest standard.

### Optimise

Improve the long run service output of the asset base and secure service quality and reliability at the lowest sustainable cost.

### Engage

Participate in respectful dialogue with our stakeholders, including our local community to develop strategic, mutually beneficial relationships.

### Innovate

Seek out opportunities to add value for new and existing customers, creating value for our 'shareholder'.

# Chair's review

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## I am pleased to present Mount Isa Water Board's (MIWB) 2019–20 Annual Report.

Wet season rainfalls are incredibly important for Mount Isa's water supply and we were fortunate in January to experience heavy rain in the region. Lake Julius reached full capacity and Lake Moondarra peaked at 93.3 per cent in early March with the lake finishing the year above the June average. Water allocations for both schemes were announced at 100 per cent at the start of the 2019–20 water year. Overall, our dams are at their highest levels in eight years. This peak in supply supports the prosperity of the region and the community can be confident of its water supply over the next several years.

In 2019–20, nearly 21,000 water quality tests were conducted across the region's water distribution and treatment system, from 3,904 individual water samples. MIWB achieved 100 per cent compliance with the Australian Drinking Water Guidelines parameters for health and aesthetic quality. We remain committed to taking the appropriate measures to protect the quantity and quality of current and future water supplies. The chlorine dosing strategy continued to deliver acceptable water quality within the constraints of the source water and the current infrastructure.

2019–20 saw MIWB continue to invest locally, helping to sustain existing industrial businesses and the broader community. The majority of MIWB's outgoings are with local suppliers and we continue to support community groups in their activities on the R48 Reserve, including being the major sponsor of the Lake Moondarra Fishing Classic.

The Board is pleased to report a very good financial outcome that ensures the long-term sustainability of the operations as well as providing a significant contribution back to the Mount Isa City Council via the State Government's dividend sharing policy.

Earnings before Interest and Tax (EBIT) from ordinary activities for 2019–20 was \$7.2 million. Total operating costs were \$0.71 million under budget. Savings achieved by tendering the supply of chlorine gas contributed to this, however some planned maintenance and the operations and maintenance transition activities that remained outstanding at 30 June also contributed to the underspend.

MIWB will remain focused on being a respected leader in regional water distribution and treatment. We are pleased with the cost-effective service we continue to provide. At \$1.54 per 1,000 litres, our bulk water supply is very cost effective compared to the bulk water price paid in other metropolitan centres across Queensland. MIWB achieved this while continuing to make very significant capital investments in the system.

In 2019-20, multiple infrastructure projects were delivered effectively and efficiently. The Board is also pleased with the continued progress of the Project Management Framework in the business. We delivered 80 per cent of the planned capital budget, more than \$6.4 million in infrastructure improvements, despite COVID-19 restrictions.

MIWB's management team and Board remain focused on strengthening the culture within the business. We continue to operate on a largely outsourced model with in-house staff managing and coordinating contract firms and resources for the delivery of customer outcomes.

During 2019-20, we successfully completed the transition of operations and maintenance to a local provider, the Mobilise Group Pty Ltd, after tendering our outsourced arrangements. This has been a great achievement, resulting in the level of transparency and the governance arrangements required by and consistent with our vision and values.

Safety is a key success measure for the organisation and throughout 2019-20 we demonstrated our commitment to facilitating zero harm. During 2019-20, MIWB recorded no lost time injuries or reportable near misses to employees and contractors. We are using the transition of the operations and maintenance contract as an opportunity to achieve a step change in the rigour of safety management practices in frontline activities.

MIWB is driving a safety culture and is committed to providing a safe work environment for employees and contractors through all the activities of the business.

In 2019-20 we invested in a broad range of training activities for employees which included opportunities for engagement with the wider water sector through participation in Australian Water Association events, industry webinars and Water Services Association of Australia forums.

I would like to thank my fellow Directors and acknowledge the contribution made by our staff with the leadership by our Chief Executive Officer, Stephen Farrelly. I also express appreciation for the contributions made by the outgoing operations and maintenance contractor and their staff over the 44 years of the operation.

MIWB continues its track record of excellent performance, delivering fit for purpose, economical bulk water to support the people and businesses of the Mount Isa region.



**Steve de Kruijff**  
Chair  
Mount Isa Water Board

# Year in review

In 2019-20, MIWB delivered on the key responsibilities to the Queensland Government, set out in our Performance Plan.

## Conserve, store and supply bulk water to local and industrial customers

Highest dam levels in eight years with

**87.9b**

litres of inflow captured in source water dams

Below average rainfall for

**11**

of the 12 months

Extracted

**20b**

litres of water

**1.1%**

water losses

## Take appropriate measures to protect the quantity and quality of present and future water supplies

**100%**

bacteriological compliance with Public Health Regulation 2018

**99.6%**

compliance with all Queensland Health parameters

Collected

**3,904**

water samples for testing

Tested

**20,756**

water quality assays

## Investigate and plan for future infrastructure requirements

Facilitated

**2**

new industrial customer connections

Provided information and assistance to

**3**

project proponents investigating water supply options

Ran more than

**300**

hydraulic modelling scenarios

Progressed investigations on

**11**

future improvement concepts

Executed engineering assessments of

**5**

improvement projects

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Construct, operate and maintain water infrastructure necessary to meet customer demands

Each day delivered an average of

**50.4m**

litres of water

**100%**

compliance with contracted pressure and flow

**98.6%**

critical asset availability

Invested

**\$6.4m**

in water supply infrastructure

**0**

lost time injuries

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Administer and manage property under MIWB's control

Operated and maintained

**\$149m**

worth of water supply assets

Completed major maintenance activities on

**3 buildings**

under MIWB control

Conducted a re-audit of asbestos on

**9 sites**

under MIWB's control

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Act as trustee for R48 Recreational Reserve, a major catchment area around Lake Moondarra and one of the region's primary water sources

Executed only

**22**

R48 Activities Permits due to reduced activity during COVID-19

Executed

**8**

term Trustee Permits with local organisations including sporting and recreation clubs

Spent

**125**

hours clearing illegal rubbish dumps

Progressed planning of

**3**

future improvement projects

Completed

**115**

small safety improvements

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# Year in review (continued)

## Strong financial outcomes

**Table 1: Financial performance overview 2019–20**

	2019–20	2018–19	2017–18
<b>Financial performance</b>			
Operating revenue	\$26.44m	\$25.1m	\$22.27m
Operating expenses	\$19.33m	\$19.22m	\$20.14m <sup>(1)</sup>
Operating profit	\$7.12m	\$5.89m	\$2.14m
Profit from ordinary activities (after tax)	\$5.15m	\$6.16m <sup>(2)</sup>	\$1.52m
<b>Financial position</b>			
Total assets	\$172.91m	\$171.25m	\$163.35m
Total liabilities	\$33.13m	\$34.12m	\$30.33m
Net assets	\$139.78m	\$137.13m	\$133.02m
<b>Cash flow</b>			
Net cash provided by operating activities	\$10.97m	\$9.92m	\$8.93m
Cash at end of financial year	\$20.76m	\$21.37m	\$23.08m
<b>Ratios</b>			
Current ratio	1.99	1.96	3.37
Liabilities/assets ratio	19.16%	19.92%	18.56%
Liabilities/equity ratio	23.70%	24.88%	22.80%

(1) 2017–18 operating expenses include one-off items for asset write-downs totaling \$1,618,225.

(2) The tax rate change from 30% to 27.5% has given rise to a one-off credit against the tax expense for 2018–19.

**Table 2: Non-financial performance 2019–20**

<b>Performance</b>	<b>Measures</b>	<b>Target 30 June 2020</b>	<b>Actual Outcomes 30 June 2020</b>
<b>Operational results</b>			
<b>Reliability of supply</b>	Compliance with contracted pressure at customer connection points	100%	100.0%
	Number of unplanned interruptions	10	13 <sup>(1)</sup>
	Water main/pipe leakages	3	2
	Availability of critical assets	≥95%	98.6%
<b>Water Quality</b>	<b>Drinking water quality at point of supply to MICC</b>		
	Non-complying drinking water tests for E.coli	0	0
	Non-complying drinking water tests for other health parameters	0.0%	0.4%
	Non-complying tests for aesthetic parameters in drinking water	0.0%	0.0%
	Maximum customer supply system downtime	<24 hours	15.6 hours
	<b>Industrial supply semi-treated water quality at McNally Pump Station point of supply</b>		
	Non-complying tests for E.coli	0	0
	Non-complying tests for other ADWG Table 10.6 health parameters	0.0%	0.0%
	Maximum customer supply system downtime	<6 hours	3.5 hours
	<b>Operational efficiency</b>	Target of metering accuracy	97.5%
Target of water losses from distribution system (excluding recycled water)		≤500 ML	210 ML
System water loss		≤3%	1.1%
<b>Commercial results</b>			
<b>Business operations</b>	Administrative costs per ML supplied to MICC	\$84/ML of \$1,538/ML	\$81/ML of \$1,539/ML
	Revenue per megalitre (ML) supplied		
	Capital projects completed	90%	80% <sup>(2)</sup>
<b>Corporate responsibility</b>	Incidences of lost time injuries	0 incidents	0 incidents
	Compliance with departmental (DNRME) reporting deadlines	100%	100%
	Breach notices received pertaining to non-compliance with legislation and standards	0	0

(1) Thirteen interruptions to pumping occurred, none of which resulted in loss of supply to consumers due to customer storage tanks. The majority of the interruptions were the result of power outages.

(2) Significant delays were caused by the construction contractor, John Beever Australia Pty Ltd, in progressing the new clean water tanks which had flow on affects to the resourcing of other projects.

# Operations update

MIWB carries out extensive engineering, operations and maintenance work each year to support the region's bulk water supply infrastructure and plan for future requirements. We also manage a substantial water quality and compliance program to ensure fit-for-purpose water is supplied to customers.

## Engineering

MIWB experienced a productive year of engineering and operations for the 2019-20 period with multiple operational and infrastructure projects being delivered. We delivered 80 per cent of the planned capital budget, completing more than \$6.4 million in infrastructure improvements.

MIWB continued to operate the membrane filtration plant at Mount Isa Terminal Reservoir (MITR) complex to ensure supply to MICC met the required Australian Drinking Water Guidelines (ADWG) standards and accepted practice with respect to blue-green algae levels. The chlorine dosing strategy continued to be finely managed to deliver acceptable water quality performance within the constraints of the source water quality and the capability of the current infrastructure. The in-house operators have continued to ensure MIWB's ability to operate the system and deliver water to the quality and quantity intended.

Notable engineering achievements for the period include:

- completion and commissioning of the Lake Moondarra Booster Pump Station upgrade, providing improved safe operation of high voltage equipment
- construction of new clean water storage tanks to replace aged and deteriorated open tanks
- upgrade of the system telemetry to a fully encrypted private radio network and commissioned a new base station
- cyber security enhancements for supervisory control and data acquisition (SCADA) system
- installation of backflow prevention devices on identified customer connection points to assure water quality
- installation of safe and modern chlorine dosing station to service the George Fisher Mine, and
- construction of the 1 kilometre Stage 4 Lake Moondarra to MITR pipeline upgrade.

## Operations and maintenance

MIWB has a contracted arrangement for the performance of key operations and maintenance activities. Operations and maintenance achievements of the contractor during 2019-20 included:

- operating and maintaining all chlorine dosing systems including daily checks and regular servicing of all equipment
- performing daily checks on all pumps in operation
- repairing pipes, valves, non-return valves and actuators as required
- servicing all air compressor equipment
- repairs and grading of Lake Julius Road to allow safe access to critical infrastructure, following heavy rains
- switchyard maintenance, and repair of substation and switchyard components
- transformer and switchboard maintenance
- power line repairs
- repairing filtration equipment as required
- troubleshooting and repairs to the failing 3.3kV switchboard at Fred Haigh Pump Station, Lake Julius
- providing effective response to emergency outages to restore filtration plant operation.

After 44 years of operation, the original operations and maintenance contract has become outdated. During the period, MIWB successfully re-tendered the operations and maintenance services and has entered into a new contract with a local provider achieving improved governance and reducing costs.

## Water quality and compliance

MIWB continues to provide customers with fit-for-purpose water in accordance with customer supply contracts. The Australian Drinking Water Guidelines (ADWG) provide direction on what constitutes safe, good quality water and how it can be achieved, as well as aesthetic parameters. The requirements of the ADWG are captured in MIWB's Drinking Water Quality Management Plan which was audited for compliance on behalf of the regulator during the period.

MIWB is committed to continuous improvement of the water treatment process and has continued to investigate various system improvements during the period.

MIWB uses a micro-filtration plant as the primary water treatment barrier in combination with chlorine disinfection. MIWB continues to use Clear Water Lagoon primarily as a natural sedimentation system to reduce the concentration levels of inorganic minerals. However this comes at the cost of increased natural organic compounds.

The raw water storages at Lake Moondarra and Lake Julius are also monitored against the Australian and New Zealand Environment and Conservation Council (ANZECC) freshwater ecosystem guidelines. Within this raw water monitoring program, 26.3 per cent of tests were outside the relevant guideline parameter limit. Despite the poor quality of the source water, MIWB treatment processes continue to be effective.

In times of high turbidity, flocculent dosing (a process designed to clarify water and reduce turbidity) and/or a Powdered Activated Carbon system can also be included to improve water quality in some instances. However, the Powdered Activated Carbon system was not used during 2019–20.

ADWG include two different types of guideline criteria:

- health-related: the concentration or measure of a water quality characteristic that, based on present knowledge, does not result in any significant risk to the health of the consumer over a lifetime of consumption
- aesthetic: the concentration or measure of a water quality characteristic that is associated with 'acceptability' to the consumer, e.g. appearance, taste and odour.

During 2019–20, water supplied to major industrial customers from the McNally Pump Station was 100 per cent compliant with ADWG health parameter limits, however it should be noted that these guidelines do not contain specific test limits relating to blue-green algae levels.

This water is supplied as semi-treated industrial water and is not filtered and continues to have high blue-green algae cell counts making it unfit to drink without further treatment.

Despite its poor condition, Clear Water Lagoon has continued to be effective for the removal of inorganic minerals and suspended solids from the water, resulting in semi-treated water being available for supply to major industrial customers.

Water supplied to MICC is further treated by MIWB to ensure it is safe to drink. Microfiltration continues to be an effective barrier against blue-green algae for the drinking water supply.

The water quality outcome for MIWB potable product water for the year was again significantly better than historic outcomes and we continue to seek further improvement opportunities. This continuous improvement is focused on reducing the baseline levels of disinfection by-products year-on-year as well as reducing chlorine consumption and associated costs.

In 2019–20 there were nearly 21,000 water quality tests conducted across the water distribution and treatment system from 3,904 individual water samples. At the points of discharge to customers, the percentage of tests compliant with water quality parameter guideline thresholds were:

- 100 per cent for McNally Pump Station industrial supply health parameter tests
- 100 per cent for ADWG drinking water health parameter tests and 99.6 per cent for Queensland Health guideline values (a single occasion of a disinfection by-product above the long term exposure limit)
- 100 per cent for ADWG aesthetic parameter tests (excluding chlorine) for drinking water supplies.

On a single occasion due to a change in source water conditions, MIWB's monitoring program detected concentrations of haloacetic acids, which while individually below the guideline limits set in the Australian Drinking Water Guidelines, nonetheless exceeded in aggregate the limit set by Queensland Health. Haloacetic acids have no known short-term health effects, guideline limits being set at levels presently considered safe for every day consumption.

In aggregate across all target parameters 99.6 per cent of test results were in compliance with health requirements at the discharge point to Mount Isa city during the period. Compliance with benchmark limits is shown in Table 3.

The testing and sampling program is regularly reviewed to reflect changes in the system, emerging water quality trends and changes in water quality guidelines.

# Operations update (continued)

**Table 3: Water quality compliance 2019-20 at point of discharge**

Month	ADWG Health parameter compliance for industrial water (McNally Pump Station)	Aesthetic compliance (excluding chlorine)* for drinking water	Health parameter compliance for drinking water	E.coli Detections for drinking water
Jul-19	100.0%	100.0%	100.0%	Nil
Aug-19	100.0%	100.0%	100.0%	Nil
Sep-19	100.0%	100.0%	100.0%	Nil
Oct-19	100.0%	100.0%	100.0%	Nil
Nov-19	100.0%	100.0%	100.0%	Nil
Dec-19	100.0%	100.0%	100.0%	Nil
Jan-20	100.0%	100.0%	100.0%	Nil
Feb-20	100.0%	100.0%	100.0%	Nil
Mar-20	100.0%	100.0%	100.0%	Nil
Apr-20	100.0%	100.0%	96.6%	Nil
May-20	100.0%	100.0%	100.0%	Nil
Jun-20	100.0%	100.0%	100.0%	Nil
<b>Average</b>	100.0%	100.0%	99.6%	Nil

\* Consistent with the requirements of the ADWG, chlorine dosing above the aesthetic limit occurs to due to limited disinfection within the MICC distribution system.

# Community

The R48 Reserve is Mount Isa's largest water and recreation reserve, covering an area of approximately 11,000 hectares and including the lands surrounding Lake Moondarra.

MIWB acts as the trustee for R48 Reserve on behalf of the Department of Natural Resources, Mines and Energy, as administrator of the *Land Act 1994*. This is an important recreational area to the Mount Isa community and our role is to manage the operation and maintenance of these public facilities. The reserve incorporates several public facilities and walking tracks in and around Transport Bay, Blackrock and Warrina Park areas.

During the reporting period, ongoing health, safety and environmental management initiatives were undertaken in the reserve to improve recreational users' safety, convenience and enjoyment. These included the renewal of safety fences, tree management in public areas, and general grounds maintenance. MIWB also continued the regular repairs, clean-up activities and weed treatment within the extensive reserve. MIWB also performs reactive works such as removing dumped car bodies and illegally dumped waste and repairing vandalism, which continues to occur with disappointing frequency.

During the period, MIWB continued to engage with numerous community groups regarding the management of the reserve and numerous Trustee Permits were entered into with recreational users and groups. However, the COVID-19 pandemic saw a significant temporary curtailment of these activities.

During the period, MIWB continued with a substantial aquatic weed-harvesting program during the Spring growing months to manage the spread of weeds and maintain recreational amenity.

MIWB continued to support the local Mount Isa fishing competition, the 2019 Lake Moondarra Fishing Classic, as naming rights and major prize sponsor.

MIWB sought to engage with members of our community by setting up information stalls at several major events. These have been key opportunities to communicate with the general public regarding MIWB's role, functions and activities.

The majority of staff members also took part in the Clean Up Australia Great Northern Clean-up contributing to remove rubbish from the Leichhardt River.

# Our people

People are at the centre of MIWB's vision to be a leader in regional water supply. Our philosophy is that staff should take pride and receive satisfaction from delivering value to customers by achieving work goals.

We will continue to actively encourage staff to live the corporate values – doing what matters, challenging historic practices and taking initiative to achieve continuous improvement.

We empower our highly skilled and specialist team through training, feedback and encouraging them to embrace responsibility and challenge the status quo. Continuous improvement has seen us become an outcome focused team dedicated to fulfilling our customer's needs.

During 2019–20, MIWB invested in a broad range of training activities including opportunities for staff to engage with the wider water sector through participation in Australian Water Association events, industry webinars and Water Services Association of Australia forums. Due to COVID-19 pandemic many face-to-face forums were cancelled but there has been some opportunities to participate in industry webinars during the period.

## Staff profile

MIWB continues to operate on a largely outsourced model with in-house staff managing and coordinating contract firms and resources for the delivery of customer outcomes.

In-house resourcing of water operations staff commenced in 2018–19, providing MIWB assurance over water quality and operations activities.

At 30 June 2020, MIWB's workforce comprised 21.8 full-time equivalent (FTE) workers including both employees and team members seconded from services firms. The staffing is down from 22.1 FTE workers as at 30 June 2019 due to the accommodation of part-time arrangements to suit employees' personal needs.

Staff members were engaged in financial reporting and administration, project and contract management, engineering, operations oversight including water quality monitoring and analysis as well as maintenance management activities.

The staff team is augmented with contributions from professional service firms on term engagements equivalent to a further four full-time contractors work, principally in project and construction management.

## Workforce planning, attraction and retention

MIWB's future workforce needs are continually monitored to ensure strategies are in place to align workforce planning with service delivery.

MIWB understands the potential difficulties faced by remote communities in attracting and retaining appropriately skilled technical, engineering and commercial staff who can contribute to highly specialised operations. The transient nature of the Mount Isa population means MIWB experiences regular staff turnover. MIWB experienced 18 per cent turnover during 2019–20 which is equivalent to an average tenure of 5 years and 5 months.

## Public sector ethics

MIWB periodically reviews Board and staff Policies and the Code of Conduct (Codes) to ensure they align with the current ethics, principles and values of the *Public Sector Ethics Act 1994*. To this end, a new Public Interest Disclosure Policy was adopted during the period.

MIWB is committed to ongoing education and continual review of processes and procedures to ensure both staff and management have proper regard for the Codes and appropriate behaviours.

Through a comprehensive induction program and continual discussions, directors and senior officers are aware of their rights and obligations in relation to contraventions of the approved Codes.

## Key workforce policies

Key MIWB workforce policies, along with the Codes of Conduct, are governed by the Board approved Policy Framework and are actively promoted inside the organisation.

- Alcohol and Drugs Policy
- Anti-Discrimination and Workplace Harassment Policy
- Corrupt Conduct and Fraud Policy
- Corporate Procurement Policy and Procedures
- Corporate Credit Card Policy
- Delegations of Human Resources Policy
- Financial Delegations Policy
- Flexible Work Arrangements Policy
- Gifts and Conflicts of Interest Policy
- ICT Acceptable Use Policy
- Travel Policy
- Work Health and Safety Policy
- Workplace Injury Rehabilitation Policy.

Ongoing refinements to workforce policies took place throughout the year to ensure they were appropriate and reflected the needs of the organisation.

## Human rights

The *Human Rights Act 2019* came into effect on 1 January 2020. During 2019-20, key leadership participated in training with respect to MIWB's obligations under the Act and selected corporate governance policies have been reviewed to incorporate *Human Rights Act* matters.

## Supporting carers

MIWB recognises carers and the important contribution they make to the people they care for and to the community generally. MIWB has a copy of the Carers Charter accessible to all staff, as set out in the Schedule to the *Carers (Recognition) Act 2008*.

During 2019-20, MIWB had a 'carer' on staff and has provided flexible arrangements to suit the circumstances.

## Health and safety

MIWB is committed to facilitating zero harm and therefore, safety is identified as a key success factor for the organisation. MIWB complies with Queensland's *Work Health and Safety Act 2011* and *Work Health and Safety Regulations 2011*. We continue to invest significant effort to ensure the effectiveness and relevance of our Safety Management Standards and Procedures within a framework of continuous improvement.

During 2019-20 MIWB recorded no lost time injuries or reportable near misses to employees and contractors. All incidents, however minor, are assessed as improvement opportunities that are individually investigated for what can be learned. Safety initiatives such as the Positive Attitude Safety System® seek to engage and include all parties carrying out activities on MIWB sites in a positive safety culture, which underpins a safe workplace for all.

MIWB will continue to leverage the transition of the operations and maintenance contract to achieve a step change in the rigour of safety management practices in frontline activities. MIWB is committed to providing a safe work environment for employees and contractors and to drive safety culture into all the activities of the business.

MIWB will continue to apply this approach to ensure that:

- safety management plans and procedures accurately reflect the activities undertaken and are effective in controlling the risks of the activities and the environment in which we operate
- periodic safety audits in the field are conducted including using independent specialists
- MIWB sites are monitored to ensure they are safe workplaces for all parties entering the site, and
- opportunities to eliminate or isolate risks are identified wherever possible including by reassessing the need for tasks to be undertaken.

# Governance and risk management

MIWB is committed to ensuring our governance and business management are of the highest standard. This is essential to MIWB's vision to be a respected leader in regional water distribution and treatment. MIWB will be a sustainable, commercialised and outcome-focused business which is engaged with our community. We will manage risks appropriately to ensure water delivery is safe, reliable and cost efficient.

## MIWB Governance framework

### Board operations and membership

The Board is responsible for overseeing MIWB's corporate governance, including setting the strategic direction, establishing goals for management and monitoring performance against these goals.

The Board is accountable to the Minister for MIWB's efficient and effective performance. Each Board member is required to act in MIWB's best interests and ensure MIWB acts in accordance with its Performance and Corporate Plans.

The composition of the MIWB Board of Directors consists of five directors appointed by the Governor in Council – with one being a nominee of MICC.

#### **Mr Steve de Kruijff OAM, MAusIMM**

Director and Board Chair since May 2016

Steve de Kruijff's career spans almost four decades in the mining industry, predominantly in North West Queensland. Mr de Kruijff was previously the Chief Operating Officer for Glencore's Australian Copper Assets until February 2014. Prior to this role, Mr de Kruijff was General Manager of Xstrata's Mount Isa Copper Operations until December 2006 and Chief Operating Officer of Xstrata Copper's North Queensland division to May 2013. Mr de Kruijff has been a director of several of Xstrata's subsidiary companies and is a past President of the Queensland Resources Council. He was awarded the 2008 AusIMM Jim Torlach Health and Safety Award and an OAM in the 2016 Australia Day Honours List for his contribution to the mining industry and communities. Mr de Kruijff is a member of MIWB's Finance, Audit and Compliance Committee.

#### **Cr George Fortune**

Nominated by MICC<sup>1</sup>

Director since September 2016

George Fortune has been a Councillor with Mount Isa City Council since 2012. Mr Fortune is a long-term resident and an active community advocate including as former secretary of the Mount Isa Fish Stocking Group and former Event Manager for the Lake Moondarra Fishing Classic. Mr Fortune is the Chair of Mount Isa Aboriginal & Torres Strait Islander Community Reference Group. Mr Fortune is a director of MIWB by nomination of the elected City Council. Mr Fortune is also a member of MIWB's Finance, Audit and Compliance Committee.

#### **Ms Karen Read B.Bus, FCPA, GAICD, MAMI**

Director since August 2019

Chair of Finance, Audit and Compliance Committee

Karen Read is a senior finance and commercial executive and has extensive experience within the mining and resources sector with a career spanning 30 years. Karen worked for Glencore Xstrata group for much of this time, including several years in Mount Isa from 1995. From 2014 – 2017, Karen was employed as CFO for a consulting engineering and project practice business. Karen has extensive Board experience including as Director Queensland Country Bank, Deputy Chair Queensland Country Health Fund, and Director of North West Hospital and Health Services. Karen is a Fellow of CPA Australia, a Graduate of the Australian Institute of Company Directors and a member of Australasian Mutual Institute. Karen is the Chair of NQ Branch Regional Council of CPA Australia and member of the Townsville Branch Council for AICD.

<sup>1</sup> Under the Water Act, notwithstanding a person is a nominee of an entity, they are required to act in the best interests of the MIWB.

**Ms Lisa Clancy**

Director since August 2019

Ms Clancy has lived and worked in Mount Isa since 1998, holding payroll, office administration and Workplace Health and Safety Roles for Education Queensland for eight years. Ms Clancy is a director and office manager of Clancy Corporation in Mount Isa and has extensive leadership and team management skills, as well as close links in the community and with government agencies and private business providers.

**Ms Danielle Slade**

Director of MIWB from August 2019 to June 2020

Ms Slade is a long-term Mount Isa resident. She worked at Mount Isa Mines for more than 25 years in administrative support, community relations, and training and safety support roles. Ms Slade is an executive board member of the Mount Isa Irish Association and has been involved in charity work as well as being prominent in sports administration (soccer, squash and volleyball) for the past 30 years. Ms Slade has a keen interest in sustainable development in North-West regional Queensland.

Ms Slade resigned from the Board in 2020 after she was elected Mayor of Mount Isa City Council.

**Table 4: Board meetings**

<b>Director</b>	<b>Meetings attended</b>	<b>Meetings eligible to attend</b>	<b>Last appointed</b>	<b>Expiry</b>
Steve de Kruijff (Chair)	12	12	Appointed 27 May 2016	28 August 2022
Alison Dowling	4	4	Appointed 19 June 2014	28 August 2019
Neil Hatherly	4	4	Appointed 19 June 2014	28 August 2019
Myles Johnston	3	4	Appointed 19 June 2014	28 August 2019
George Fortune	8	12	Appointed 15 September 2016	15 September 2019
Lisa Clancy	8	8	Appointed 29 August 2019	28 August 2022
Karen Read	8	8	Appointed 29 August 2019	28 August 2021
Danielle Slade	7	7	Appointed 29 August 2019	Resigned 16 June 2020

**Table 5: R48 meetings**

<b>Director</b>	<b>Meetings attended</b>	<b>Meetings eligible to attend</b>
Steve de Kruijff (Chair)	9	9
Alison Dowling	2	2
Neil Hatherly	2	2
Myles Johnston	0	2
George Fortune	7	9
Lisa Clancy	6	7
Karen Read	5	7
Danielle Slade	6	6

# Governance and risk management (continued)

## Finance, Audit and Compliance Committee

The Board has established and maintains the Finance, Audit and Compliance Committee to assist in the execution of its responsibilities.

This committee is responsible for the review and oversight of MIWB's financial performance and financial regulatory compliance, including the integrity of its accounting and financial reporting, monitoring compliance with applicable accounting standards, appointment of internal auditors, appointment of significant consultancies (e.g. legal advisors and insurance brokers) and overseeing the integrity of the accounting and financial reporting.

During 2019–20 all sitting Directors were members of the Finance, Audit and Compliance Committee under the chairpersonship of Karen Read. MIWB Chief Executive Stephen Farrelly and Finance Manager Bruce Galbraith attended committee meetings by invitation.

The committee meets as required each financial year and assists the Board by ensuring financial reports are prepared in accordance with Australian Accounting Standards (including Australian equivalence to International Financial Reporting Standards) and other prescribed statutory requirements.

During 2019–20, the committee advised the Board on the efficacy of internal and external audit functions and preparation of a budget for the next financial year.

Attendances are shown in Table 6.

The Finance, Audit and Compliance Committee has observed the terms of its charter and has had due regard for Queensland Treasury's Audit Committee Guidelines. During 2019–20, the committee's achievements included the internal audit program, ensuring compliance with legislation and good corporate governance.

**Table 6: Finance, Audit and Compliance meetings**

Director	Meetings attended	Meetings eligible to attend
Karen Read (Chair)	9	9
Alison Dowling	3	4
Steve de Kruijff	9	9
Neil Hatherly	4	4
Myles Johnston	2	4
George Fortune	6	9
Lisa Clancy	4	5
Danielle Slade	4	4

## Disclosure of directors' remuneration

Remuneration of the directors is made in accordance with current Queensland Government policy as set out in Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies.

During 2019–20, the total remuneration paid was \$92,844. Related additional costs paid during the period (primarily for airfares and accommodation) totalled \$21,282.

## Executive team

MIWB's executive team is responsible for overall day-to-day operational and financial performance of the organisation and for participating in senior management groups and/or committees.

### Role and responsibilities of the Chief Executive

The Chief Executive, Stephen Farrelly, reports directly to the Board and is charged with and is accountable for the overall performance and leadership of the organisation.

The Chief Executive is responsible for the management of MIWB financial and non-financial performance, ensuring its conformity with statutory and accountability requirements. He implements the Board's policy decisions, reflecting the Board's approved strategy as reported in the Performance Plan, Corporate Plan and annual budget.

In addition, the Chief Executive is responsible for organisational leadership and maintaining effective business relationships with directors, customers, other stakeholders and interested parties.

**Stephen Farrelly BE (Hons), RPEng, RPEQ (Civil), MAICD**  
Chief Executive

Stephen joined MIWB as Chief Executive in October 2014. Stephen has extensive background in the cost-effective management of water assets from experience in a range of roles including in engineering consultancy and management, water authority planning, corporate risk management and senior management. Stephen has a thorough understanding of MIWB's infrastructure, as well as the water supply and governance matters pertinent to MIWB's operational needs. Stephen has a keen focus on aligning organisational effort and investment to achieve customer outcomes.

**Hamish Coleman BEcon, BCom,  
GradDipAppFin, CGMA, MBA**  
Commercial Manager

Hamish joined MIWB in April 2019 as Commercial Manager. With time spent in Australia and internationally, Hamish has over 25 years' commercial and management experience in numerous industries including meat, sugar, fast moving consumer goods, manufacturing, advertising, packaging and recycling.

**Bruce Galbraith BMS, GradDipACG,  
CA ANZ, FGIA, FCIS**  
Finance Manager

Bruce joined MIWB in February 2009 as Finance Manager and Board Secretary. Bruce is responsible for the overall management of MIWB financial processes and procedures as well as ensuring organisational compliance with government requirements. Bruce brings to the position more than 30 years' experience in senior commercial and financial management roles in a wide range of industries including utilities, multinational fast-moving goods and not-for-profit organisations.

## Reporting requirements

MIWB is required to regularly review and report on a range of statutory and regulatory obligations, both as a water authority and as a government business entity.

The documents produced include:

- Annual Report
- Quarterly Reports
- Financial Statements
- Department of State Development, Tourism and Innovation monthly capital reports
- Corporate Plan
- Performance Plan
- State Infrastructure Plan and Regional Action Plan update
- Water Service Provider Annual Performance Report
- s185 Right to Information and Information Privacy annual response
- Special Approval No SA05/97 Annual Report to the Regulator (*Electricity Act 1994*)
- Water Supply and Sewerage Services Survey (*Census and Statistics Act 1905*)
- Drinking Water Quality Management Plan Regulatory Audit, and
- DWQMP Annual Report.

MIWB was compliant with its reporting responsibilities during 2019-20, which included providing the Minister with a summary of information and events for the year, forecasts for the year ahead and assessments of status and performance to date. MIWB also provided DNRME with financial and non-financial performance reports for each quarter according to a regular timetable.

### Corrections to previous annual report

MIWB advises that there are no corrections to be notified from the previous annual report.

## Information systems and recordkeeping

MIWB's information systems support effective corporate governance and the delivery of accurate information for decision-making. MIWB maintains a secure and accurate recordkeeping system which satisfies the accountability requirements of the *Public Records Act 2002*.

The Queensland Government Records Governance Policy (RGP) was established in June 2018 and MIWB's subsidiary policy is currently due for review. MIWB manage records at all levels of the business, in order to:

- create complete and reliable records
- make records discoverable and accessible for use and re-use, and to
- adhere to the 6 policy requirements of the RGP.

Detailed financial reports with analysis are prepared each month and presented to the Board at its regular meetings.

## Risk management

MIWB has various risk management policies and procedures in place for local, portfolio and enterprise levels. During the period, MIWB maintained a robust enterprise risk management framework defining the roles, responsibilities and processes for risk management from information gathering and action tracking through to Management and Board reporting. MIWB has further enhanced the risk management by reviewing and documenting business standards.

# Governance and risk management (continued)

## Investments

MIWB is committed to investments that conform to government prudential standards. It continually reviews its infrastructure investment strategy and prioritises projects that will enhance the reliability and quality of water supplied to customers.

As at 30 June 2020, MIWB's investments (property, plant and equipment) were \$149 million.

## Audit functions

### External auditor – financial

The Auditor-General is the auditor of all Queensland public sector entities. The Queensland Audit Office engaged Crowe Australasia to conduct MIWB's 2019-20 external audit. This is the first year Crowe Australasia has conducted the audit.

The external audit is conducted through visits to MIWB's office, with the auditor working closely with the Chief Executive, Finance Manager and finance staff. The auditor's report is considered by the Finance, Audit and Compliance Committee. A close-out interview is held between the auditors and the committee, and the committee makes recommendations to the Board concerning the adoption of the financial statements.

### External auditor – non-financial

All audit recommendations of the Queensland Audit Office are considered by the Finance, Audit and Compliance Committee which ensures MIWB has due regard for these recommendations.

### Internal auditor

BDO Australia Ltd is the current internal auditor for the MIWB. The Finance, Audit and Compliance Committee worked closely with the internal auditor to develop a recommended audit program for the next 12 months and to ensure the effective, efficient and economic operation of the audit activity.

The internal auditor conducted the audit based on Australian Audit Standards and reported its findings and recommendations to the Board through the Finance, Audit and Compliance Committee. The 2019-20 internal audit review focused predominantly on the finance function, compliance management, customer pricing and cyber-security assurance.

The internal audit was conducted through

visits to MIWB's office, with the auditor working closely with management, operational staff and contractors. The audit process had due regard for Queensland Treasury's Audit Committee Guidelines.

## Right to information

As a statutory authority, MIWB supports the right of access to government information to promote transparency, openness and accountability, and will provide this access unless it is commercial-in-confidence or contrary to the public interest to-release such information.

MIWB did not process any RTI application between 1 July 2019 and 30 June 2020 and was not processing any RTI applications at the end of the reporting period.

Any enquiries about obtaining information held by MIWB should be made by contacting (07) 4740 1000 or emailing [info@mountisawater.qld.gov.au](mailto:info@mountisawater.qld.gov.au).

Right to Information correspondence has been placed on the MIWB website at [www.mountisawater.qld.gov.au](http://www.mountisawater.qld.gov.au) under the 'Our Data' tab.

## Open data

Several annual reporting requirements are addressed through publication of information on the Queensland Government Open Data website (<https://data.qld.gov.au>) in lieu of inclusion in the annual report.

The following information requirements are reported online:

- consultancies
- overseas travel

MIWB is committed to the Queensland Government's Open Data strategy and has adopted the government's strategy, policy and principles to ensure all relevant data is published in the appropriate manner. Data on additional MIWB activities is available at [www.mountisawater.qld.gov.au/ourdata](http://www.mountisawater.qld.gov.au/ourdata).

# Financial performance

To achieve our vision of being a respected leader in regional water distribution and treatment, MIWB seeks to create and deliver value to our stakeholders.

Efficiently and effectively delivering and maintaining bulk water infrastructure which meets customers' individual needs is critical to this value creation. MIWB has a statutory commercial imperative which drives our capital investment to be prudent and recoverable, our operational expenditure to be cost effective, and our actions transparent.

MIWB delivered sound financial performance for the 2019-20 financial year, achieving Earnings Before Interest and Tax (EBIT) from continuing operations of \$7.2 million and recommending a dividend payable to the Queensland Government for the period of \$4.1 million.

MIWB has identified several financial performance objectives in the Corporate and Performance Plans, which are consistent with a commercially chartered government business. MIWB's performance against these objectives is shown in Table 7.

**Table 7: Financial performance 2019-20**

Performance	Measures	Target 30 June 2020	Actual Outcomes 30 June 2020
<b>Financial results</b>			
<b>Profitability</b>	Earnings before interest and tax (EBIT)	\$6.4m	\$7.2m
	Return on Total Asset Base	2.1%	4.3%
<b>Cash holdings</b>	Net cash flow	(\$1.4m)	(\$0.6m)
<b>Liquidity</b>	Current ratio	≥2.1	2.0
<b>Debt recovery</b>	Average debt collection period	≤ 29.6 days	47.1 days
<b>Return to shareholder</b>	Dividend payable	\$3.6m	\$4.1m

## Financial performance

MIWB's sound financial performance in 2019-20 resulted from a slight increase in revenue and all cost remaining well controlled.

During the reporting period, MIWB re-tendered its outsourced operations and maintenance arrangements expending slightly more than budget in Corporate expenses to undertake the procurement activity. This investment is more than offset by the future savings forecast from the new O&M arrangements which represent the organisation's second largest operating expense (after the cost of electricity).

EBIT from ordinary activities excluding abnormal items for 2019-20 was \$7.2 million, which represents an increase of 20.0 per cent compared with \$6.0 million in 2018-19.

Revenue increased by 5.3 per cent or \$1.3 million compared with \$25.1 million for 2018-19, principally as a result of the recovery of a share of electricity transmission costs from MIWB's electricity customer, Sunwater, as well as increased water volumes supplied to major customers.

Total operating costs were \$0.71 million under budget. This was mainly due to with savings achieved by re-tendering the supply of chlorine gas and some planned maintenance and O&M transition activities remaining outstanding as at 30 June. A comparison of actual expenditures with budget allocations is shown in Table 8.

# Financial performance (continued)

**Table 8: Actual versus budget financial results 2019-20**

	Actual 2019-20 \$	Budget 2019-20 \$	Variance %
<b>Income</b>	26,441,940	26,336,505	0.4%
<b>Corporate expenses</b>	1,595,677	1,546,000	3.2%
<b>Depreciation</b>	5,385,895	5,647,634	(4.6%)
<b>Direct operating expenses</b>	9,593,058	9,893,310	(3.0%)
<b>Payroll expenses</b>	2,123,867	2,249,500	(5.6%)
<b>R48 expenses</b>	628,385	704,200	(10.8%)
<b>Total expenses</b>	19,326,882	20,040,644	(3.6%)
<b>EBIT</b>	7,176,157	6,358,861	12.9%
<b>Net profit after tax</b>	5,151,740	4,566,699	12.8%

Over the period MIWB recorded a net fall in cash holdings as a result of the continued investment in critical infrastructure assets.

The re-tendering of the operations and maintenance arrangements was completed exactly according to the planned schedule. New contract arrangements are now in place and are expected to improve governance while continuing to support delivery of the optimised customer outcomes that are envisaged in the Board's strategic direction statement. The new contract came into full effect after the end of the reporting period following preparatory activities in the final quarter of 2019-20.

# Financial report and accounts

Mount Isa Water Board ABN 97 761 284 021  
For the year ended 30 June 2020

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## General information

These financial statements cover the Mount Isa Water Board.

The Mount Isa Water Board ('MIWB') is a statutory body constituted under the *Water Act 2000* and is a Category 1 Water Authority and registered service provider under the Water Supply (Safety and Reliability) Act.

MIWB is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of MIWB is:  
31 Carbonate Street, Mount Isa QLD 4825

A description of the nature of MIWB's operations and its principal activities is included in the Annual Report.

For information in relation to MIWB's financial statements please call (07) 4740 1000, email [info@mounitsawater.qld.gov.au](mailto:info@mounitsawater.qld.gov.au) or visit the website [www.mountisawater.qld.gov.au](http://www.mountisawater.qld.gov.au).

# Statement of Comprehensive Income

## For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>INCOME FROM CONTINUING OPERATIONS</b>			
<b>Revenue</b>			
Revenue from contracts with customers	2	26,169,104	24,720,371
Interest		214,047	359,552
Other revenue		8,970	9,759
<b>TOTAL REVENUE</b>		<b>26,392,121</b>	<b>25,089,682</b>
Gain on sale of property, plant and equipment		49,818	16,818
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>26,441,940</b>	<b>25,106,500</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>			
Employee expenses	3a	(2,216,712)	(1,893,686)
Supplies and services	3c	(10,962,106)	(11,220,220)
Depreciation and amortisation	7	(5,385,895)	(5,321,517)
Depreciation - Right-To-Use Asset	8	(1,368)	-
Finance/borrowing costs		(61,105)	(73,441)
Lease interest		(3,267)	-
Loss on disposal of property, plant and equipment		(68,050)	-
Revaluation decrement	7	-	(9,210)
Other expenses		(628,385)	(698,709)
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>(19,326,887)</b>	<b>(19,216,782)</b>
<b>OPERATING RESULTS FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>7,115,052</b>	<b>5,889,718</b>
Income tax expense	4	(1,963,313)	266,721
<b>OPERATING RESULTS FROM CONTINUING OPERATIONS AFTER INCOME TAX</b>		<b>5,151,740</b>	<b>6,156,439</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<u>Items that will not be reclassified subsequently to Operating Result:</u>			
Increase (decrease) on revaluation of property, plant and equipment	13	1,616,395	2,877,671
<b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>1,616,395</b>	<b>2,877,671</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>6,768,134</b>	<b>9,034,110</b>

The accompanying notes form part of these financial statements

# Statement of Financial Position

## For the year ended 30 June 2020

		2020 \$	2019 \$
	<b>Note</b>		
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	20,758,733	21,362,976
Receivables	6	3,036,382	4,056,475
Other current assets		12,757	25,175
<b>TOTAL CURRENT ASSETS</b>		<u>23,807,872</u>	<u>25,444,626</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	7	148,990,201	145,804,026
Right-of-use asset	8	108,360	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>149,098,561</u>	<u>145,804,026</u>
<b>TOTAL ASSETS</b>		<u>172,906,433</u>	<u>171,248,652</u>
<b>CURRENT LIABILITIES</b>			
Payables	9	10,928,698	12,048,793
Accrued employee benefits		129,941	114,962
Other financial liabilities	10	293,582	283,020
Tax liabilities		640,566	525,997
Other liabilities	12	497	-
<b>TOTAL CURRENT LIABILITIES</b>		<u>11,993,283</u>	<u>12,972,772</u>
<b>NON-CURRENT LIABILITIES</b>			
Accrued employee benefits		66,775	45,764
Other financial liabilities	10	883,643	1,174,986
Deferred tax liabilities	11	19,935,661	19,777,969
Other liabilities	12	248,667	145,498
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>21,134,747</u>	<u>21,144,218</u>
<b>TOTAL LIABILITIES</b>		<u>33,128,031</u>	<u>34,116,990</u>
<b>NET ASSETS</b>		<u>139,778,402</u>	<u>137,131,663</u>
<b>EQUITY</b>			
Contributed equity		30,430,390	30,430,390
Accumulated surplus		38,872,766	37,842,422
Asset revaluation surplus	13	70,475,246	68,858,851
<b>TOTAL EQUITY</b>		<u>139,778,402</u>	<u>137,131,663</u>

The accompanying notes form part of these financial statements

# Statement of Changes in Equity

For the year ended 30 June 2020

	Note	Accumulated Surplus \$	Asset Revaluation Surplus \$	Contributed Equity \$	Total \$
<b>Balance at 1 July 2018</b>		<b>36,611,133</b>	<b>65,981,180</b>	<b>30,430,390</b>	<b>133,022,703</b>
Operating result from continuing operations		6,156,439	-	-	6,156,439
<i>Other comprehensive income</i>					
- Increase/(Decrease) on revaluation of property, plant and equipment	13	-	2,877,671	-	2,877,671
Total comprehensive income for the period		6,156,439	2,877,671	-	9,034,110
<i>Transactions with owners</i>					
- Dividend accrued		(4,925,151)	-	-	(4,925,151)
- Dividends paid		-	-	-	-
<b>Balance at 30 June 2019</b>		<b>37,842,422</b>	<b>68,858,851</b>	<b>30,430,390</b>	<b>137,131,663</b>
<b>Balance at 1 July 2019</b>		<b>37,842,422</b>	<b>68,858,851</b>	<b>30,430,390</b>	<b>137,131,663</b>
Operating result from continuing operations		5,151,740	-	-	5,151,740
<i>Other comprehensive income</i>					
- Increase/(Decrease) on revaluation of property, plant and equipment	13	-	1,616,395	-	1,616,395
Total comprehensive income for the period		5,151,740	1,616,395	-	6,768,135
<i>Transactions with owners</i>					
- Dividends accrued		(4,121,396)	-	-	(4,121,396)
- Dividends paid		-	-	-	-
<b>Balance at 30 June 2020</b>		<b>38,872,766</b>	<b>70,475,246</b>	<b>30,430,390</b>	<b>139,778,402</b>

The accompanying notes form part of these financial statements

# Statement of Cash Flows

## For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<i>Inflows:</i>			
Receipts from customers		26,136,122	23,400,164
Interest received		241,389	363,227
Other Revenue		995,039	590,421
GST Input Tax Credits from ATO		1,730,430	2,004,487
GST received from customers		103,486	58,672
<i>Outflows:</i>			
Employee expenses		(2,201,733)	(1,879,586)
Supplies and services		(11,245,014)	(10,374,644)
Finance/borrowing costs		(61,598)	(73,441)
Other expenses		(628,385)	(698,709)
GST paid to suppliers		(1,699,860)	(2,053,488)
GST remitted to ATO		(100,455)	(59,831)
Income taxes paid		(2,304,168)	(1,367,878)
<b>Net cash provided by (used in) operating activities</b>	<b>14</b>	<b><u>10,965,253</u></b>	<b><u>9,909,395</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<i>Inflows:</i>			
Proceeds from sale of property, plant and equipment		49,818	16,818
<i>Outflows:</i>			
Payments for property, plant and equipment		(6,410,609)	(10,160,264)
<b>Net cash provided by (used in) investing activities</b>		<b><u>(6,360,791)</u></b>	<b><u>(10,143,446)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<i>Outflows:</i>			
Repayment of loans		(280,780)	(268,026)
Dividends paid		(4,925,151)	(1,212,756)
Payment of lease liability		(2,774)	-
<b>Net cash provided by (used in) financing activities</b>		<b><u>(5,208,705)</u></b>	<b><u>(1,480,782)</u></b>
Net increase (decrease) in cash and cash equivalents		(604,243)	(1,714,832)
Cash and cash equivalents at beginning of financial year		21,362,976	23,077,808
<b>Cash and cash equivalents at end of financial year</b>	<b>5</b>	<b><u>20,758,733</u></b>	<b><u>21,362,976</u></b>

The accompanying notes form part of these financial statements



# Notes to the Financial Statements

## For the year ended 30 June 2020

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	Objectives and Principal Activities of MIWB
Note 1:	Summary of Significant Accounting Policies
Note 2:	Revenue from Contracts with Customers
Note 3:	Expenses from Continuing Operations
Note 4:	Income Tax Expense
Note 5:	Cash and Cash Equivalents
Note 6:	Receivables
Note 7:	Property Plant & Equipment
Note 8:	Leases
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Note 10:	Other Financial Liabilities
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Note 12:	Other Liabilities
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Note 15:	Financial Instruments
Note 16:	Contingencies
Note 17:	Budget vs Actual Comparison

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## Objectives and Principal Activities of MIWB

Mount Isa Water Board ('MIWB') is a statutory body constituted under the *Water Act 2000* and is a Category 1 Water Authority and registered service provider under the *Water Supply (Safety & Reliability) Act 2008 (QLD)*. MIWB is domiciled in Australia. The address of MIWB's principal place of business is 31 Carbonate Street, Mount Isa, Queensland. MIWB is a for-profit entity and is primarily involved in the supply of bulk water.

### 1 Summary of Significant Accounting Policies

#### (a) Statement of Compliance

The financial statements have been prepared in compliance with Section 39 of the *Financial and Performance Management Standard 2019*. The financial statements are General Purpose Financial Statements that have been prepared on an accrual basis, in accordance with Australian Accounting Standards and Interpretations. All applicable accounting standards and policies have been consistently applied unless otherwise stated. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for the period ending 30 June 2020, and other authoritative pronouncements to the extent they are considered relevant.

MIWB is a "for-profit" entity for the purposes of financial reporting.

Except where stated, the historical cost convention is used. Cost is based on the fair value of the consideration given in exchange for assets.

#### (b) Revenue From Contracts with Customers

MIWB is in the business of water delivery services, sale of water, and sale of electricity. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which MIWB expects to be entitled in exchange for those goods or services. MIWB has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 1(p).

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### (b) Revenue From Contracts with Customers (cont.)

#### **Water delivery services**

Revenue from water delivery is recognised over time because the customer simultaneously receives and consumes the benefits provided by MIWB. The complete performance obligation in a contract is viewed as a series of promises to deliver water. Notwithstanding the number of distinct time periods the contract is broken down into, this meets the criteria to be treated as a series of distinct services under AASB 15 and consequently treated as one performance obligation.

With regards to measuring progress towards satisfaction of the performance obligation (the performance obligation to deliver water as and when required over the life of the contract), a time based measure of progress is considered to be the most appropriate basis upon which to recognise revenue as the total volume of water to be delivered is not known. This measure is also used when determining whether each distinct service (the promise to deliver water in a given period) has been provided.

In determining the transaction price for the sale of water, MIWB considers the effects of variable consideration and the existence of significant financing components

#### *(i) Variable consideration*

The transaction price in the contract is comprised of fixed charges, which change over the course of the contract depending on a number of factors (and consequently are, at least in part, variable), and consumption charges, which vary depending on the quantity of water delivered.

MIWB estimates the amount of consideration to which it will be entitled in exchange for transferring the services to the customer. The variable consideration is only recognised if it is highly probable it will not be reversed. As the variable revenue is being recognised on a year-by-year basis, MIWB considers whether the revenue in relation to a particular year will reverse.

#### *(ii) Significant financing component*

Generally, the fixed charges under the contract are set for a period of between one and five years (until the next review date). Under the contract, the true-up adjustment then adjusts the fixed charges over the next review period. Consequently, the true-up adjustment relating to any year may not be payable (or, conversely, refundable) until several years after the related services were provided.

MIWB does not consider this as a significant financing component as the reason for the time lapse is for other than the provision of finance and the difference between those amounts is proportional to the reason for the difference.

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**(b) Revenue From Contracts with Customers (cont.)**

***Sale of water***

Revenue from sale of water is recognised at a point in time when control of the asset is transferred to the customer, generally on delivery of the water (each quantity of water delivered is a separate performance obligation).

In determining the transaction price for the sale of water, MIWB considers the effects of variable consideration.

*Variable consideration*

Generally, the contract requires the customer to pay for the water whether or not it takes up its water allocation (provided it is available). The fixed fee is subject to indexation each year and is repriced (to market price) after three years. The fixed fee cannot go down. Consequently, there is both a fixed and a variable element to the consideration. (Both the fixed and variable consideration are allocated across the performance obligations.)

***Sale of electricity***

Revenue from sale of electricity is recognised over time because the customer simultaneously receives and consumes the benefits provided by MIWB. The complete performance obligation in a contract is viewed as a series of promises to supply electricity. Notwithstanding the number of distinct time periods the contract is broken down into, this meets the criteria to be treated as a series of distinct goods under AASB 15 and consequently treated as one performance obligation.

In determining the transaction price for the sale of electricity, MIWB considers the effects of variable consideration.

*Variable consideration*

MIWB estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is only recognised if it is highly probable it will not be reversed. As the variable revenue is being recognised on a year-by-year basis, MIWB considers whether the revenue in relation to a particular year will reverse. The variable consideration is attributed to each distinct good (not to the performance obligation as a whole).

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### (b) Revenue From Contracts with Customers (cont.)

#### Contract balances

##### **Contract assets**

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If MIWB performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Refer to Note 1 (f) for impairment of contract assets.

##### **Trade Receivables**

A receivable represents MIWB's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to Note 1 (f) for initial recognition and subsequent measurement.

##### **Contract liabilities**

A contract liability is the obligation to transfer goods or services to a customer for which MIWB has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before MIWB transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when MIWB performs under the contract.

### (c) Grants and Contributions

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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**(d) Taxation**

MIWB is subject to the National Tax Equivalents Regime (NTER).

**Current Income Tax Equivalents (Current Tax)**

Current tax is calculated by reference to the amount of equivalent income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using taxation rates and taxation laws that have been enacted or substantively enacted by the reporting date. Current tax for the current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable). Current tax assets and liabilities for the current and prior period are measured at the amount expected to be received from or paid to the Queensland Treasury based on the current period's taxable income.

**Deferred Income Tax Equivalents (Deferred Tax)**

Deferred tax equivalents are accounted for using the comprehensive statement of financial position liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding tax base of those items.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and offsets can be utilised.

Deferred tax assets and liabilities are offset when they relate to the income taxes levied by the same taxation authority and MIWB intends to settle its current tax assets and liabilities on a net basis.

**Current and Deferred Income Tax Equivalents for the Period**

Current and deferred tax equivalents are recognised as an expense or income in profit or loss, except when it relates to items credited or debited to other comprehensive income or directly to equity, in which case the deferred tax is recognised in other comprehensive income or directly in equity.

**(e) Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash includes cash on hand, at bank, money market investments readily convertible to cash i.e. with a term to maturity less than 3 months and bank overdrafts. Cash assets includes all cash and cheques received but not banked at 30 June 2020.

Interest revenue is recognised as it accrues using the effective interest method.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### (f) Receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days from the invoice date and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. MIWB holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

#### *Impairment of trade receivables and contract assets*

MIWB applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. MIWB has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 29 February 2020 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The disclosures of significant accounting judgements, estimates and assumptions relating to impairment are provided in Note 1(p).

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**(g) Acquisition of Assets**

Actual cost is used for the initial recording of all non-current physical asset and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use, including architects' fees and engineering design charges. However, any training costs are expensed as incurred.

**(h) Property, Plant and Equipment**

Items of property, plant and equipment with a 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	\$
Buildings	1
Infrastructure	10,000
Plant and Equipment	10,000
	5,000

Items with a lesser value are expensed in the year of acquisition. Land improvements undertaken by MIWB are included with buildings.

MIWB 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 (arising from ordinary wear and tear etc) is expensed.

**(i) Depreciation of Property, Plant and Equipment**

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment are depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to MIWB.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes with property, plant and equipment.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### (i) Depreciation of Property, Plant and Equipment (cont.)

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.

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 MIWB.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the term of the lease, which ever is shorter.

For each class of depreciable asset the following useful lives are used:

Class of Fixed Asset	Life (Years)
Buildings	15-60
Infrastructure - Pipeline	15-85
Infrastructure - Other	2-110
Plant and Equipment	3-20

### (j) Impairment of Non-Current Assets

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, MIWB determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs of disposal and value in use.

An impairment loss is recognised immediately as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus to the extent available.

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

When an asset is revalued using either a market or income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

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**(k) Revaluation of Non-Current Physical Assets**

Land, buildings and infrastructure assets are measured at fair value in accordance with AASB 116 *Property, Plant and Equipment*, AASB 13 *Fair Value Measurement* and Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses where applicable. In respect of these asset classes, the cost of the items acquired during the financial year has been judged by management of MIWB to materially represent their fair value.

Plant and equipment is measured at cost in accordance with the Non-Current Asset Policies.

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

Property, plant and equipment classes measured at fair value (refer above) are revalued on an annual basis either by appraisals undertaken by an independent professional valuer or internal expert, or by the use of appropriate and relevant indices. For financial reporting purposes, the revaluation process is managed by the Finance Manager, who determines the specific revaluation practices and procedures. The Finance, Audit and Compliance Committee oversees the revaluation processes that are undertaken each year, and reports to the MIWB Board regarding the outcomes of, and recommendations arising from, each annual review.

Revaluations using independent professional valuers or internal expert appraisals are undertaken at least once every five years. However, if a particular asset class experiences significant and volatile changes in fair value, that class is subject to specific appraisal in the reporting period, where practicable, regardless of the timing of the last specific appraisal. This is arranged by the Finance Manager after consultation with the Finance, Audit and Compliance Committee.

Materiality concepts (according to the *Framework for the Preparation and Presentation of Financial Statements*) are considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

The fair values reported by MIWB are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(l)).

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### (k) Revaluation of Non-Current Physical Assets (cont.)

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. MIWB ensures that the application of such indices results in a valid estimation of the assets' fair values at reporting date. The professional valuer recommended the use of a range of indices used for the various types of assets. Such indices are either publicly available, or are derived from market information available to the valuer. The indices used are also tested for reasonableness by comparing the results of indexation to assets that have been valued by an independent professional valuer or internal expert, and analysing the trend of changes in values over time. Through this process, which is undertaken from time to time, management assesses and confirms the relevance and suitability of the indices provided by the professional valuer based on MIWB's own particular circumstances.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class in equity, except to the extent it reverses a revaluation decrement of the same asset 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 the same asset.

On revaluation:

- for assets revalued using a cost valuation approach (e.g. depreciated 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'; and
- for assets revalued using a market or income-based valuation approach - accumulated depreciation and accumulated impairment losses are eliminated against the gross amount of the asset prior to restating for valuation. This is generally referred to as the 'net method'.

#### **Infrastructure Revaluations**

On revaluation, accumulated depreciation is re-stated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

#### **Building Revaluations**

On revaluation, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the valued amount of the asset.

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## (I) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by MIWB include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by MIWB include, but are not limited to, subjective adjustments made to observable data to take into account of the characteristics of MIWB assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

All assets and liabilities of MIWB for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisal:

\* level 1 - represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;

\* level 2 - represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and

\* level 3 - represents fair value measurements that are substantially derived from unobservable inputs.

None of MIWB's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. There were no transfers of assets between fair value hierarchy levels during the period.

More specific fair value information about MIWB's Property, Plant and Equipment is outlined in Note 7.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### **(m) Employee Benefits**

Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

Payroll Tax and Worker's Compensation Insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

#### *Wages, Salaries and Personal Leave*

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current salary rates.

As MIWB expects such liabilities to be wholly settled within twelve months of reporting date, the liabilities are recognised at undiscounted amounts.

Prior history indicates that on average, personal 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 personal leave entitlements is recognised.

As personal leave is non-vesting, an expense is recognised for this leave as it is taken.

#### *Annual Leave*

Annual leave is expected to be taken within twelve months. Annual leave owing at 30 June 2020 is recognised at undiscounted values.

#### *Long Service Leave*

MIWB has estimated the liability for long service leave at 30 June 2020. 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 liability has been included in the financial statements as at 30 June 2020.

#### *Superannuation*

Employer superannuation contributions are made by MIWB to employee superannuation funds and are charged as expenses when they are incurred.

#### *Key Management Personnel and Remuneration*

Key management personnel and remuneration disclosures are made in accordance with FRR3C of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to note 3(b) for the disclosures on key-management personnel and remuneration.

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**(n) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST except for:

- When the GST incurred on a purchase of goods and services is not recoverable from the ATO, in which case the GST is recognised as part of the cost of acquisition of the asset, or as part of an item of expense.
- Receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the ATO.

**(o) Payables**

Trade creditors are recognised when goods are received or services performed and are measured at the agreed purchase/contract price, net of applicable trade and other discounts. Usually payment is settled within thirty (30) days, the amounts owing are unsecured. The carrying amount at 30 June 2020 approximates fair value.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### **(p) Significant Accounting Estimates and Judgments**

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Significant accounting judgements, estimates and assumptions that have a potentially significant effect are outlined in the following financial statement notes:

Revenue from Contracts with Customers - note 2  
Valuation of Property, Plant and Equipment – note 7  
Contingencies - note 16  
Impairment provision on trade receivables and contract assets - note 15

### **(q) Financial Instruments**

#### **Recognition**

Financial instruments are initially recognised in the Statement of Financial Position when MIWB becomes a party to the contractual provisions of the financial instrument.

#### **Measurement**

Financial instruments are measured as follows:

- Receivables - held at amortised cost (refer Note 1(f))
- Payables - held at amortised cost (refer Note 1(o))
- Borrowings - held at amortised cost

Borrowings are initially recognised at fair value, plus any transaction costs directly attributable, then subsequently held at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

Borrowings are classified as non-current liabilities to the extent that MIWB has an unconditional right to defer settlement until at least twelve months after reporting date.

MIWB does not enter into transactions for speculative purposes, nor for hedging. MIWB holds no financial assets classified at fair value through profit or loss.

All other disclosures relating to the financial risk management of financial instruments held by MIWB are included in note 15.

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**(r) Finance Costs**

Finance costs include interest on bank overdrafts and short-term and long-term borrowings.

Finance costs attributable to qualifying assets are capitalised as part of the assets. All other finance costs are expensed in the period in which they are incurred.

**(s) Insurance**

MIWB's non-current physical assets and other risks are insured through Willis Australia Limited Insurance Brokers, premiums being paid on a risk assessment basis. In addition, MIWB pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

**(t) Issuing of Financial Statements**

The financial statements are authorised for issue by the Chair at the date of signing the Management Certificate.

**(u) New and Revised Accounting Standards**

Any Australian Accounting Standards and Interpretations issued or amended and applicable for the first time in the 2019-20 financial year have been implemented and applied accordingly. Also, MIWB has not voluntarily changed any of its accounting policies, nor has it adopted any Australian Accounting Standards and Interpretations that have been issued but are not yet effective for the 2019-2020 period. MIWB will apply these standards and interpretations in accordance with their respective commencement dates.

***New and amended standards and interpretations effective during the year***

**AASB 16**

MIWB applied AASB 16 *Leases* for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

This standard and its consequential amendments were applied from 1 July 2019, replacing the accounting requirements applicable to leases in AASB 117 *Leases* and related interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases. This means that for most leases, a right-of-use asset and a lease liability will be recognised, with the right-of-use asset being depreciated and the lease liability being unwound in principal and interest components over the life of the lease.

# Notes to the Financial Statements

For the year ended 30 June 2020 (continued)

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## **(u) New and Revised Accounting Standards (cont)**

MIWB transitioned to AASB 16 using the modified retrospective approach, where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application, using MIWB's incremental borrowing rate at the date of initial application. Comparative figures are not restated.

MIWB elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 July 2019. Instead, MIWB applied the standard only to contracts that were previously identified as leases applying AASB 117 and IFRIC 4 at the date of initial application. MIWB also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

At 1 July 2019, MIWB recorded a lease liability and ROU asset amounting to \$109,728 using an incremental borrowing rate of 2.31%. There was no impact on accumulated surplus upon adoption of AASB 16.

### **AASB Interpretation 23 *Uncertainty over Income Tax Treatment***

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of AASB 112 *Income Taxes*. It does not apply to taxes or levies outside the scope of AASB 112, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

Upon adoption of the Interpretation, MIWB considered whether it has any uncertain tax positions. MIWB determined, based on its tax compliance, it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements.

The following amendments to accounting standards have been adopted by MIWB during the year:

- Amendments to AASB 9 - Prepayment Features with Negative Compensation
- Amendments to AASB 119 - Plan Amendment, Curtailment or Settlement
- Amendments to AASB 128 - Long-term interests in associates and joint ventures
- Annual Improvements 2015-2017 Cycle

These amendments had no impact on the financial statements.

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**(u) New and Revised Accounting Standards (cont)**

***Australian Accounting Standards Issued But Not Yet Effective***

The following new/amended accounting standards and interpretations have been issued, but are not mandatory for financial year ended 30 June 2020. They have not been adopted in preparing the financial statements for the year ended 30 June 2020 and MIWB intends to apply these standards from application date as indicated in the table below.

	Application date
<ul style="list-style-type: none"><li>• Amendments to AASB 3 - Definition of a Business Clarifies the definition of a 'business' in AASB 3 <i>Business Combinations</i> to assist in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.</li></ul>	1 January 2020
<ul style="list-style-type: none"><li>• Amendments to AASB 101 and AASB 108 - Definition of Material AASB 101 <i>Presentation of Financial Statements</i> and AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> include a definition of 'materiality' which must be applied when judging whether information should be included, or amounts adjusted, in the financial statements. Consequential amendments have also been made to ensure that the definition of 'material' is consistent across all IFRS Standards, as well as the Revised Conceptual Framework (2018) and IFRS Practice Statement 2 Making Materiality Judgements.</li></ul>	1 January 2020
<ul style="list-style-type: none"><li>• Amendments to AASB 7, AASB 9 and AASB 139 - Interest Rate Benchmark Reform These amendments were issued by the Australian Accounting Standards Board in October 2019 and modify some of the hedge accounting requirements to provide relief from the potential effects of the uncertainty caused by interest rate benchmark reform. The amendments also require disclosure of additional information about hedging relationships that are directly affected by the uncertainties caused by interest rate benchmark reform.</li></ul>	1 January 2020
<ul style="list-style-type: none"><li>• Amendments to AASB 1054 - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia Added a new paragraph 17 to AASB 1054 <i>Australian Additional Disclosures</i> which clarifies that, in complying with paragraph 30 of AASB 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>, entities intending to assert compliance with IFRS must also disclose the potential effect of IFRS standards that are yet to be issued by the AASB.</li></ul>	1 January 2020
<ul style="list-style-type: none"><li>• Amendments to AASB 101- Classification of Liabilities as Current or Non-current There are four main changes to the classification requirements: 1. The requirement for an 'unconditional' right has been deleted from paragraph 69(d) because covenants in banking agreements would rarely result in unconditional rights; 2. The right to defer settlement must exist at the end of the reporting period. If the right to defer settlement is dependent upon the entity complying with specified conditions (covenants), the right to defer only exists at reporting date if the entity complies with those conditions at reporting date; 3. Classification is based on the right to defer settlement, and not intention (paragraph 73); and 4. If a liability could be settled by an entity transferring its own equity instruments prior to maturity (e.g. a convertible bond), classification is determined without considering the possibility of earlier settlement by conversion to equity, but only if the conversion feature is classified as equity under AASB 132.</li></ul>	1 January 2022

These standards will likely have no material impact on the financial statements.

# Notes to the Financial Statements

For the year ended 30 June 2020 (continued)

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## **(v) Other Presentation Matters**

*Currency and Rounding* - Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest dollar.

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

*Current/Non-Current Classification* - Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes. Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or MIWB does not have an unconditional right to defer settlement beyond 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

## **(w) Commercialisation**

Pursuant to the *Water Act 2000*, MIWB was commercialised on 1 October 2000. Commercialisation had a significant impact on MIWB, principally through the implementation of National Competition Policy Reforms.

	2020 \$	2019 \$
<b>2 Revenue From Contracts With Customers</b>		
Water delivery services		
Sale of water	25,176,972	24,133,646
Sale of electricity	992,132	586,725
	<u>26,169,104</u>	<u>24,720,371</u>
 (a) Timing of revenue recognition		
Transferred at a point in time	3,884,912	3,404,917
Transferred over time	22,284,192	21,315,454
	<u>26,169,104</u>	<u>24,720,371</u>
 (b) Contracts with Customers		
Glencore Mount Isa Mines Ltd	11,903,676	11,002,816
Mount Isa City Council	10,380,516	10,312,637
Incitec Pivot Ltd	2,836,572	2,810,003
Other	56,208	8,189
Revenue from power sales	992,132	586,725
	<u>26,169,104</u>	<u>24,720,371</u>
 (c) Assets and Liabilities Related to Contracts with Customers		
Trade receivables - refer to Note 6		

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 2 Revenue From Contracts With Customers (cont.)

#### Significant judgements in recognising revenue from contracts with customers

MIWB applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

##### (i) Water delivery services

###### *Identifying performance obligations*

There are two types of charges generally detailed in customer contracts, a fixed charge (“stand ready”) and consumption charges. MIWB considered whether, from the perspective of the customer, these relate to two separate types of performance obligation (a promise to stand ready to deliver water as and when required and a promise to deliver water) or only one (a promise to deliver water as and when required).

In the case of MIWB’s customer contracts, MIWB considered that, from the perspective of the customer, they do not ‘benefit’ from MIWB standing ready to deliver water, they ‘benefit’ when water is delivered. Consequently, MIWB considered there is only one type of performance obligation, that of delivering water as and when required.

###### *Determining the timing of satisfaction of delivery of water*

MIWB considered how many of this type of performance obligation (to deliver water over the life of the contract) there are, i.e. whether there are multiple performance obligations or a single performance obligation. MIWB considered that the delivery of water meets the criteria to be satisfied overtime as the customer simultaneously receives and consumes the benefits of water supplied as MIWB performs. As this is the case, the delivery of water is a provision of a series of goods that is treated as a single performance obligation.

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## 2 Revenue From Contracts With Customers (cont.)

MIWB determined that a time based measure of progress is considered to be the most appropriate basis upon which to recognise revenue given the total volume of water to be delivered is not known.

### *Determining transaction price*

The transaction price in the contract comprise fixed charges, which change over the course of the contract depending on a number of factors (and consequently are, at least in part, variable), and consumption charges, which vary depending on the quantity of water delivered.

MIWB considered whether the consideration needs to be allocated based on relative standalone selling prices. Whilst this allocation method is generally required, MIWB considered the exception for the allocation of variable consideration. In MIWB's case, the fees are linked to the costs to fulfil the obligation through the formulae used to derive the fixed and consumption charges. Consequently, the fees charged (adjusted for the true-up adjustment) meets the allocation objective. Therefore, the variable consideration allocated to each service period is the fixed charges (adjusted for the true-up adjustment (considering the reversal constraint)) plus the consumption charges charged in relation to that period.

### **(ii) Sale of water**

#### *Identifying the contract*

In addition to providing water delivery services, MIWB also supplies water to Incitec Pivot Ltd under a separate agreement. There are three contracts with the same counterparties and MIWB considered that these are linked contracts and accounted for as if they were one contract.

#### *Identifying performance obligations*

MIWB considered the nature of the performance obligation. In this situation, Incitec Pivot Ltd could not benefit from the supply of water without the delivery services nor could it benefit from the delivery services without the supply of water. Consequently, there is only one type of performance obligation, being the supply of water to the delivery point.

#### *Determining the timing of satisfaction of sale of water*

Unlike in a contract for water delivery services, the supply of water is a supply of goods. Each quantity of water is a separate performance obligation. As each performance obligation is satisfied at a point in time, the performance obligations would not meet the criteria to be treated as a series under AASB 15. The transaction price is therefore allocated across the multiple performance obligations.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### **2 Revenue From Contracts With Customers (cont.)**

#### *Determining transaction price and allocating consideration to the separate performance obligations*

The consideration payable under the (linked) contracts includes: fixed fee (for the supply of water) (This is subject to indexation each year and is repriced (to market price) after three years); fixed charges (as in the water delivery contract); consumption (of water delivery services) charges (as in the water delivery contract).

The fixed fee for the supply of water cannot go down. Consequently, there is both a fixed and a variable element to the consideration. Both the fixed and variable consideration are allocated across the performance obligations.

In relation to allocating the variable consideration to the separate performance obligations, the variable element of the fixed fee (indexation and market reviews) and the 'fixed' charge under the water delivery contract (formula driven) do not relate specifically to the volume of water delivered. Consequently, the variable consideration is allocated based on relative standalone selling prices. It is therefore necessary for MIWB to estimate the variable consideration that is highly probable to be received (i.e. limited by the reversal constraint) over the life of the contract. This consideration is then allocated across the performance obligations.

	2020 \$	2019 \$
<b>3 Expenses from Continuing Operations</b>		
<b>3a Employee Expenses</b>		
Wages and salaries	1,833,508	1,526,176
Annual leave expense*	10,457	12,139
Long service leave expense*	21,011	17,207
Employee housing allowance *	-	-
Board member fees	92,844	100,500
Employer's superannuation contributions*	199,952	161,747
<b>Employee Related Expenses</b>		
Worker's compensation premium*	10,350	13,213
Payroll tax*	48,590	62,703
	<u>2,216,712</u>	<u>1,893,686</u>

\* Refer to Note 1(m)

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

17.8

17.1

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 3b a) Key executive management personnel and related party disclosures

The directors of MIWB and the key executive management personnel, described as KMP, that had authority and responsibility for planning, directing and controlling the activities of the agency during the 2019-20 and during the 2018-19 financial year (for comparative purposes) were:

#### Board of Directors

Position	Responsibilities	Appointment authority	Date initially appointed to position (Date appointment ceased)
Chairperson - Mr Steve de Kruijff	Responsible for leading and directing the board, presiding at all meetings attended, for governing the operations of MIWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600,601 and 604	Chairperson: 27 May 2016
Director - Ms Alison Dowling (formerly Bohannan)	Responsible for governing the operations of MIWB and reporting and continuous disclosure to the Minister under the <i>Water Act 2000</i> .	<i>Water Act 2000</i> section 600 and 604	19/06/2014 (28/08/2019)
Director - Ms Lisa Clancy			29/08/2019
Director - Mr Neil Hatherly			19/06/2014 (28/08/2019)
Director - Mr Myles Johnston			Reappointed 4/02/2010 (28/08/2019)
Director - Mr George Fortune			15/09/2016
Director - Ms Karen Read			29/08/2019 (was Independent Chair of Finance, Audit and Compliance Committee from 23/07/2014)
Director - Ms Danielle Slade			29/08/2019 Resigned 16/06/2020

**3b a) Key executive management personnel and related party disclosures (cont.)**

**Key Executive Management Personnel**

Position	Responsibilities	Current Incumbents	
		Contract classification and	Date appointed to
Chief Executive	The Chief Executive is responsible for the overall financial and operational performance and day-to-day management of MIWB	Individual Employment Contract	30/09/2014
Finance Manager/Board Secretary	The Finance Manager/Board Secretary is responsible for managing all aspects of corporate accounting, financial management, and business services to ensure good governance of, and to support efficient operations across all functions of MIWB	Individual Employment Contract	12/02/2009
Commercial Manager	The Commercial Manager is responsible for providing leadership in all aspects of commercial management to drive continual improvement in the quality and value of service delivered by MIWB and establishing commercial management processes and control measures designed to minimise risk and maximise operational performance of contracts.	Individual Employment Contract	30/04/2019

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 3b b) Remuneration

Remuneration policy for MIWB's key management personnel is set by MIWB. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts provide for the provision of benefits including use of motor vehicles as a tool of trade.

For 2019-20 year, remuneration of key management personnel was reviewed by MIWB and recommended changes were approved by MIWB.

Remuneration packages for key management personnel comprise the following components:-

- Short term employee benefits which include:
  - Base - consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits - consisting of provision of vehicle as a tool of trade together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Performance bonuses are not part of the Executive Remuneration package and no performance bonuses were paid during 2018-19 or 2019-20.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

**3b b) Remuneration (cont.)**  
**Board of Directors' compensation**  
**1 July 2019 - 30 June 2020**

Position	Short Term Employee		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base <sup>(1)</sup>	Non-Monetary Benefits				
	\$	\$				
Chairperson - Mr Steve de Kruijff	38,423	-	-	3,842	-	42,266
Director - Ms Lisa Clancy	16,094	-	-	1,529	-	17,623
Ex-Director - Ms Alison Dowling (formerly Bohannan)	3,900	-	-	390	-	4,290
Ex-Director - Mr Neil Hatherly	3,900	-	-	390	-	4,290
Ex-Director - Mr Myles Johnston	3,900	-	-	390	-	4,290
Independent Chair of Finance, Audit & Compliance Committee (now Director) - Ms Karen Read	17,750	-	-	1,650	-	19,400
Ex-Director - Ms Danielle Slade	11,969	-	-	1,137	-	13,106
<b>Total Remuneration</b>	<b>95,937</b>	<b>-</b>	<b>-</b>	<b>9,328</b>	<b>-</b>	<b>105,265</b>

<sup>(1)</sup> 27 pay fortnights during year

**1 July 2018- 30 June 2019**

Position	Short Term Employee		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	\$	\$				
Chairperson - Mr Steve de Kruijff	37,000	-	-	3,700	-	40,700
Director - Ms Alison Dowling (formerly Bohannan)	19,500	-	-	1,950	-	21,450
Director - Mr Neil Hatherly	19,500	-	-	1,950	-	21,450
Director - Mr Myles Johnston	19,500	-	-	1,950	-	21,450
Independent Chair of Finance, Audit & Compliance Committee (now Director) - Ms Karen Read	5,000	-	-	110	-	5,110
<b>Total Remuneration</b>	<b>100,500</b>	<b>-</b>	<b>-</b>	<b>9,660</b>	<b>-</b>	<b>110,160</b>

**Key Executive Management Personnel compensation**  
**1 July 2019 - 30 June 2020**

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base <sup>(1)</sup>	Non-Monetary Benefits				
	\$	\$				
Chief Executive	294,871	3,378	6,498	23,392	-	328,140
Finance Manager	193,080	3,942	3,567	18,343	-	218,932
Operations Manager	-	-	-	-	-	-
Commercial Manager	227,608	512	552	21,623	-	250,295
<b>Total Remuneration</b>	<b>715,560</b>	<b>7,832</b>	<b>10,617</b>	<b>63,358</b>	<b>-</b>	<b>797,367</b>

<sup>(1)</sup> 27 pay fortnights during year

**1 July 2018- 30 June 2019**

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	\$	\$				
Chief Executive	272,593	-	4,850	22,187	-	299,629
Finance Manager	184,670	-	4,907	17,544	-	207,121
Operations Manager	13,805	-	-	979	-	14,784
Commercial Manager	30,348	-	42	2,883	-	33,272
<b>Total Remuneration</b>	<b>501,416</b>	<b>-</b>	<b>9,798</b>	<b>43,593</b>	<b>-</b>	<b>554,807</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 3b c) Transactions with Directors' and Director related entities

In the ordinary course of business, under normal terms and conditions and excluding Director remuneration, during the financial year MIWB has dealt with the following entities, which are Director related entities:

- Mount Isa City Council, of which Mr George Fortune was a councillor.

MIWB entered into 12 transactions for the supply of goods and services to director related entities during the year (2018-19: 13 transactions) and 16 transactions for the purchase of goods and services (2018-19: 15 transactions). The aggregate amounts recognised in profit or loss during the year relating to Directors and Director related entities, other than Directors' remuneration, comprise:

	2020 \$	2019 \$
<b>Revenue</b>		
Water Charges	10,613,592	10,174,934
<b>Expenditure</b>		
Other expenses	7,906	9,848
Supplies & Services - Other	6,077	5,392
R48 Infrastructure	-	784,800

Amounts receivable from and payable to directors and their director related entities at the reporting date comprise:

<b>Receivables</b>		
Trade receivables	879,362	861,461
<b>Payables</b>		
Trade creditors	-	1,591

### d) Transactions with Key Executive Management Personnel and Key Executive Management Personnel Related Entities

The terms and conditions of the transactions with Key Executive Management Personnel were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Key Executive Management Personnel related entities on an arm's length basis.

From time to time, Key Executive Management Personnel of MIWB or their related entities, may purchase goods from MIWB. These purchases are on the same terms and conditions as those entered into by other employees of MIWB or customers and are trivial or domestic in nature. There are no transactions with Key Executive Management Personnel and their related entities during the period.

	2020 \$	2019 \$
<b>3c Supplies and Services</b>		
Accounting and secretarial	45,050	54,321
Audit fees – External audit*	53,600	52,300
Audit fees – Internal fees	75,519	46,117
Professional Services	185,579	310,308
General repairs and maintenance	7,658	22,190
Insurance	215,801	205,470
Legal fees	233,423	123,214
Recruitment and relocation	64,803	79,239
Water testing	108,514	104,590
SunWater – Lake Julius	474,288	437,888
Power costs	4,676,189	4,588,182
Technical services	371,734	469,023
Operating and maintenance	3,637,550	4,095,555
Filtration costs	78,039	44,611
Other	734,359	587,212
	<b>10,962,106</b>	<b>11,220,220</b>

\* Total audit fees paid to the Queensland Audit Office relating to the 2019-20 financial statements are estimated to be \$53,600 (2019: \$52,300). There are no non-audit services included in this amount.

#### 4 Income Tax Expense

##### (a) Income tax equivalents expense

Current income tax charges	2,412,245	2,009,834
Deferred income tax relating to origination and reversal of temporary tax differences	(455,424)	(389,722)
Under/(over) provision in prior years	6,492	(152,636)
Tax rate change	-	(1,734,197)
Income tax expense	<b>1,963,313</b>	<b>(266,721)</b>

Deferred income tax(revenue) expense included in income tax expense comprises:

Decrease/(Increase) in deferred tax assets	(54,542)	(147,692)
(Decrease)/ Increase in deferred tax liabilities	(400,882)	(242,030)
	<b>(455,424)</b>	<b>(389,722)</b>

##### (b) Numerical reconciliation of income tax expense and tax expense calculated per statutory income tax rate

Profit from operations before income tax expense	7,115,052	5,889,718
Tax at the rate of 27.5% (2019: 27.5%)	1,956,641	1,619,672
Permanent tax differences	180	440
Under/(over) provision in prior years	6,492	(152,636)
Change to corporate tax rate	-	(1,734,197)
Income tax equivalents expense	<b>1,963,313</b>	<b>(266,721)</b>

##### (c) Tax expense relating to items of other comprehensive income

Deferred Tax		
Net gain/loss on revaluation of property, plant & equipment	613,116	1,091,530
	<b>613,116</b>	<b>1,091,530</b>

# Notes to the Financial Statements

For the year ended 30 June 2020 (continued)

	2020 \$	2019 \$
<b>5 Cash and Cash Equivalents</b>		
Cash at Bank	20,428,777	21,038,143
Deposits at Queensland Treasury Corporation, at call	329,955	324,833
	<u>20,758,733</u>	<u>21,362,976</u>
<b>6 Receivables</b>		
<b>Current</b>		
Trade Debtors	2,855,599	3,814,749
Accrued Interest	25,290	52,632
GST Receivable	155,493	189,094
	<u>3,036,382</u>	<u>4,056,475</u>
<b>7 Property Plant &amp; Equipment</b>		
Land:		
At fair value	88,571	88,571
	<u>88,571</u>	<u>88,571</u>
Leasehold Land:		
At cost	568,986	568,986
	<u>568,986</u>	<u>568,986</u>
Buildings:		
At fair value	1,147,770	1,147,770
Less: Accumulated depreciation	(688,662)	(672,265)
	<u>459,108</u>	<u>475,505</u>
Infrastructure: Pipelines		
At fair value	162,473,635	158,163,689
Less: Accumulated depreciation	(90,870,859)	(88,601,855)
	<u>71,602,776</u>	<u>69,561,834</u>
Infrastructure: Other		
At fair value	134,943,863	127,153,419
Less: Accumulated depreciation	(66,998,093)	(63,212,572)
	<u>67,945,770</u>	<u>63,940,847</u>
Plant and Equipment Infrastructure:		
At cost	1,965,142	2,060,763
Less: Accumulated depreciation	(1,131,965)	(1,087,271)
	<u>833,177</u>	<u>973,492</u>
Capital work in progress		
At cost	7,491,812	10,194,791
<b>Total</b>	<u><u>148,990,201</u></u>	<u><u>145,804,026</u></u>

## 7 Property Plant & Equipment (cont.)

### Movement in Carrying Amounts

The movement in the carrying amounts for each class of property, plant and equipment between the beginning and end of the financial year is summarised as follows:

30 June 2020	Balance at beginning of year	Adjustments Additions	Disposals	Revaluation increments / (decrements)	Depreciation expense	Transfers	Carrying amount at end of year
	\$	\$	\$	\$	\$	\$	\$
Land (at fair value)	88,571	-	-	-	-	-	88,571
Leasehold improvements on Land (at cost)	568,986	-	-	-	-	-	568,986
Buildings (at fair value)	475,505	-	-	-	(16,397)	-	459,108
Infrastructure: Pipelines (at fair value)	69,561,834	-	-	1,227,719	(2,031,610)	2,844,835	71,602,778
Infrastructure: Other (at fair value)	63,940,848	22,588	(68,050)	1,001,792	(3,181,781)	6,230,375	67,945,771
Plant and Equipment (at cost)	973,493	(22,588)	-	-	(156,107)	38,379	833,177
Capital WIP (at cost)	10,194,791	6,410,609	-	-	-	(9,113,589)	7,491,811
<b>TOTAL</b>	<b>145,804,026</b>	<b>6,410,609</b>	<b>(68,050)</b>	<b>2,229,511</b>	<b>(5,385,895)</b>	<b>-</b>	<b>148,990,201</b>

30 June 2019	Balance at beginning of year	Adjustments Additions	Disposals	Revaluation increments / (decrements)	Depreciation expense	Transfers	Carrying amount at end of year
	\$	\$	\$	\$	\$	\$	\$
Land (at fair value)	88,571	-	-	-	-	-	88,571
Leasehold improvements on Land (at cost)	568,986	-	-	-	-	-	568,986
Buildings (at fair value)	501,429	-	-	(9,210)	(16,714)	-	475,505
Infrastructure: Pipelines (at fair value)	69,140,645	-	-	2,275,939	(1,955,984)	101,234	69,561,834
Infrastructure: Other (at fair value)	62,110,926	-	-	1,693,264	(3,194,367)	3,331,025	63,940,848
Plant and Equipment (at cost)	997,582	-	-	-	(154,451)	130,362	973,493
Capital WIP (at cost)	3,581,443	10,175,969	-	-	-	(3,562,621)	10,194,791
<b>TOTAL</b>	<b>136,989,583</b>	<b>10,175,969</b>	<b>-</b>	<b>3,959,993</b>	<b>(5,321,517)</b>	<b>-</b>	<b>145,804,026</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 7 Property Plant & Equipment (cont.)

Land & Buildings - fair value hierarchy level 2 both 2019 and 2020

As at 30 June 2018, MIWB completed an independent valuation of its Land and Buildings in accordance with AASB 116 Property Plant and Equipment and AASB 13 Fair Value. A market based approach has been applied. MIWB engaged AssetVal to undertake an independent valuation of the Land assets. In addition to the formal revaluation of assets in 2018 MIWB applied indices to the 2019 and 2020 asset values in order to appropriately determine their fair value.

The valuation of 31 Carbonate Street Office Building used the Direct Comparison Approach as the Primary method, and the Cost Approach as the Secondary/Check method to determine Fair Value, therefore utilizing Level 2 inputs as per AASB 13. The Direct Comparison method involved researching a number of sales in the Mount Isa area, these sales were selected as evidence in determining a fair value. The selection criteria for these sales considered Location, Site Area, Topography, Zoning, Access and Potential Demand.

After determining Fair Value using the Direct Comparison Approach the Cost Approach was used as a secondary/check methodology to the Direct Comparison Approach. The Cost Approach adds the Depreciated Replacement Cost of the site improvements (office building) to a determined land value to arrive at Fair Value. To accomplish this a number of vacant land sales were selected as evidence to determine the land value of the site, allowing for adjustments for factors such as size, location shape and topography. The building replacement cost was obtained from the application of unit rates obtained from cost guides such as Rawlinsons Australian Construction Handbook while the Depreciation Rate was determined based on age and functionality of the subject building.

After considering both methods side by side, the valuation from the Primary Methodology was adopted for Fair Value of 31 Carbonate Street Office Building. The AASB 13 framework provides multiple methodologies to conduct level 2 and level 3 valuations, and sets out that the methodology that allows the most observable data to be utilized in producing the valuation should be adopted as the preferred methodology. As stated above, for the case of 31 Carbonate Street Office Building the methodology was the Direct Comparison Approach.

Leasehold improvement on Land

Leasehold improvement on land is held under perpetual leases and is valued at cost.

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## 7 Property Plant & Equipment (cont.)

Infrastructure: Pipelines & Other - fair value hierarchy level 3 both 2019 and 2020

As at 30 June 2018, MIWB completed an independent valuation of its pipeline and other infrastructure assets in accordance with AASB 116 Property Plant and Equipment and AASB 13 Fair Value Measurement. Other infrastructure and pipeline assets have been valued using a cost approach. In undertaking the valuation of the other infrastructure assets, due consideration has been given to the degree of obsolescence (physical, function/technical and economic) associated with each of these assets. MIWB engaged AssetVal to undertake an independent valuation of the fair value of the other and pipeline infrastructure assets. In doing this the valuer adopted the written down current replacement cost approach. Other infrastructure assets revalued included pump stations, storages, treatment facilities, buildings (including laboratories), electrical facilities and R48 facilities. Plant was excluded from the revaluation as were assets at the end of their useful life. In addition to the formal revaluation of assets in 2018 MIWB applied indices to the 2019 and 2020 values in order to appropriately determine their fair value.

Due to the predominantly specialised nature of water infrastructure assets, the valuations have been undertaken on a Cost Approach. The cost approach is deemed a Level 3 input. Under this approach, the following process has been adopted.

Level 3 Significant valuation inputs and relationship to fair value

Pipeline infrastructure assets have been assessed utilising valuation techniques that maximise the use of observable data where possible. Typically, the methodology applied will be determined based on the AASB 13 Input Decision tree. Standard valuation principles dictate that a cost approach method (generally incremental Greenfield) is a suitable primary methodology when assessing assets that have no active market nor has directly applicable income. The major steps in using the cost approach for these assets include:

- Where there is no market, the net current value of an asset is the gross value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides are utilized to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminary and professional fees. This is considered a Level 2 input.
- A condition assessment is applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.
- In determining the level of accumulated depreciation for major assets, the Valuer has disaggregated into significant components which exhibit different patterns of consumption (useful lives). The condition assessment is applied on the component basis.

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for sampled visible assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 7 Property Plant & Equipment (cont.)

Condition rating	Description explanation	Percentage of Life Remaining
1	Near new with no visible deterioration	90-100%
2	Excellent overall condition early stages of deterioration	80-90%
3	Very good overall condition with obvious deterioration evident	70-80%
4	Good overall condition, obvious deterioration, serviceability impaired very slightly	60-70%
5	Fair overall condition, obvious deterioration, some serviceability loss	50-60%
6	Fair to poor overall condition, obvious deterioration, some serviceability loss	40-50%
7	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs	30-40%
8	Very poor overall condition, severe deterioration, very high maintenance costs. Consider renewal	20-30%
9	Extremely poor condition, severe serviceability problems, renewal required immediately	10-20%
10	Failed asset, no longer serviceable. Should not remain in service	0-10%

The valuation techniques used in the determination of fair values maximize the use of observable data where it is available and relies as little as possible on entity specifics. The disclosure of valuation estimates is designed to provide users with an insight into the judgements that have been made in the determination of fair values.

#### Calculation of Gross Replacement Cost

The replacement cost of the water infrastructure assets was determined by applying the unit rates to each individual asset.

The unit rates applied include all materials, labour and overheads. These unit rates are estimated using information collated from similar recent project costs, direct quotations from suppliers, unit rate databases, indices and Rawlinsons' Construction Handbook.

#### Accumulated Depreciation

An assessment of remaining useful life was made using data supplied by Mount Isa Water Board. An assessment of remaining useful life was made by the Valuer taking into consideration the construction date, evidence of recent repairs or capital works and the surrounding environmental factors.

## 7 Property Plant & Equipment (cont.)

### Impact of Unobservable Inputs

The Valuer has undertaken a sensitivity analysis to observe the impact of unobservable inputs to Fair Value. The analysis is summarized in the following table:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of Labour Hours	5-100 hr/m <sup>2</sup>	The higher the labour hours, the higher the fair value
Raw material usage quantities	Varies dependent of type and applications	The higher the usage quantities, the higher the fair value
Condition Rating	1-10 as specified	The lower the condition rating, the higher the fair value
Remaining useful life	1-200 years	The longer the remaining life, the higher the fair value

### Carrying Amount of Assets Recognised at Fair Value

The Carrying Amount of Property, Plant and Equipment which has been revalued, that would have been recognised had the assets been carried at cost, is set out below:

	2020	2019
	\$	\$
<b>Land</b>	32,500	32,500
<b>Buildings</b>	775,460	775,460
<b>Infrastructure - Pipelines</b>	38,199,662	35,354,827
<b>Infrastructure - Other</b>	73,172,079	66,941,704
<b>TOTAL</b>	<b>112,179,701</b>	<b>103,104,491</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 8 Leases

MIWB has a perpetual lease of a piece of land from the Department of Natural Resources, Mines and Energy that is used for a pipeline. As the arrangement is perpetual, MIWB determined the estimated useful life of the pipeline as a reasonable basis of lease term which is 80 years.

MIWB does not have lease contracts with lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

#### Accounting policy

Until 30 June 2019, this lease was classified as operating lease. From 1 July 2019, a right-of-use asset and a corresponding liability was recognised by MIWB.

#### Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by MIWB under residual value guarantees;
- the exercise price of a purchase option if MIWB is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects MIWB exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases that relate to properties, MIWB's incremental borrowing rate is used, which is based on Queensland Treasury Corporation's fixed loan borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

MIWB's right-of-use asset is depreciated over the lease term on a straightline basis.

#### Reconciliation of movement of right-of-use asset

Opening balance- 1 July 2019	109,728
Depreciation expense	(1,368)
Closing balance- 30 June 2020	<u>108,360</u>

	2020 \$	2019 \$
<b>9 Payables</b>		
<b>Current Liabilities</b>		
Trade creditors	1,314,301	1,599,961
Other creditors	113,177	51,911
Accruals	5,379,823	5,471,771
Dividends payable *	4,121,396	4,925,151
	<u>10,928,698</u>	<u>12,048,793</u>

\* On 14 May 2020, MIWB wrote a letter to the Minister of Natural Resources, Energy and Mines recommending the payment of a dividend to the State for the financial year ended 30 June 2020 based on 80% of NPAT as per section 660(3) of the *Water Act 2000*. The Minister approved the Performance Plan on 16 June 2020 which included the dividend recommendation.

## 10 Other Financial Liabilities

### Current

Loans - Queensland Treasury Corporation	293,582	283,020
	<u>293,582</u>	<u>283,020</u>

### Non Current

Loans – Queensland Treasury Corporation	883,643	1,174,986
	<u>883,643</u>	<u>1,174,986</u>
<b>Total Financial Liabilities</b>	<u>1,177,225</u>	<u>1,458,006</u>

No assets have been pledged as security for any liabilities.

All borrowings are in \$AUD denominated amounts and carried at amortised cost. No interest has been capitalised during the current or comparative reporting period. The repayment date for the QTC loan is March 2024. There have been no defaults or breaches of the loan agreements during the period.

Principal and interest repayments are made quarterly in arrears with interest rates being 4.676%.

Queensland Treasury Corporation advises that the amount to be repaid is the market value of the debt which is \$1,271,789 (2019 \$1,573,185). Market Value at a relevant time reflects the remaining cash flows required to repay the debt, valued at the current market rate of interest at the time which equates to the amount that would be required at any point in time to be repaid, to extinguish the debt outstanding at that time.

It is the intention of MIWB to hold all its borrowings for their full term and as such there is no fair value adjustment required to be made to the carrying amount of the borrowings.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

	2020 \$	2019 \$
<b>11 Current and Deferred Tax</b>		
	2020 \$	2019 \$
<b>Assets</b>		
<b>Non-current</b>		
Deferred tax asset comprises:		
Employee benefits	51,093	44,200
Accrued expenses	14,740	7,862
Provisions: Other	9,972	-
Legal fees	2,289	-
Lease liability	30,176	-
Deferred income	38,345	40,012
Depreciation	-	168,112
Deferred tax asset	<u>146,615</u>	<u>260,185</u>
<b>Liabilities</b>		
<b>Non-current</b>		
Deferred tax liability comprises;		
Property Plant & Equipment	<u>20,082,276</u>	<u>20,038,154</u>
Net deferred tax liability	<u>19,935,661</u>	<u>19,777,969</u>
<b>12 Other Liabilities</b>		
	2020 \$	2019 \$
<b>Current</b>		
Lease liability	497	-
<b>Non-current</b>		
Grants received in advance	139,436	145,498
Lease liability	109,231	-
	<u>248,667</u>	<u>145,498</u>
	<u>249,164</u>	<u>145,498</u>

## 13 Asset Revaluation Surplus

The asset revaluation surplus represents the net effect of upward and downward revaluations of property, plant and equipment to fair value.

30 June 2020	Balance at beginning of year	Revaluation Increments	Revaluation Decrements	Impairment Losses through equity	Impairment reversals through equity	Balance at end of year
	\$	\$	\$	\$	\$	\$
Land	39,250	-	-	-	-	39,250
Buildings	-	-	-	-	-	-
Infrastructure	68,743,348	1,616,395	-	-	-	70,359,743
Plant & Equipment	76,253	-	-	-	-	76,253
<b>TOTAL</b>	<b>68,858,851</b>	<b>1,616,395</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>70,475,246</b>

30 June 2019	Balance at beginning of year	Revaluation Increments	Revaluation Decrements	Impairment Losses through equity	Impairment reversals through equity	Balance at end of year
	\$	\$	\$	\$	\$	\$
Land	39,250	-	-	-	-	39,250
Buildings	0	-	-	-	-	-
Infrastructure	65,865,677	2,877,671	-	-	-	68,743,348
Plant & Equipment	76,253	-	-	-	-	76,253
<b>TOTAL</b>	<b>65,981,180</b>	<b>2,877,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>68,858,851</b>

Revaluation increments and decrements above are disclosed net of tax.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 14 Cashflow Information

Reconciliation of Profit to Net Cash from Operating Activities	2020	2019
	\$	\$
Profit after income tax	5,151,740	6,156,439
Depreciation	5,385,895	5,321,517
Depreciation - Right-To-Use Asset	1,368	-
Loss on write off	68,050	-
Revaluation decrement	-	9,210
Profit on Sale of Asset	(49,818)	(16,818)
	<b>10,557,234</b>	<b>11,470,348</b>
<b>Movement in Operating Assets and Liabilities</b>		
Receivables	959,150	(733,482)
Interest Receivable	27,342	3,675
GST Receivables	33,601	(50,160)
Prepayments	12,418	(18,107)
Payables	(316,340)	863,684
Annual Leave	14,979	27,670
Long Service Leave	21,011	(13,571)
Deferred Income	(6,063)	(6,063)
Deferred Tax including tax effect of revaluations	(452,648)	(2,162,501)
Provision for Taxes	114,569	527,902
Net cash from operating activities	<b>10,965,253</b>	<b>9,909,395</b>

#### Changes in Liabilities Arising from Financing Activities

2020	Non-Cash Charges			Cash Flows		Closing Balance 2020 \$	
	Closing Balance 2019 \$	Transfers to/(from other Queensland Government Entities \$)	New Leases Acquired \$	Other \$	Cash Received \$		Cash Repayments \$
Borrowings	1,458,006	-	-	-	-	280,781	1,177,225
Dividends Payable	4,925,151	-	-	4,121,396	-	4,925,151	4,121,396
Total	6,383,157	-	-	4,121,396	-	5,205,932	5,298,621
<b>2019</b>							
2019	Non-Cash Charges			Cash Flows		Closing Balance 2019 \$	
	Closing Balance 2018 \$	Transfers to/(from other Queensland Government Entities \$)	New Leases Acquired \$	Other \$	Cash Received \$		Cash Repayments \$
Borrowings	1,726,032	-	-	-	-	268,026	1,458,006
Dividends Payable	1,212,756	-	-	4,925,151	-	1,212,756	4,925,151
Total	2,938,788	-	-	4,925,151	-	1,480,782	6,383,157

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## 15 Financial Instruments

### Financial Risk Management

MIWB's financial instruments consist primarily of cash and cash equivalents, accounts receivable and payable, and loans from Queensland Treasury Corporation.

The main purpose of non-derivative financial instruments is to raise finance for operations.

The Board has overall responsibility for the determination of the entity's risk management objectives and policies. It has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to MIWB's Finance Manager. MIWB's risk management policies and objectives are designed to minimise the potential impacts of these risks on the results of MIWB where such impacts may be material. MIWB receives monthly reports from the Finance Manager through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The entity's internal auditors also review the risk management policies and processes and report their findings to the Audit and Finance Committee.

MIWB does not have any derivative instruments at financial year end.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

#### i) Financial Risk Management

MIWB's activities expose it to a variety of financial risks - interest rate risk, credit risk, liquidity risk and market risk. All financial risk is managed by the Finance Section under policies approved by MIWB. MIWB provides written principles for overall risk management, as well as policies covering specific areas.

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

Risk Exposure	Measurement Method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Cash flow analysis
Market risk	Interest rate sensitivity analysis

#### ii) Credit Risk Exposure

Credit risk exposure refers to the situation where MIWB may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. MIWB's credit risk arises from cash and cash equivalents and trade receivables.

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 15 Financial Instruments (cont.)

#### ii) Credit Risk Exposure (cont.)

The maximum exposure to credit risk at reporting date in relation to each asset class of recognised financial assets is the gross carrying amount of those assets (inclusive of any provision for impairment) as disclosed in the Statement of Financial Position.

There is concentration of credit risk with respect to receivables as MIWB has a small number of customers. MIWB policy is that water sales are only made to eligible customers.

MIWB has four key customers which operate in the West Queensland region. As such there is some concentration of trade receivables. The individual most material trade receivable balance at 30 June 2020 is \$2,012,945, which represents 60.6 per cent of the total trade receivables at reporting date (2019 \$3,006,128 and 72.2 per cent).

No collateral is held as security and no credit enhancements relate to financial assets held by MIWB.

MIWB manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that MIWB invests in secure assets and monitors all funds owned on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

#### *Trade receivables and contract assets*

MIWB uses a provision matrix to calculate expected credit losses for trade receivables and contract assets. The provision rates are based on days past due for customers that have similar loss patterns.

The provision matrix is initially based on MIWB's historical observed default rates. MIWB will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions.

No provision for expected credit loss has been recognised on the basis of historical default rates, forward looking information and materiality as at 30 June 2019 and 30 June 2020.

## 15 Financial Instruments (cont.)

### iii) Liquidity Risk

Liquidity risk refers to the situation where MIWB may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or other financial assets.

MIWB is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for capital works. The borrowings are based on Queensland Government's gazetted floating rate.

MIWB manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring MIWB has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by MIWB. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to the liabilities and the repayment of the principal amount outstanding at reporting date. The undiscounted cash flows in these tables differ from the amounts in the Statement of Financial Position.

#### 2020 Payable in

	Note	< 1 year	1 - 5 years	> 5 years	Total
<b>Financial Liabilities</b>		\$	\$	\$	\$
Payables	9	10,928,698	-	-	10,928,698
Other financial liabilities					
- QTC Borrowings	10	293,582	883,643	-	1,177,225
<b>Total</b>		<b>11,222,280</b>	<b>883,643</b>	<b>-</b>	<b>12,105,923</b>

#### 2019 Payable in

	Note	< 1 year	1 - 5 years	> 5 years	Total
<b>Financial Liabilities</b>		\$	\$	\$	\$
Payables	9	12,048,793	-	-	12,048,793
Other financial liabilities					
- QTC Borrowings	10	343,426	1,287,849	0	1,631,275
<b>Total</b>		<b>12,392,220</b>	<b>1,287,849</b>	<b>0</b>	<b>13,680,069</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 15 Financial Instruments (cont.)

#### iv) Market Risk

MIWB does not trade in foreign currency and is not materially exposed directly to commodity price changes or other market prices. MIWB is exposed to interest rate risk through its borrowings from Queensland Treasury Corporation and cash deposits in interest bearing accounts. MIWB does not undertake any hedging in relation to interest risk.

#### v) Interest Rate Risk

The MIWB's exposure to 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.

#### Interest Rate Sensitivity Analysis

The following interest rate sensitivity analysis is based on a report similar to that which may be provided to management, depicting the outcome to profit or loss and equity if interest rates would change by +/- 1% from the year-end rates applicable to MIWB's financial assets and liabilities. With all other variables held constant, MIWB would have a surplus and equity increase/(decrease) of \$207,587 (2019: \$216,630). This is mainly attributable to MIWB's exposure to variable interest rates on Cash and cash equivalents and variable interest rates on its borrowings from Queensland Treasury Corporation.

2020 Financial Instruments	Carrying Amount \$	2020 Interest Rate Risk			
		-1%		+1%	
		Profit or Loss \$	Equity \$	Profit or Loss \$	Equity \$
Cash and cash equivalents	20,758,733	(207,587)	(207,587)	207,587	207,587
<b>Potential Impact on Profit and Equity</b>		<b>(207,587)</b>	<b>(207,587)</b>	<b>207,587</b>	<b>207,587</b>

## 15 Financial Instruments (cont.)

### v) Interest Rate Risk (cont.)

MIWB's sensitivity to interest has decreased in the current period due to increases in cash.

2019 Financial Instruments	Carrying Amount	2019 Interest Rate Risk			
		-1%		+1%	
		Profit or Loss	Equity	Profit or Loss	Equity
	\$	\$	\$	\$	\$
Cash and cash equivalents	21,362,976	(213,630)	(213,630)	213,630	213,630
<b>Potential Impact on Profit and Equity</b>		<b>(213,630)</b>	<b>(213,630)</b>	<b>213,630</b>	<b>213,630</b>

### Fair Value

MIWB does not recognise any financial assets or financial liabilities at fair value.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any provision for impairment, as recognised in the Statement of Financial Position.

The fair value of Borrowings is notified by the Queensland Treasury Corporation. It is calculated using discounted cash flow analysis and the effective interest rate (refer Note 10) and is disclosed below:

	2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost:				
QTC Borrowings	1,177,225	1,271,789	1,458,006	1,573,185
<b>Total</b>	<b>1,177,225</b>	<b>1,271,789</b>	<b>1,458,006</b>	<b>1,573,185</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 16 Contingencies

At the date of this report, there are no known contingent liabilities apart from the matters referred to below:

#### (a) Contractual Variations, Liquidated Damages and Personnel Rates

On 23 July 2020, Mount Isa Water Board received a letter from the principal contractor on the Design, Supply and Construction of Potable Water Tanks at MITR, making claims regarding Agreed and Disputed Variations, Liquidated Damages and Personnel Rates. The letter makes claims regarding Contractors Variation, Contractor's liability for 'Personnel Rates', Liquidated Damages and Contractor's claims relating to COVID-19. The total value of the claim is \$489,005.35 exclusive of GST.

Mount Isa Water Board rejects the claim and has proposed the parties hold a meeting between its CEO representatives, in accordance with clause 30 of the Conditions of Contract, to facilitate a commercial resolution of the issues.

## 17 Budget vs Actual Comparison

### Statement of Comprehensive Income

	Variance Notes	Budget 2020 \$	Actual 2020 \$	Variance \$	Variance % of Budget
<b>INCOME FROM CONTINUING OPERATIONS</b>					
Revenue					
Water charges	1	25,160,505	26,169,104	1,008,599	4.0%
Interest	2	390,000	214,047	(175,953)	-45.1%
Other revenue	3	786,000	8,970	(777,030)	-98.9%
<b>TOTAL REVENUE</b>		<b>26,336,505</b>	<b>26,392,121</b>	<b>55,616</b>	<b>0.2%</b>
Gain on sale of property, plant and equipment		-	49,818	49,818	NA
<b>TOTAL INCOME FROM CONTINUING OPERATIONS</b>		<b>26,336,505</b>	<b>26,441,940</b>	<b>105,435</b>	<b>0.4%</b>
<b>EXPENSES FROM CONTINUING OPERATIONS</b>					
Employee expenses	4	(2,350,500)	(2,216,712)	133,788	-5.7%
Supplies and services	5	(14,922,269)	(10,962,106)	3,960,163	-26.5%
Depreciation and amortisation		(5,647,634)	(5,385,895)	261,739	-4.6%
Depreciation - Right-To-Use Asset		-	(1,368)	(1,368)	NA
Finance/borrowing costs		(63,000)	(61,105)	1,895	-3.0%
Lease interest		-	(3,267)	(3,267)	NA
Revaluation decrement		-	-	-	NA
Other expenses		(704,200)	(628,385)	75,815	-10.8%
Losses					
Loss on sale of property, plant & equipment		-	(68,050)	(68,050)	NA
<b>TOTAL EXPENSES FROM CONTINUING OPERATIONS</b>		<b>(23,687,603)</b>	<b>(19,326,887)</b>	<b>4,360,716</b>	<b>-18.4%</b>
<b>OPERATING RESULTS FROM CONTINUING OPERATIONS BEFORE INCOME TAX</b>		<b>2,648,902</b>	<b>7,115,053</b>	<b>4,466,151</b>	<b>168.6%</b>
Income tax expense		(1,157,389)	(1,963,313)	(805,924)	-69.6%
<b>OPERATING RESULTS FROM CONTINUING OPERATIONS AFTER INCOME TAX</b>		<b>1,491,513</b>	<b>5,151,740</b>	<b>3,660,227</b>	<b>245.4%</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
<i>Items that will not be reclassified subsequently to Operating Result:</i>					
Increase (decrease) on revaluation of property, plant and equipment		-	1,616,395	1,616,395	NA
<b>TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX</b>		<b>-</b>	<b>1,616,395</b>	<b>1,616,395</b>	<b>NA</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>1,491,513</b>	<b>6,768,135</b>	<b>5,276,622</b>	<b>353.8%</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

### 17 Budget vs Actual Comparison (cont.)

#### Statement of Financial Position

	Variance Notes	Budget 2020 \$	Actual 2020 \$	Variance \$	Variance % of Budget
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	20,582,599	20,758,733	176,134	0.9%
Receivables	7	2,876,256	3,036,382	160,126	5.6%
Other current assets		208,763	12,757	(196,006)	-94%
<b>TOTAL CURRENT ASSETS</b>		<b>23,667,618</b>	<b>23,807,872</b>	<b>140,254</b>	<b>0.6%</b>
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment		144,424,241	148,990,201	4,565,960	3.2%
Right-To-Use Asset		-	108,360	(108,360)	NA
<b>TOTAL NON-CURRENT ASSETS</b>		<b>144,424,241</b>	<b>149,098,561</b>	<b>4,457,599</b>	<b>3.1%</b>
<b>TOTAL ASSETS</b>		<b>168,091,859</b>	<b>172,906,433</b>	<b>4,814,574</b>	<b>2.9%</b>
<b>CURRENT LIABILITIES</b>					
Payables		6,684,592	6,807,302	122,710	1.8%
Accrued employee benefits		75,802	129,941	54,139	71.4%
Dividend payable		3,646,959	4,121,396	474,437	NA
Other financial liabilities		293,582	293,582	0	0.0%
Tax liabilities		473,144	640,566	167,422	35.4%
Other liabilities		-	497	497	NA
<b>TOTAL CURRENT LIABILITIES</b>		<b>11,174,079</b>	<b>11,993,283</b>	<b>819,204</b>	<b>7.3%</b>
<b>NON-CURRENT LIABILITIES</b>					
Accrued employee benefits		59,000	66,775	7,775	13.2%
Other financial liabilities		881,404	883,643	2,239	0.3%
Deferred tax liabilities	8	20,833,235	19,935,661	(897,574)	-4.3%
Other liabilities		139,561	248,667	109,106	78.2%
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>21,913,200</b>	<b>21,134,747</b>	<b>(778,453)</b>	<b>-3.6%</b>
<b>TOTAL LIABILITIES</b>		<b>33,087,279</b>	<b>33,128,031</b>	<b>40,752</b>	<b>0.1%</b>
<b>NET ASSETS</b>		<b>135,004,580</b>	<b>139,778,402</b>	<b>4,773,822</b>	<b>3.5%</b>
<b>EQUITY</b>					
Contributed equity		30,430,390	30,430,390	-	0.0%
Accumulated surplus		38,593,010	38,872,766	279,756	0.7%
Asset revaluation surplus		65,981,180	70,475,246	4,494,066	6.8%
<b>TOTAL EQUITY</b>		<b>135,004,580</b>	<b>139,778,402</b>	<b>4,773,822</b>	<b>3.5%</b>

## 17 Budget vs Actual Comparison (cont.)

### Statement of Cash Flow

	Variance Notes	Budget 2020 \$	Actual 2020 \$	Variance \$	Variance % of Budget
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<i>Inflows:</i>					
Receipts from customers		25,056,640	26,136,122	1,079,482	4.3%
Interest received		390,000	241,389	(148,611)	-38.1%
Other revenue		786,000	995,039	209,039	26.6%
GST per budget	9	2,453,341	-	(2,453,341)	-100.0%
GST Input Tax Credits from ATO	9	-	1,730,430	1,730,430	NA
GST received from customers	9	-	103,486	103,486	NA
<i>Outflows:</i>					
Employee expenses		(2,350,500)	(2,201,733)	148,767	-6.3%
Supplies and services	5	(13,450,956)	(11,245,015)	2,205,941	-16.4%
Finance/borrowing costs		(63,180)	(61,598)	1,582	-2.5%
Other expenses		(704,200)	(628,385)	75,815	-10.8%
GST paid to suppliers	9	-	(1,699,860)	(1,699,860)	NA
GST remitted to ATO	9	-	(100,455)	(100,455)	NA
Income taxes paid		(1,551,496)	(2,304,168)	(752,672)	48.5%
<b>Net cash provided by (used in) operating activities</b>		<b>10,565,649</b>	<b>10,965,253</b>	<b>399,604</b>	<b>3.8%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Inflows:</i>					
Proceeds from sale of property, plant and equipment		-	49,818	49,818	NA
<i>Outflows:</i>					
Payments for property, plant and equipment		(8,029,203)	(6,410,609)	1,618,594	-20.2%
<b>Net cash provided by (used in) investing activities</b>		<b>(8,029,203)</b>	<b>(6,360,791)</b>	<b>1,668,412</b>	<b>-20.8%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Outflows:</i>					
Repayment of loans		(280,246)	(280,780)	(534)	0.0%
Loans received		-	-	-	NA
Payment of lease liability		-	(2,774)	(2,774)	NA
Dividends paid		(3,608,356)	(4,925,151)	(1,316,795)	36.5%
<b>Net cash provided by (used in) financing activities</b>		<b>(3,888,602)</b>	<b>(5,208,705)</b>	<b>(1,320,103)</b>	<b>33.9%</b>
Net increase (decrease) in cash and cash equivalents		(1,352,156)	(604,243)	747,913	-55.3%
Cash and cash equivalents at beginning of financial year		21,934,755	21,362,976	(571,779)	-2.6%
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>20,582,599</b>	<b>20,758,733</b>	<b>176,134</b>	<b>0.9%</b>

# Notes to the Financial Statements

## For the year ended 30 June 2020 (continued)

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### 17 Budget vs Actual Comparison (cont.)

#### Explanations of Major Variances

##### Statement of Comprehensive Income

1. Actuals are higher than budget due to higher rates.
2. Actuals are lower than budget due to lower than forecast interest rates.
3. Actuals are higher than budget due to higher than budgeted electricity charges.
4. Actuals are lower than budget due to vacant positions during the year.
5. Actuals are lower than budget due to lower than budgeted operational costs.

##### Statement of Financial Position

6. Actuals are higher than budget due to lower expenses during the financial year.
7. Actuals are higher than budget due to a pricing dispute with MIM.
8. Actuals are lower than budget due end of year tax adjustments

##### Statement of Cash Flows

9. For budgeting purposes GST is not split between the categories reported in the financial statements.

# Certificate of the Mount Isa Water Board

These general purpose financial statements have been prepared pursuant to section 62 (1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with Section 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 statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Mount Isa Water Board for the period 1 July 2019 to 30 June 2020 and of the financial position of the Mount Isa Water Board as at the end of that year.

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* 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.



Steve de Kruijff

**Chairperson**



Stephen Farrelly

**Chief Executive Officer**

**Dated**      **20th**      **day of**      **August**      **2020**

# Independent Auditor's Report



## INDEPENDENT AUDITOR'S REPORT

To the Board of Mount Isa Water Board

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Mount Isa Water Board.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2020, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 summaries of significant accounting policies and other explanatory information, and the management certificate.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 entity 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 Auditing Standards*.

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

#### Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity'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 entity 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity'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 entity'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 entity 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 Board 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.

# Independent Auditor's Report (continued)



## Report on other legal and regulatory requirements

### Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

### Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.

A handwritten signature in black ink, appearing to read "Vaughan Stemmett", is written over a horizontal line.

24 August 2020

Vaughan Stemmett  
as delegate of the Auditor-General

Queensland Audit Office  
Brisbane

# Glossary

<b>ADWG</b>	Australian Drinking Water Guidelines (2011)
<b>ANZECC</b>	Australian and New Zealand Environment and Conservation Council
<b>Blue-green algae</b>	A naturally occurring type of bacteria known as “Cyanobacteria” found in rivers, lakes, damp soil, tree trunks and hot springs. Some species of BGA have the potential to produce toxins.
<b>Board</b>	The Board of Directors of Mount Isa Water Board
<b>DNRME</b>	Department of Natural Resources, Mines and Energy
<b>DWQMP</b>	Drinking Water Quality Management Plan
<b>EBIT</b>	Earnings before Interest and Tax
<b>FTE</b>	Full Time Equivalent (employee)
<b>Glencore</b>	Glencore completed a merger with Xstrata in May 2013 and the local mining operator is now known as Mount Isa Mines, a Glencore Company
<b>Lake Julius</b>	Owned and operated by Sunwater, a government-owned corporation
<b>Lake Moondarra</b>	Owned by Mount Isa Mines Limited as resource operations licence holder
<b>MIWB</b>	Mount Isa Water Board, as the Statutory Corporate entity
<b>MICC</b>	Mount Isa City Council
<b>ML</b>	Megalitre (one million litres)
<b>R48 Reserve</b>	R48 Water and Recreation Reserve
<b>RTI</b>	Right to Information relating to the <i>Right to Information Act 2009</i>
<b>Sunwater</b>	The government-owned corporation operating under that name
<b>Water Act</b>	<i>Water Act 2000 (Qld)</i> as amended

# Annual report compliance checklist

Summary of requirement	Basis for requirement	Annual report reference
<b>Letter of compliance</b>	A letter of compliance from the accountable officer or statutory body to the relevant Minister/s	ARRs – section 7 1
<b>Accessibility</b>	Table of contents	ARRs – section 9.1 2
	Glossary	85
	Public availability	ARRs – section 9.2 inside front cover
	Interpreter service statement	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 inside front cover
	Copyright notice	<i>Copyright Act 1968</i> ARRs – section 9.4 inside front cover
	Information Licensing	QGEA – <i>Information Licensing</i> ARRs – section 9.5 inside front cover
<b>General information</b>	Introductory Information	ARRs – section 10.1 3
	Machinery of Government changes	ARRs – section 10.2, 31 and 32 N/A to MIWB
	Agency role and main functions	ARRs – section 10.2 4
	Operating environment	ARRs – section 10.3 3-4
<b>Non-financial performance</b>	Government's objectives for the community	ARRs – section 11.1 5
	Other whole-of-government plans/specific initiatives	ARRs – section 11.2 N/A to MIWB
	Agency objectives and performance indicators	ARRs – section 11.3 5, 10-14
	Agency service areas and service standards	ARRs – section 11.4 N/A to MIWB
<b>Financial performance</b>	Summary of financial performance	ARRs – section 12.1 10, 23-24
<b>Governance – management and structure</b>	Organisational structure	ARRs – section 13.1 18-21
	Executive management	ARRs – section 13.2 20-21
	Government bodies (statutory bodies and other entities)	ARRs – section 13.3 20
	Public Sector Ethics	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 16
	Human Rights	<i>Human Rights Act 2019</i> ARRs – section 13.5 17
	Queensland public service values	ARRs – section 13.6 5
<b>Governance – risk management and accountability</b>	Risk management	ARRs – section 14.1 21
	Audit committee	ARRs – section 14.2 20
	Internal audit	ARRs – section 14.3 22
	External scrutiny	ARRs – section 14.4 22
	Information systems and recordkeeping	ARRs – section 14.5 21

<b>Summary of requirement</b>	<b>Basis for requirement</b>	<b>Annual report reference</b>
<b>Governance - human resources</b>	Strategic workforce planning and performance	ARRs - section 15.1 16-17
	Early retirement, redundancy and retrenchment	Directive No.04/18 Early Retirement, Redundancy and Retrenchment ARRs - section 15.2 N/A to MIWB
<b>Open Data</b>	Statement advising publication of information	ARRs - section 16 22
	Consultancies	ARRs - section 33.1 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
	Overseas travel	ARRs - section 33.2 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
	Queensland Language Services Policy	ARRs - section 33.3 <a href="https://data.qld.gov.au">https://data.qld.gov.au</a>
<b>Financial statements</b>	Certification of financial statements	FAA - section 62 FPMS - sections 38, 39 and 46 ARRs - section 17.1 81
	Independent Auditor's Report	FAA - section 62 FPMS - section 46 ARRs - section 17.2 82

FAA *Financial Accountability Act 2009*

FPMS Financial and Performance Management Standard 2019

ARRs Annual report requirements for Queensland Government agencies

This annual report is available for viewing or download from [www.mountisawater.qld.gov.au/ourdata/corporate-documents](http://www.mountisawater.qld.gov.au/ourdata/corporate-documents)

