

MOUNT ISA WATER BOARD



ANNUAL REPORT

2018–2019

Vision

To be a respected leader in regional water distribution and treatment.

Mission

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
-



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

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Copies of this publication can be obtained by contacting (07) 4740 1000, visiting Mount Isa Water Board's office at 31 Carbonate Street, Mount Isa during business hours or by downloading the report from www.mountisawater.qld.gov.au/ourdata/corporate-documents.

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3 September 2019

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 2018–19 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 2009*, 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 at pages 97 and 98 of this annual report or accessed at www.mountisawater.qld.gov.au.

Yours sincerely

A handwritten signature in black ink, appearing to read "Steve de Kruijff".

Steve de Kruijff

Chair
Mount Isa Water Board



Lake Julius environs – Alan Mathieson

About Mount Isa Water Board

Mount Isa Water Board began operation in 1974 with the commencement of construction of the Lake Julius scheme to supply bulk water to industrial customers and the city of Mount Isa.

In October 2000, Mount Isa Water Board (MIWB) was established as a Category 1 Water Authority under the *Water Act 2000* (Water Act) to operate on a commercial basis.

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

Role and functions

Under section 569 of the Water Act, the main function of a water authority is to carry out water activities decided by that authority. A water authority may carry out water activities outside of its authority area if carrying out those activities does not limit the authority's ability to perform its main function, or financially prejudice the authority, or the interests of ratepayers or customers. In the case of MIWB, any such activities must also be in accordance with the approved Performance Plan.

Each year, MIWB submits 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.

Customers

MIWB's three major customers are:

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

MIWB is also the trustee of a water catchment and recreation reserve (R48 Reserve) around Lake Moondarra, located approximately 16 kilometres north of Mount Isa. MIWB acts as trustee on behalf of the Department of Natural Resources, Mines and Energy, as administrator of the *Land Act 1994*.

R48 Reserve provides a sanctuary for wildlife and popular leisure areas, where MIWB maintains several recreational facilities including picnic and play areas and water sports facilities.

Fast Facts

- MIWB is one of only two Category 1 water authorities in Queensland, which have specific responsibilities under legislation.
- MIWB maintains \$146 million of vital water supply and treatment infrastructure, including 88 kilometres of transmission pipeline from Lake Julius to Mount Isa.
- MIWB supplies approximately 17 billion litres of water to customers, the equivalent of 6,800 Olympic swimming pools, from Lake Moondarra and Lake Julius.
- MIWB pumps 100 per cent of the water supplied, with all water sources on the Leichhardt River downstream of Mount Isa. Despite significant pumping costs, MIWB's supply is cost competitive compared to the Queensland average volumetric cost.
- MIWB conducts an extensive water quality sampling and testing program. Over 24,000 water quality tests were conducted in 2018–19 from 4,399 samples, monitoring water provided to customers against water quality standards.
- Produces drinking water 100 per cent compliant with the Australian Drinking Water Guidelines using an advance microfiltration plant progressively constructed from 2014.
- MIWB delivers to Mount Isa City Council the 20 megalitres of potable water required by the city each day.
- MIWB is a local employer whose staff live in Mount Isa and contribute to the Mount Isa community.
- MIWB provides amenities for visitors to the R48 Reserve, which include playgrounds, gazebos and barbecues.
- Lake Moondarra facilities are visited and enjoyed by thousands of people each year, including residents and visitors to the region.



Clear Water Lagoon

Communication objective

This annual report provides information about MIWB's financial and non-financial performance during 2018–19.

The report describes our 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 2009*, which provides specific requirements for information that is to be disclosed in annual reports, other legislative requirements and the Queensland Government's *Annual report requirements for Queensland Government agencies for 2018–19*.

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 the MIWB on (07) 4740 1000 and an interpreter will be arranged to effectively communicate the report to you.



Readers are invited to comment on this report by emailing info@mountisawater.qld.gov.au

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Col Popple Pump Station, Clear Water Lagoon

Highlights of 2018–19

2018–19 saw fit-for-purpose water reliably supplied to all of our major industrial customers and safe drinking water delivered to the city of Mount Isa. Consistent with the Board's strategic direction statement, MIWB continued to improve the water quality supplied to Mount Isa City Council, achieving the highest assured quality of water ever delivered since the scheme commenced.

Objectives

MIWB's key objectives are consistent with section 640 of the Water Act which are to be:

- (a) commercially successful in carrying out its activities
- (b) efficient and effective in providing goods and delivering its services, including activities performed as community service obligations.

MIWB's commercial success, efficiency and effectiveness are measured against its financial and non-financial performance targets stated in its Performance Plan.

Key operational achievements

During 2018–19, MIWB:

- achieved 100 per cent compliance with the aesthetic and health measures for drinking water
- established an in-house water operations function delivering improved outcomes at lower cost than previous contract arrangements; and

- successfully delivered more than \$10 million capital improvements essential to sustaining the reliability of the supply system.

Key financial results

As shown in Table 1, MIWB recorded an overall operating profit of \$6 million. Costs were well managed and close to budget with the main exception of lower than budget staffing costs due to continued challenges recruiting specialist staff.

The average delivered drinking water price continued to be very competitive at \$1.50 per 1,000 litres compared to the State Bulk Water Price of \$2.92 per 1,000 litres being paid by Brisbane consumers.

Total assets rose by \$8 million due to an historically large capital program with heavy investment in the renewal of aged electrical infrastructure. The program contributed to the net fall in cash holdings of \$1.7 million.

Table 1 Financial performance overview 2018–19

	2018-19	2017-18	2016-17
Financial performance			
Operating revenue	\$25.1m	\$22.27m	\$22.54m
Operating expenses	\$19.22m	\$20.14m ⁽¹⁾	\$17.84m
Operating profit	\$5.89m	\$2.14m	\$4.69m
Profit from ordinary activities (after tax)	\$6.16m ⁽²⁾	\$1.52m	\$3.28m
Financial position			
Total assets	\$171.25m	\$163.35m	\$158.31m
Total liabilities	\$34.12m	\$30.33m	\$31.04m
Net assets	\$137.13m	\$133.02m	\$127.27m
Cash flow			
Net cash provided by operating activities	\$9.92m	\$8.93m	\$8.94m
Cash at end of financial year	\$21.37m	\$23.08m	\$20.98m
Ratios			
Current ratio	2.0	3.4	3.2
Liabilities/assets ratio	19.9%	18.6%	19.6%
Liabilities/equity ratio	24.9%	22.8%	24.4%

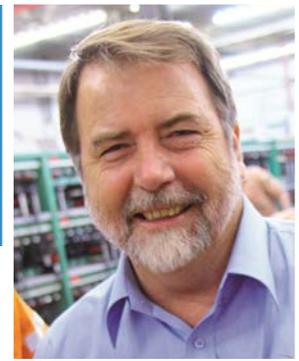
(1) 2017–18 Operating expenses include one-off items for asset write-downs totaling \$1,618,225.

(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.



'The Junction' Lake Moondarra

Chair's review



I am pleased to present Mount Isa Water Board's (MIWB) 2018–19 Annual Report.

Fundamental to the Mount Isa region's water supply, are significant, wet season rainfalls, which arrived in early February 2019 for both Lake Moondarra and Lake Julius, filling both dams above historical levels. The Mount Isa region will continue to prosper, confident of a sustainable water supply for the next three years, even without further inflow.

Consumption continued to grow, assisting the MIWB to produce an improved revenue outcome of \$25.1 million for the 2018–19 financial year. MIWB management and operational achievement also continued to impress the Board, including the organisation's unwavering commitment to a culture of a safe workplace for all.

MIWB achieved 100 per cent compliance with the aesthetic and health measures as detailed by the Australian Drinking Water Guidelines.

Our commitment to continuous improvement of the water treatment process through various system improvements in 2018–19 has paid off with the best ever water quality being achieved, since the scheme commenced. The improvements were brought about by more efficient management of chlorine, strengthening of in-house operations and increased high-tech testing.

The Board is pleased to report a 94.7 per cent delivery of the \$10.7 million capital program budget for 2018–19. Major achievements in the program include:

- (i) upgrading of high voltage switchyards, ensuring greater reliability and improved service for the future
- (ii) pump reconfigurations at Lake Julius which have led to 22 per cent improved efficiency in power consumption with further efficiencies already identified
- (iii) sealing of the Lake Moondarra foreshore road on the R48 Reserve and renovations in the parkland, resulting in improved recreational facilities for residents and visitors alike, and enthusiastic usage by them.

During 2018–19, MIWB made the important decision to tender the Operational and Maintenance work, which Mount Isa Mines Ltd (MIM) has supplied for the past 43 years. The Board is confident, given the quality of expressions of interest received, that the outcome will be positive for MIWB customers with improved efficiencies being realised from 2020–21 onwards.

MIWB reported an improved financial performance for the 2018–19 year with Earnings before Interest and Tax (EBIT) of \$6 million. Of this a significant portion is returned to the Mount Isa City Council by the Queensland Government.

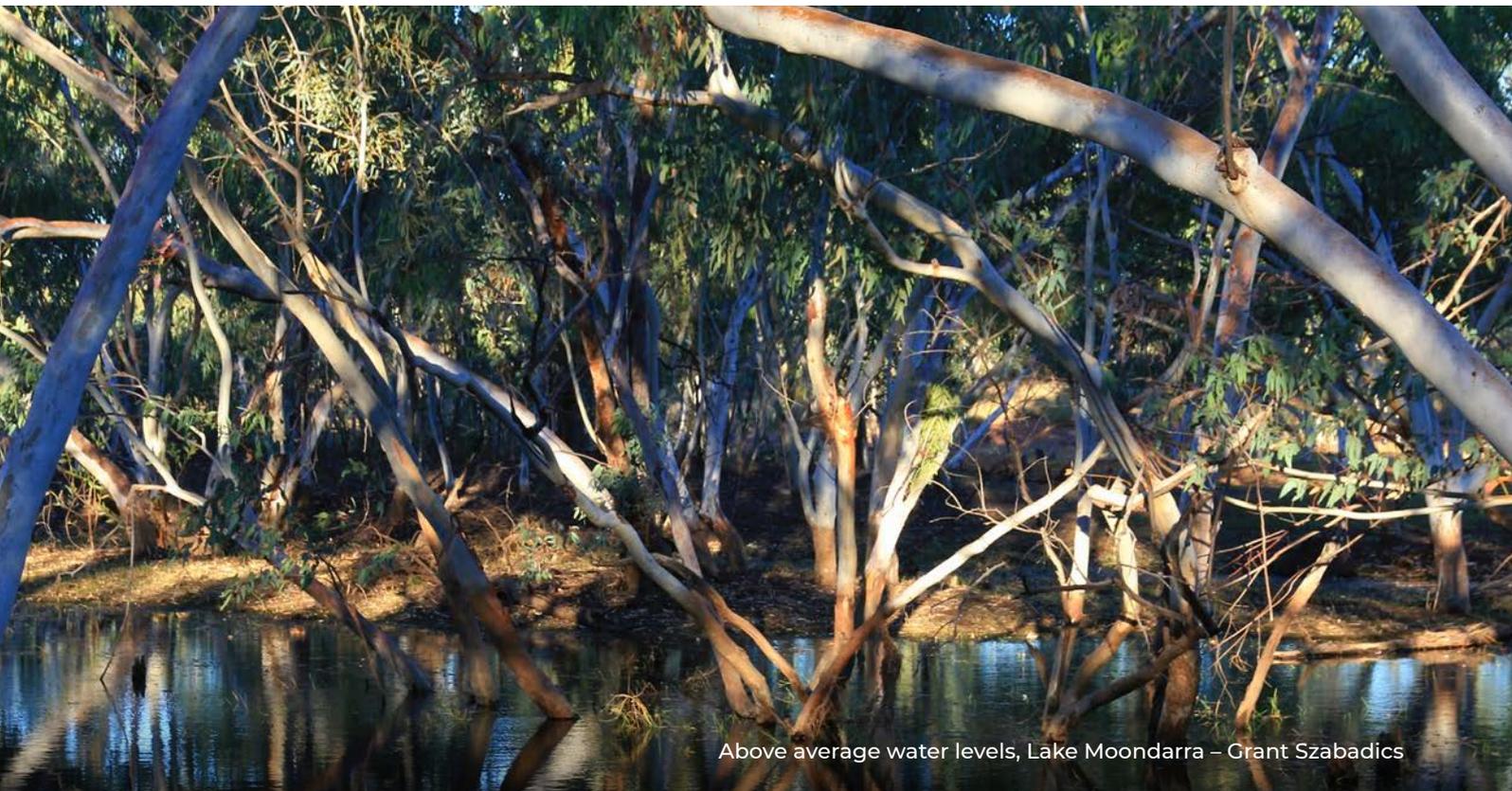
I wish to acknowledge the significant contribution of our operations, maintenance and contractor teams under the dedicated leadership of our Chief Executive Officer, Stephen Farrelly. I would also like to thank our Board of Directors and members of the Finance and Audit Committee.

MIWB's track record of excellence and achievement in water supply will continue to deliver the highest quality, best value water for the people and businesses of the Mount Isa region, well into the future.

A handwritten signature in black ink, appearing to read 'Steve de Kruijff'. The signature is fluid and cursive.

Mr Steve de Kruijff

Chair
Mount Isa Water Board



Above average water levels, Lake Moondarra – Grant Szabadics

Operating environment

Core business

MIWB is a Category 1 Water Authority established under the *Water Act 2000* (Water Act) which operates as a commercialised statutory authority, carrying out water activities in the State of Queensland.

MIWB's 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.

Additional activities

MIWB also acts as the nominated trustee for the Water and Recreation R48 Reserve (R48 Reserve) on behalf of the Department of Natural Resources, Mines and Energy, as administrator of the *Land Act 1994*. The R48 Reserve covers an area of approximately 11,000 hectares and includes the lands surrounding Lake Moondarra.

MIWB's role as trustee of the R48 Reserve is independent of the water distribution functions under the Gulf Resource Operations Plan (Gulf ROP). However, section 570 of the Water Act provides the specific head of power by which a water authority may carry out other functions, including land management and provision of recreational facilities.

MIWB recognises the importance of this recreational area to the Mount Isa community and manages the operation and maintenance of these public recreational facilities.

Regional climate and rainfall

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

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.

During the summer, Mount Isa has two types of weather: hot and wet; and hot and dry (predominantly the latter) with maximum temperatures reaching well above 40°C.

Around 75 per cent of annual rainfall occurs in the wet season, between December and March, usually through heavy thunderstorms resulting from intense heat and from the passage of the inland trough systems which can occur during this time. Heavy and prolonged rain and flooding occur periodically, often associated with monsoon troughs in the Gulf of Carpentaria moving south across the region.

Mount Isa district's rainfall can vary from less than 250 mm one year to greater than 500 mm the following year. The lowest recorded annual rainfall was 93 mm in 2013, with the highest annual rainfall on record of 1,092 mm recorded only two years earlier in 2011.

During 2018–19, Mount Isa received 395mm rainfall which was approximately 15 per cent below the historic average. With the heavy rains in the Cloncurry region in February, Lake Julius reached full capacity. Mount Isa did not experience major flooding. However, Lake Moondarra peaked at 89.1 per cent on 8 February. 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.

Storage dams

MIWB distributes and treats bulk water drawn from Lake Moondarra, which has a capacity of 106,800 megalitres, and from Lake Julius, which has a capacity of 107,500 megalitres.

When full, Lake Moondarra Dam has a water surface area of about 2,200 hectares and has a relatively shallow topography. Lake Julius has about half the water surface area and a relatively deep topography. Consequently, Lake Moondarra has a much higher evaporation loss than Lake Julius. Evaporation rates can be up to three metres a year.

Construction of the Lake Julius Dam in the 1970s allowed for the allocation of additional water to Mount Isa to supplement the region's water supply. Customers prefer to use the Moondarra supply due to the higher electricity cost of pumping water from Lake Julius. MIWB continues to engineer system improvements to reduce the cost of pumping from Lake Julius to facilitate customer's increased use of this higher quality source water.

Future planning

Water authorities across Australia, including MIWB, face significant forward capital investment programs to maintain service and meet future needs. Significant uncertainty exists regarding the extent to which historic rainfall, inflow and consumption data can be relied upon as the basis for planning, which makes planning more complex. MIWB continues to target high quality planning to achieve asset management outcomes which meet the dual objectives of maximising supply flexibility and minimising total investment.

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

With just below average rainfall in 2017–18, the 2018–19 water year commenced with 100 per cent Announced Allocations for both Lake Moondarra and Lake Julius schemes. As a result, about 85.5 per cent of all water supplied in 2018–19 was sourced from Lake Moondarra to avoid the high pumping costs from Lake Julius.

The Mount Isa region ends the reporting period with a low risk on water supply reliability in the Moondarra system. 100 per cent Announced Allocation for both lakes were granted to the water allocation holders (comprising MIWB and its major customers) for the 2019–20 water year. There is more than sufficient capacities in both lakes to last for the 2019–20 and 2020–21 reporting periods.

Lake capacity compared with water supplied

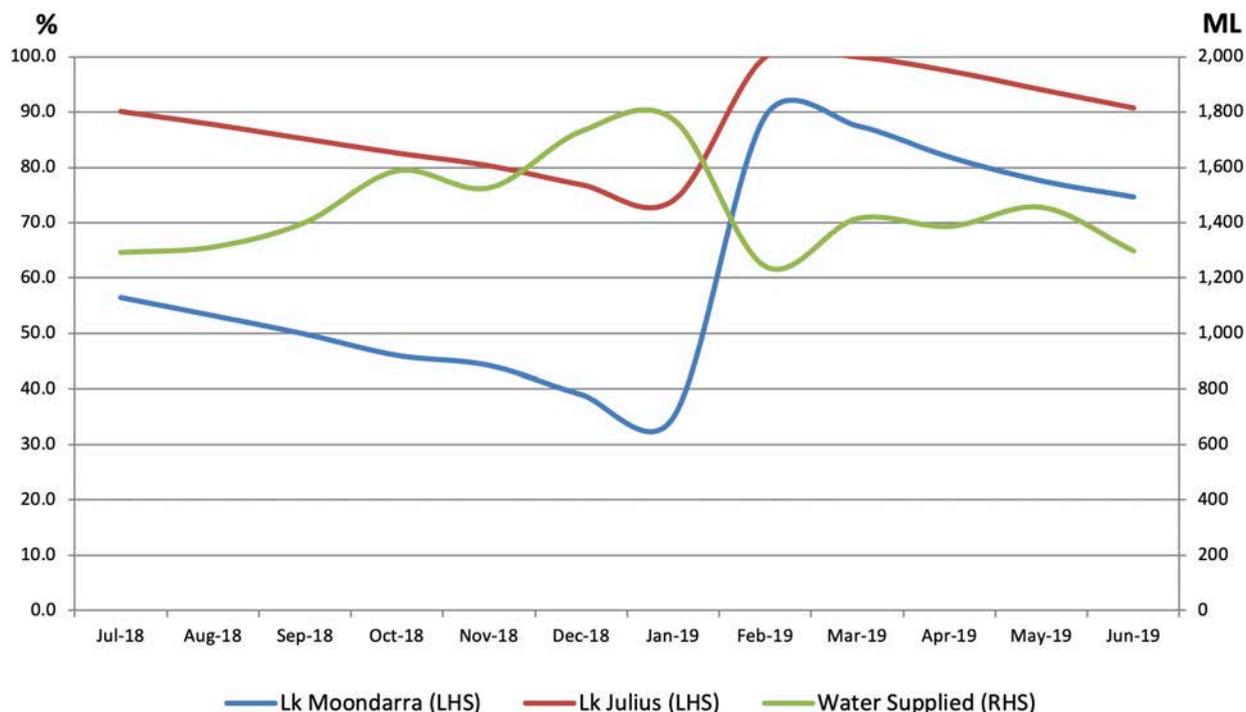


Figure 1. Lake capacity compared with water supplied

MIWB continues to maintain the operational and technical capabilities necessary to provide life-giving water to the Mount Isa community. MIWB will continue to respond to current and future regional water needs and be prepared for the challenges posed by drought, economic uncertainty and potential changes in the service needs of industrial customers.

Blue-green algae blooms

During 2018–19 Mount Isa experienced blue-green algae blooms in Lake Julius, Lake Moondarra and in Clear Water Lagoon where environmental conditions were favourable to algal growth.

The significant and on-going blue-green algae outbreak in Clear Water Lagoon began in 2013–14 and reached unprecedented highs the following year. The bloom fluctuates seasonally but has been continuously present since first detected.

The natural sedimentation process in Clear Water Lagoon continues to provide some benefit such as for particulate and mineral removal. However, the system introduces excess amounts of natural organic materials that impact the overall water quality. The current degraded ecosystem of beneficial plants demonstrates that this natural system

cannot be relied upon to meet modern drinking water quality standards.

Filtration has remained effective in achieving quality drinking water outcomes. Additionally, during the year, MIWB has taken steps to improve the industrial water supply quality by removing more than 15,000 tonnes of nutrient rich sediment from Clear Water Lagoon and actively reseeded plants favourable to natural filtration. These actions are aimed at assisting the recovery of the ecosystem.

Regulatory changes

MIWB is a Category 1 Water Authority with core services of water distribution, quality and treatment. MIWB is monitoring closely the development of a Health Based Targets framework for the proposed revision of the Australian Drinking Water Guidelines.

As Trustee of the R48 Water and Recreation Reserve, MIWB is responsible for the management of over 11,000 hectares of public land. During the 2018–2019 period MIWB has continued to work to manage the risks associated with noxious weeds consistent with the requirements of the Biosecurity Act.



Variegated Lorikeet – Grant Szabadics

Measuring our performance

Objectives

MIWB's strategic objectives are established by section 640 of the Water Act which requires that MIWB is:

- commercially successful in carrying out its activities, and
- efficient and effective in providing goods and services.

MIWB's activities must be consistent with its commercial mandate which requires MIWB to:

- meet its statutory obligations
- earn a commercial rate of return on investment, and
- achieve a sustainable return to the Queensland Government.

Government objectives for the community

The Queensland Government has set objectives for the community including: creating jobs, 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.

MIWB has 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 MIWB has responded to the community regarding the value and need for continuing and improved recreational facilities at Lake Moondarra.

Operational objectives

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'.

Operational outcomes

MIWB's non-financial performance targets in the corporate and performance plans measure the extent to which it meets legislative reporting requirements, fulfils corporate and social responsibility, delivers a reliable and quality bulk water supply to customers, and realises positive business outcomes.

MIWB's performance against these objectives is shown in Table 2.

Table 2 Non-financial performance during 2018-19

Performance	Measures	Target 30 June 2019	Actual Outcomes 30 June 2019
Commercial results			
Business operations	Executed customer service agreements	100% of supply	100% of supply
	Administrative costs per ML supplied to MICC	\$82/ML of	\$81/ML of
	Revenue per ML supplied	\$1,501/ML	\$1,495/ML
	Capital projects completed	90%	94.7%
Corporate responsibility	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
Operational results			
Operational efficiency	Target of metering accuracy	97.5%	>97.5%
	Target of water losses from distribution system (excluding filtration)	Maximum 500 ML	170 ML
Water quality	Provision of water as specified (under contract and legislation)	100%	100%
	Non-complying drinking water tests for E.coli	0	0
	Non-complying drinking water tests for other health parameters	0	0
	Non-complying tests for E.coli (industrial supply at McNally Pump Station)	0	0
	Non-complying tests for other ADWG Table 10.6 health parameters (industrial supply at McNally Pump Station)	0	0
	Non-complying tests for aesthetic parameters in drinking water	0%	0.0%
Reliability of supply	Compliance with pressure at customer connection points	100%	99.99%
	Number of unplanned interruptions	10	11 (1)
	Water main/pipe leakages per 100 km	3	5

(1) Eleven interruptions to pumping occurred, none of which resulted in loss of supply to consumers due to customer storage tanks.

During the year, continued focus was placed on improving measurement of key performance indicators including automated data gathering for improved efficiency and reliability. This has been facilitated by the computerised maintenance management system implemented in 2017–18. MIWB recorded 11 unplanned service interruptions, the majority of which were the result of power outages. None of the service interruptions disrupted supply to the end consumers supplied by MIWB customers.

Overall water losses were one per cent of the total volume supplied. This does not include backwash volumes produced by the filtration process which are delivered to MIM for recycling as process water. Customer water quality improved again over the period as MIWB continued to work in advance of more stringent standards expected to be applied when water quality guidelines are next revised. Despite the continued poor ecological health of the Clear Water Lagoon (refer *Water quality* section) there have been no instances of water quality outside of guideline criteria as a result of the extreme vigilance of MIWB's in-house operations team.

Engineering

MIWB experienced a productive year of engineering and operations for the 2018–19 period with multiple operational and infrastructure projects being delivered. MIWB exceeded the performance target of 90 per cent delivery against the capital budget, completing over \$10 million in infrastructure improvements.

During the year MIWB pumped water directly from Lake Julius on several occasions, including for most of the month of June. This new configuration, first trialled during 2017–2018, has demonstrated a 22 per cent reduction in energy required for extraction from Lake Julius. MIWB continues to develop further energy efficiency initiatives with the aim of delivering savings to customers. Electricity continues to be MIWB's single largest cost.

MIWB continued to operate and optimise the membrane filtration plant at Mount Isa Terminal Reservoir Complex to ensure supply to MICC met the required ADWG standards and accepted practice with respect to blue-green algae levels. The chlorine dosing strategy continued to be fine-tuned to further improve water quality performance, and all changes to the water treatment system were documented in the latest revision of the Drinking Water Quality

Management Plan (DWQMP). The addition of in-house operators to the team has enhanced MIWB's ability to ensure the system is operating as intended. In addition to saving costs on previous contract arrangements this expansion of the team has been a key contributor to achieving the best water quality delivered to Mount Isa.

Notable engineering achievements for the period include:

- completion of Lake Moondarra power reliability system to improve safety and reliability of the supply system
- completion of Lake Moondarra road access improvements allowing safe access to the lake for recreation activities for all residents and visitors
- completion of the Lake Moondarra Booster Pump Station upgrade, changing out aged assets to address the safety of aged high-voltage electrical components
- following heavy rains, repairs and grading of Lake Julius Road were completed to allow safe access to critical infrastructure
- procurement of new clean water storage tanks to replace aged and deteriorated open tanks
- cyber security enhancements for supervisory control and data acquisition (SCADA) system
- procurement of pipe for the Lake Moondarra to MITR 1-kilometre pipeline upgrade.

Operations and maintenance

MIWB has a contracted arrangement with MIM to perform MIWB's operations and maintenance services. Scheduled operations and maintenance achievements of the Utilities Department during 2018–19 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 of all air compressor equipment
- switchyard maintenance; repair of substation and switchyard components
- transformer and switchboard maintenance

- power line repairs
- repairing filtration equipment as required
- providing labour and operational knowledge to assist MIWB engineers with design, scoping and isolation activities on specific projects, and
- troubleshooting and effecting repairs to the failing 3.3kV switchboard at Fred Haigh Pump Station, Lake Julius.

After 43 years of operation, the original contract has become outdated. During the period the Board has taken the decision to wind up the arrangement and change the approach to operations and maintenance services and is currently retendering the arrangements.

Water quality

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 DWQMP which was revised and re-approved by 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. This year saw an increased focus on the close management of the system to ensure it operated as intended, a focus which has paid off with the best ever water quality being achieved. This focus was assisted by the recruitment of in-house water operators who have superseded previous contract arrangements.

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 25.7 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 and blue-green algae levels, 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 2018–19.

ADWG include two different types of guideline criteria:

- a health-related guideline criterion, which is 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
- an aesthetic guideline criterion, which is the concentration or measure of a water quality characteristic that is associated with the 'acceptability' to the consumer, e.g. appearance, taste and odour.

During 2018–19, water supplied to major customers from the McNally Pump Station was 100.0 per cent compliant with health parameter limits, an improvement on the 2017–18 result of 99.9 per cent.

Water supplied as raw and semi-treated industrial water is not filtered and continues to have high blue-green algae cell counts making it unfit to drink without further treatment. MIWB provides this further treatment to ensure water supplied to MICC is safe to drink. It should be noted that the ADWG guidelines do not contain specific test limits relating to blue-green algae levels, however, the microfiltration continues to be an affective barrier against it for the drinking water supply.

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 industrial customers and which also complements the downstream filtration system for the MICC supply. During 2018–19, MIWB completed the cleaning of the settling pond and the discharge flume at Clear Water Lagoon. Over 15,000 tonnes of sediment and biomatter was removed. The areas were successfully reseeded with Typha reed, which had previously died back and is now re-establishing the natural filtration system.

The water quality outcome in MIWB product water for the whole year was again a significant improvement on historic outcomes. MIWB continues to seek further improvement opportunities, including using the advanced system model. This continuous improvement is significantly reducing the baseline levels of disinfection by-products year-on-year as well as reducing chlorine consumption and associated costs.

In 2018–19 there were more than 24,000 water quality tests conducted across the water distribution and treatment system from 4,399 individual water samples. At the points of discharge to customers, the percentage of tests compliant with water quality parameter guideline thresholds were:

- 100.0 per cent for McNally Pump Station industrial supply health parameter tests

- 100.0 per cent for ADWG drinking water health parameter tests and 100.0 per cent for Queensland Health guideline values (a single assay result out of range)
- 100.0 per cent for ADWG aesthetic parameter tests (excluding chlorine) for drinking water supplies.

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

Compliance with ADWG is shown in Table 3. There was an annual 100.0 per cent compliance at the Mount Isa discharge point to MIWB customers across all target parameters.

Table 3 Water quality compliance 2018–19 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
Jul-18	100.0%	100.0%	100.0%
Aug-18	100.0%	100.0%	100.0%
Sep-18	100.0%	100.0%	100.0%
Oct-18	100.0%	100.0%	100.0%
Nov-18	100.0%	100.0%	100.0%
Dec-18	100.0%	100.0%	100.0%
Jan-19	100.0%	100.0%	100.0%
Feb-19	100.0%	100.0%	100.0%
Mar-19	100.0%	100.0%	100.0%
Apr-19	100.0%	100.0%	100.0%
May-19	100.0%	100.0%	100.0%
Jun-19	100.0%	100.0%	100.0%
Average	100.0%	100.0%	100.0%

* Consistent with the requirements of the ADWG, chlorine dosing above the aesthetic limit occurs to ensure adequate biological control within the MICC distribution system.

The following general water quality related events occurred in 2018–19:

- No trace of E. coli was detected in any drinking water supplied to MICC during 2018–19.
- One hundred per cent compliance with Australian Drinking Water Guidelines specified health limits.
- One hundred per cent compliance with the stricter Queensland Health Guidelines for total haloacetic acids in drinking water occurred during the year.
- Lake Moondarra, Lake Julius and Clear Water Lagoon all experienced blue-green algae blooms during the reporting period. The bloom in Clear Water Lagoon is a continuation of the major event which began in 2013. Drinking water quality continues to be assured with the micro-filtration plant proving to be very effective in removing blue-green algae.
- Recreational water users of Lake Moondarra were advised of the blue-green algae bloom during the event. The laboratory continues to monitor recreation water quality and advise users accordingly.

MIWB continues to invest in technology and training in managing the water quality. During the period MIWB recruited for fulltime water operators and a part-time water quality engineer, bringing this function in-house for improved accountability and cost efficiency. External water quality testing is undertaken by an independent NATA accredited laboratory.

Services

R48 Reserve

As Trustee for R48 Reserve, MIWB continued to maintain the public reserve amenities and parks in this area. These comprise several public facilities in and around Transport Bay, Blackrock and Warrina Park areas, including walking tracks and recreational areas popular with the community.

During the reporting period there were several health, safety and environmental management initiatives undertaken to improve recreational users' safety, convenience and enjoyment. These included the realignment of the access road in an identified rockfall risk area, general tree management in public areas, and general grounds maintenance. MIWB continued the regular clean-up activities, such as removing dumped car bodies and illegally dumped waste, as well as repairing vandalism and treating weeds within the extensive reserve.

During the period, MIWB continued to engage with numerous community groups regarding the future management of the reserve. Numerous Trustee Permits were entered into with recreational users and groups.

During the period, MIWB continued with a substantial aquatic weed-harvesting program to manage the growth of weeds and maintain important recreational amenity. MIWB also teamed up with organisations from our community in a tree planting project, with 30 trees and an irrigation system at Kingfisher Point. MIWB continues to be a sponsor of the major prize offered at the local Mount Isa fishing competition, the Lake Moondarra Fishing Classic.

The major investment for the year by MIWB in the R48 Reserve has been the reinstatement and bitumen sealing of the original foreshore road. The restored amenity of this road has been well received by the community and the vistas of the lake it provides have also been enjoyed by many visitors.



Lake Moondarra Environs – Katie Schroder

Managing our business

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.

During the period members of the Board Directors of MIWB were:



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 Australia 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 a number of Xstrata's subsidiary companies and is a past President of the Queensland Resources Council (QRC). He is was awarded the 2008 AusIMM Jim Torlach Health and Safety Award and an OAM in the 2016 Australia Day Honors List for his contribution to the mining industry and communities. Mr de Kruijff is a member of MIWB's Finance, Audit and Compliance Committee.



Mr Myles Johnston

BSc (Hons), FAusIMM

Director since February 2010

Myles Johnston has nearly 30 years' experience in the mining industry, working for a number of major mining companies in a variety of

exploration, project development and operational roles in gold and base metals both in Australia and overseas. Mr Johnston previously worked at Mount Isa Mines and held a number of technical and operational roles in both the zinc and copper business units including General Manager of Ernest Henry Mine. Mr Johnston is a member of MIWB's Finance, Audit and Compliance Committee.



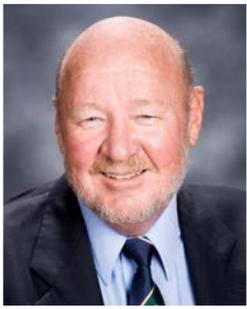
Ms Alison Dowling

BA (HSS), MSoc Pol, MAICD, FIML, JP Qual

Director since April 2014

Alison Dowling is the co-owner/director of Hertz Mount Isa. Ms Dowling has a background in community

and cultural development and utilises more than two decades of professional management, board director governance and leadership experience in the not-for-profit companies and environment sectors. Ms Dowling is a current director of Mount Isa Rodeo Pty Ltd. Ms Dowling is also a member of MIWB's Finance, Audit and Compliance Committee.



Mr Neil Hatherly

BSc (Hons)

Director since April 2014

Neil Hatherly has extensive board governance experience in several sectors, including listed companies, government-owned corporations, universities

and not-for-profit organisations. Mr Hatherly is a past Chairman of Field Services Group of Brisbane City Council and former director of UniQuest, University of Queensland's commercialisation company. Mr Hatherly previously worked for Mount Isa Mines in several technical and managerial roles. Mr Hatherly is a member of MIWB's Finance, Audit and Compliance Committee.

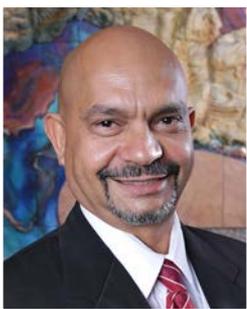


Ms Karen Read

BBus, FCPA, GAICD, MAMI

Independent Chair of Finance, Audit and Compliance Committee (was formerly Director of MIWB from September 2004 to June 2014)

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 Premise (formerly known as O2UDP Group Pty Ltd), a consulting engineering and project practice business. Karen has extensive Board experience including the following: Director Queensland Country Credit Union, Deputy Chair Queensland Country Health Fund, Director North West Hospital and Health Services. Karen is a Fellow of CPA Australia, a Graduate of 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.



Mr George Fortune

Nominated by MICC

Director since September 2016

George Fortune has been a Councillor with Mount Isa City Council for more than five years. Mr Fortune is a

long-term resident and an active community advocate, 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.

**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.*

Board attendance

The Board meets 11 times a year, or more if required. During 2018–19 it held 13 meetings, and attendances by members of the Board are shown in Table 4.

Table 4 Board meeting attendance 2018–19

Director	Meetings attended	Meetings eligible to attend	Last appointed	Expires
Steve de Kruijff (Chair)	12	13	Appointed 27 May 2016	26 May 2019*
Alison Dowling	10	13	Appointed 19 June 2014	19 June 2017*
Neil Hatherly	11	13	Appointed 19 June 2014	19 June 2017*
Myles Johnston	8	13	Appointed 19 June 2014	19 June 2017*
George Fortune	12	13	Appointed 15 September 2016	15 September 2019

**Under section 604 (2) of the Water Act, a MIWB Board member remains in office even after their term has expired until their successor is appointed by Governor in Council as notified in the Queensland Government Gazette. As a consequence, until the appointment or reappointment of the director(s) occurs, the MIWB Board comprised those directors at the start of the reporting period.*

In accordance with the Trustee arrangements for R48 Reserve, Board meetings for Reserve matters are held separately to provide a distinct division of governance.

Table 5 R48 Reserve meeting attendance 2018–19

Director	Meetings attended	Meetings eligible to attend
Steve de Kruijff (Chair)	7	8
Alison Dowling	7	8
Neil Hatherly	6	8
Myles Johnston	1	8
George Fortune	7	8

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 2018–19, this committee included Karen Read (Independent Chair), Alison Dowling, Steve de Kruijff, Neil Hatherly, Myles Johnston and George Fortune.

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 2018–19, 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.

Table 6 Finance, Audit and Compliance Committee meeting attendance 2018–19

Director	Meetings attended	Meetings eligible to attend
Karen Read (Chair)	8	8
Alison Dowling	6	8
Steve de Kruijff	7	8
Neil Hatherly	8	8
Myles Johnston	4	8
George Fortune	7	8

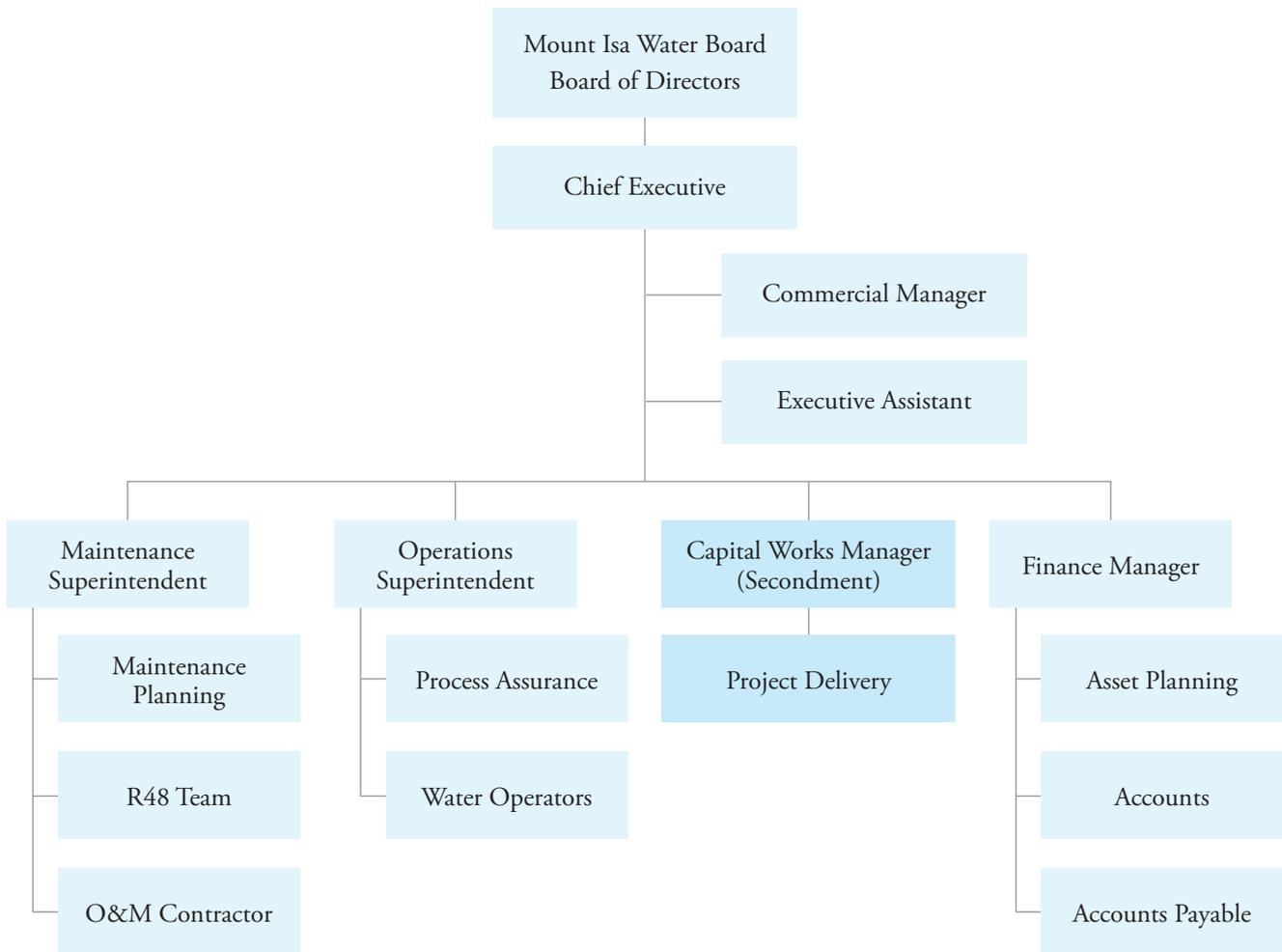
The Finance, Audit and Compliance Committee has observed the terms of its charter and has had due regard for Queensland Treasury's Audit Committee Guidelines. During 2018–19, the committee's achievements included the internal audit program, ensuring compliance with legislation and good corporate governance.

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 2018–19, the total remuneration paid was \$100,500. Related additional costs paid during the period (primarily for airfares and accommodation) totalled \$23,427.

Organisational structure of MIWB



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 has the responsibility 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.

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.

The executive team comprises the following people:

Stephen Farrelly

Chief Executive, BE (Hons), RPEng, RPEQ (Civil), MAICD

Stephen joined MIWB as Chief Executive in October 2014. Stephen has extensive background in the cost-effective management of water assets accumulated from experience in a range of roles including in engineering consultancy, engineering management, water authority planning, corporate risk management and senior management. Stephen has a thorough understanding of MIWB's infrastructure, as well as the relevant 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.

Bruce Galbraith

Finance Manager, BMS, GradDipACG, CA ANZ, FGIA, FCIS

Bruce joined MIWB in February 2009 as Finance Manager and Board Secretary. Since that time, he has facilitated significant changes to the overall management of current MIWB financial processes and procedures. 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.

Hamish Coleman

Commercial Manager, BEco, BCom, GradDipAppFin, CGMA, MBA

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.

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, Manufacturing, Infrastructure and Planning (DSDMIP) 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*)
- Energy and Environment Survey (*Census and Statistics Act 1905*)
- revised and updated Drinking Water Quality Management Plan
- DWQMP Annual Report

MIWB was compliant with its reporting responsibilities during 2018–19, 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 new Records Governance Policy (RGP) was established on 6 June 2018, with the next review date in June 2020. 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.



Lake Moondarra viewed from Transport Bay recreational area

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.

Audit functions

External auditor – financial

The Auditor-General is the auditor of all Queensland public sector entities. The Queensland Audit Office engaged Altius Advisors to conduct MIWB's 2018–19 external audit. This is the fifth year Altius Advisors 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

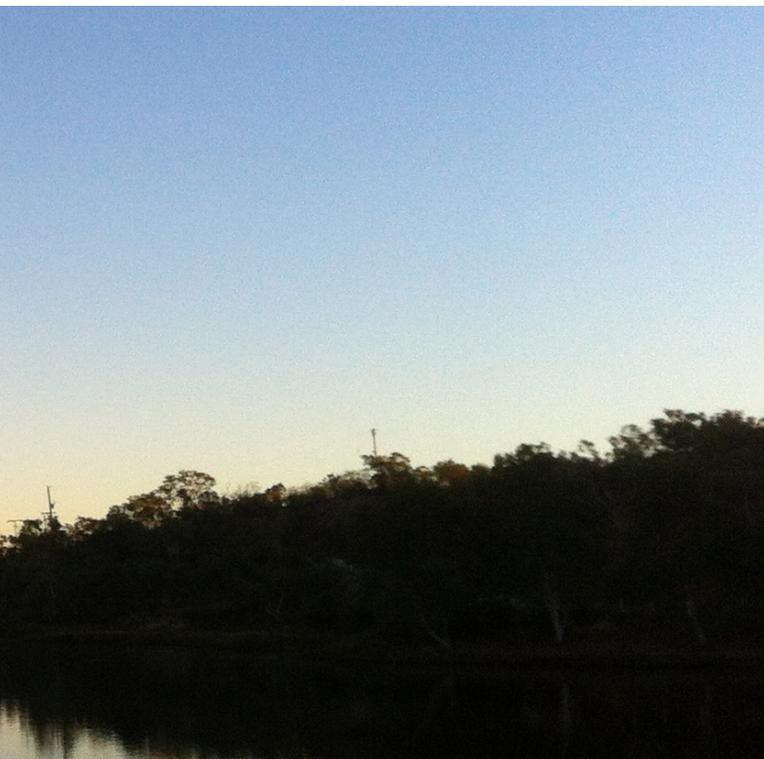
All audit recommendations of the Queensland Audit Office are considered by the Finance, Audit and Compliance Committee which ensures MIWB has due regard for these recommendations.

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 2018–19 internal audit review focused predominately on the capital project delivery process. The excellent results achieved with the capital spend can be partially attributed to the findings and suggestions provided by the internal audit. BDO also commenced a cyber-security review in the latter part of the 2018–19 financial year.

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.



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 2019, MIWB's investments (property, plant and equipment) were \$146 million.

Public interest disclosures

No public interest disclosures were received by MIWB from 1 July 2018 to 30 June 2019 under the *Public Interest Disclosure Act 2010*.

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 2018 and 30 June 2019 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.

Right to Information correspondence has been placed on the MIWB website at 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.

Moving forward

In pursuit of the strategic objective "Ensuring governance and business management are of the highest standard", 2019–20 will see the adoption of the revised internal standards and improved risk controls which deliver business benefits.

Following on from the successes of 2018–19, a key area of focus for 2019–20 will be the bedding in of the developed project management disciplines and the supporting processes to ensure the delivery of the envisaged customer benefits and outcomes in MIWB's asset investment activities.

A new year will also see investment in formalising governance oversight of both capital and operating projects, especially as the Operations and Maintenance transfer project implementation proceeds. The migration of the Operation and Maintenance program from MIM to a new arrangement after many decades will be a pivotal moment for MIWB. A seamless transition is imperative to the continued success of MIWB's performance.



People

People are at the centre of MIWB's vision to be a leader in regional water supply. We empower our highly skilled and specialist team through training, feedback and encouragement 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.

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.

Following a decision in 2017–18 to in-source water operations function three additional staff were recruited. This decision has been key to the achievement of improved accountability for water quality outcomes. Improved outcomes have been achieved at the same time as cost savings delivered compared to previously contract arrangements. At 30 June 2019, MIWB's workforce comprised 22.1 Full Time Equivalent (FTE) workers including both employees and team members seconded from services firms. This figure excludes two Board approved positions vacant at the end of the period. The staffing has increased from 17.4 FTE workers (excluding four vacancies) as at 30 June 2018.

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.

Our specialised workforce is employed across the key aspects of MIWB's business operations. Staff levels were below those anticipated to fulfill the 2018–19 Performance Plan and forecast capital expenditure resulting in increased reliance on professional service firms. 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.

Developing our people

MIWB strives to have a skilled, capable and committed workforce and supports training and development activities which deliver business and personal development outcomes and enable better organisational performance.

MIWB's philosophy is that staff should take pride and receive satisfaction from delivering value to customers by achieving work goals. MIWB is committed to providing meaningful feedback and acknowledging and celebrating success.

During 2018–19, MIWB invested in a broad range of training activities including opportunities for engagement with the wider water sector through participation in Australian Water Association events, industry webinars and Water Services Association of Australia forums.

Public sector ethics

MIWB periodically reviews its 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* and to this end a new Code of Conduct 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 for 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 of Conduct. MIWB initiated a revamp of several organisational policies in the reporting period.

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 only 26 per cent turnover during 2018–19 which is equivalent to an average tenure of 3 years and 10 months.

Over the period MIWB has had some success in recruiting highly qualified residents with experience well suited to the Board's strategy.

Key workforce policies

Key MIWB workforce policies, in addition to the Codes of Conduct (refer Public sector ethics section), approved by the Board and actively promoted inside the organisation are:

- Corrupt Conduct and Fraud Policy
- Alcohol and Drugs Policy
- Anti-Discrimination Policy
- Corporate Procurement Policy and Procedures
- Sexual and Workplace Harassment Policy
- Work Health and Safety Policy
- Workplace Injury Rehabilitation Policy
- Flexible Work Arrangements Policy

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

Equal opportunity

MIWB is an equal opportunity organisation which promotes and encourages career development of all staff. As at 30 June 2019, MIWB is a culturally diverse team and employees include seven women and 11 men.

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 2018–19, MIWB did have 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.

MIWB continues to invest significant effort to ensure the effectiveness and relevance of its Safety Management Standards and Procedures within a framework of continuous

improvement. During 2018–19 MIWB recorded no lost time injuries to employees and contractors. MIWB also recorded no reportable near misses. 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.

Moving forward

During 2019–20, MIWB will continue to invest in a vibrant, proactive and healthy team environment, which reflects our values and supports our vision, and to press ahead with the gains made to date. 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 a safe workplace for all parties entering the site
- opportunities to eliminate or isolate risks are identified wherever possible including by reassessing the need for tasks to be undertaken.

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



Sunset viewed from Transport Bay, Lake Moondarra



Fred Haigh Pump Station, Lake Julius

Financial management

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

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 during 2018–19

Performance	Measures	Target 30 June 2019	Actual Outcomes 30 June 2019
Financial results			
Profitability	Earnings before interest and tax (EBIT)	\$6.3m	\$6.0m
	Return on Total Asset Base	3.8%	3.5%
Cash holdings	Net cash flow	(\$4.5m)	(\$1.7m)
Liquidity	Current ratio	≥ 3.4	2.0
Debt recovery	Average debt collection period	≤ 29.6 days	52.3 days
Return to shareholder	Dividend payable	\$3.5m	\$4.9m ⁽¹⁾

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

Highlights for 2018–19

MIWB achieved a year of sound financial performance for the benefits of its stakeholders. Key outcomes included:

- achieving an Earnings Before Interest and Tax (EBIT) from continuing operations of \$6 million
- recommending a dividend payable for 2018–19 of \$4.9 million to MIWB’s owner, the Queensland Government.

Financial performance

The EBIT from ordinary activities excluding abnormal items for 2018–19 is \$6 million compared with \$3.9 million in 2017–18. Net profit after tax is \$6.2 million compared with \$1.5 million in 2017–18.

Operating costs were \$0.4 million under budget. This was mainly due to not being able to fill all of the employee positions until late in the year.

A review of the Statement of Comprehensive Income and associated notes (refer page 38) shows 2018–19 revenue increased by \$2.8 million compared with 2017–18, principally as a result of the revised pricing Weighted

Average Cost of Capital set by Queensland Treasury Corporation.

All cost centres were essentially on or under budget.

A comparison of actual expenditures with budget allocations is shown in Table 8.

The Statement of Financial Position (refer page 39) shows an increase of \$4.1 million.

The Statement of Cash Flows (refer page 41) shows a decrease of \$1.7 million as a result of an historically large capital works program.

Moving forward

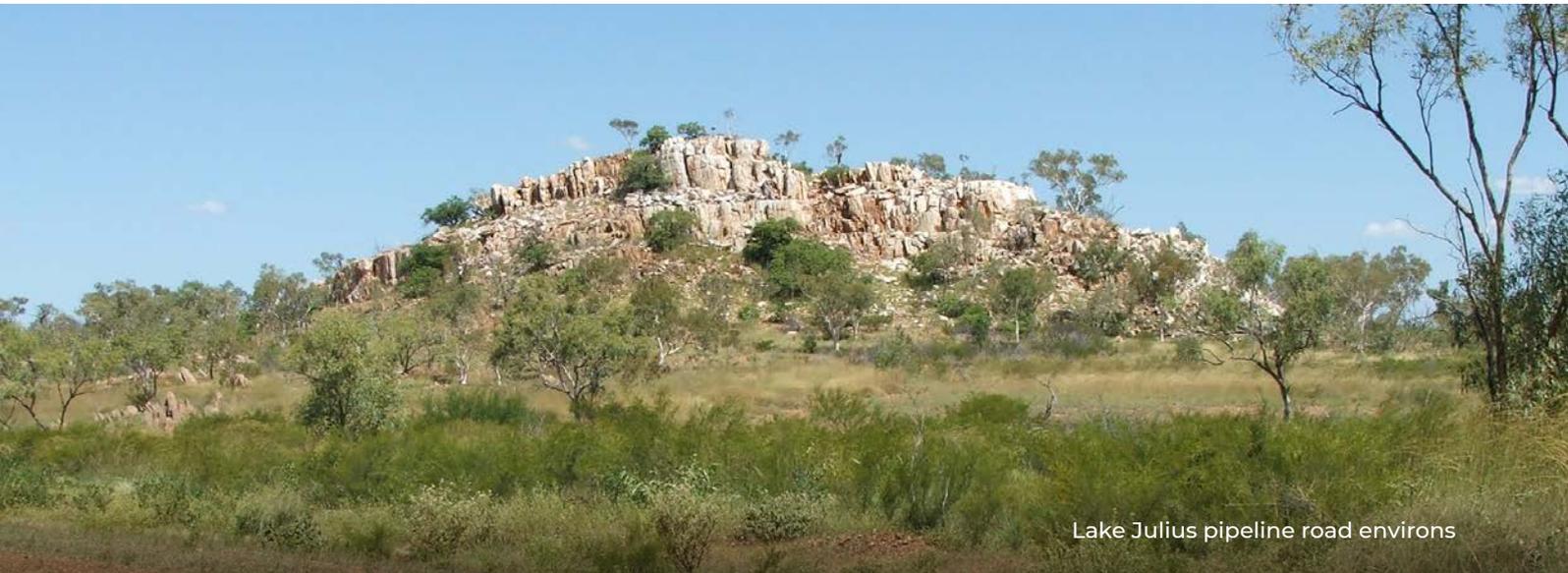
MIWB has taken decisive action on improving the governance and cost effectiveness of the second largest operating expense (after electricity), the outsourced operations and maintenance arrangements. While the transition will not be easy, every reasonable preparation has been made and the benefits are expected to be seen from 2020–21 onwards. These preparations have provided the foundations for MIWB to deliver the optimised customer outcomes envisaged in the Board’s strategic direction statement.

Table 8 Actual versus budget financial results 2018–19

	Actual 2018-19 \$	Budget 2018-19 \$	Variance %
Income	25,106,500	25,870,000	(3.0%)
Corporate expenses	1,384,370	1,508,300	(8.2%)
Depreciation	5,321,517	5,322,000	(0.0%)
Direct operating expenses	9,748,983	9,751,160	(0.0%)
WIP Write-down	160,308 ⁽¹⁾	0	NA
Payroll expenses	1,893,686	2,393,000	(20.9%)
R48 expenses	698,709	682,000	2.5%
Total expenses	19,216,782	19,656,460	(2.2%)
EBIT	5,972,368	6,288,540	(5.0%)
Net profit after tax	6,156,439 ⁽²⁾	4,349,479	41.5%

(1) the cancellation of a project resulted in the write-down of previously incurred project engineering costs

(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



Lake Julius pipeline road environs

Financial report

MOUNT ISA WATER BOARD
A.B.N. 97 761 284 021

For year ended 30 June 2019

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General information

These financial statements cover the Mount Isa Water Board and its controlled entities.

The Mount Isa Water Board is a statutory body constituted under the *Water Act 2000* as a Category 1 Water Authority and registered service provider under the *Water Supply (Safety and Reliability) Act 2008*.

MIWB is a statutory authority ultimately owned by the State of Queensland.

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@mountisawater.qld.gov.au or visit the Board's website www.mountisawater.qld.gov.au.

Amounts shown in the financial statements may not add to the correct subtotals or totals due to rounding.

Statement of Comprehensive Income

MOUNT ISA WATER BOARD

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
INCOME FROM CONTINUING OPERATIONS	2		
Revenue			
Revenue from contracts with customers	2a	24,720,371	21,927,325
Interest		359,552	333,705
Other revenue		9,759	9,856
		<u>25,089,682</u>	<u>22,270,887</u>
TOTAL REVENUE			
Gain on sale of property, plant and equipment		16,818	12,727
		<u>25,106,500</u>	<u>22,283,614</u>
EXPENSES FROM CONTINUING OPERATIONS	3		
Employee expenses	3a	(1,893,686)	(1,565,642)
Supplies and services	3c	(11,220,220)	(11,164,302)
Depreciation and amortisation	7	(5,321,517)	(5,202,567)
Finance/borrowing costs		(73,441)	(93,051)
Revaluation decrement	7	(9,210)	(1,618,225)
Other expenses		(698,709)	(497,183)
		<u>(19,216,782)</u>	<u>(20,140,970)</u>
TOTAL EXPENSES FROM CONTINUING OPERATIONS			
OPERATING RESULTS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		<u>5,889,718</u>	<u>2,142,644</u>
Income tax expense	4	266,721	(626,699)
		<u>6,156,439</u>	<u>1,515,945</u>
OPERATING RESULTS FROM CONTINUING OPERATIONS AFTER INCOME TAX			
OTHER COMPREHENSIVE INCOME			
<u>Items that will not be reclassified subsequently to Operating Result:</u>			
Increase (decrease) on revaluation of property, plant and equipment	12	2,877,671	5,453,370
		<u>2,877,671</u>	<u>5,453,370</u>
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX			
TOTAL COMPREHENSIVE INCOME		<u><u>9,034,110</u></u>	<u><u>6,969,315</u></u>

The accompanying notes form part of these financial statements

Statement of Financial Position

MOUNT ISA WATER BOARD

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

		2019 \$	2018 \$
CURRENT ASSETS	Note		
Cash and cash equivalents	5	21,362,976	23,077,808
Receivables	6	4,056,475	3,276,508
Other current assets		25,175	7,068
TOTAL CURRENT ASSETS		<u>25,444,626</u>	<u>26,361,384</u>
NON-CURRENT ASSETS			
Property, plant and equipment	7	145,804,026	136,989,583
TOTAL NON-CURRENT ASSETS		<u>145,804,026</u>	<u>136,989,583</u>
TOTAL ASSETS		<u>171,248,652</u>	<u>163,350,967</u>
CURRENT LIABILITIES			
Payables	8	12,048,793	7,472,716
Accrued employee benefits		114,962	87,292
Other financial liabilities	9	283,020	270,800
Tax liabilities		525,997	(1,905)
TOTAL CURRENT LIABILITIES		<u>12,972,772</u>	<u>7,828,902</u>
NON-CURRENT LIABILITIES			
Accrued employee benefits		45,764	59,335
Other financial liabilities	9	1,174,986	1,455,232
Deferred tax liabilities	10	19,777,969	20,833,235
Other liabilities	11	145,498	151,561
TOTAL NON-CURRENT LIABILITIES		<u>21,144,218</u>	<u>22,499,362</u>
TOTAL LIABILITIES		<u>34,116,990</u>	<u>30,328,264</u>
NET ASSETS		<u>137,131,663</u>	<u>133,022,703</u>
EQUITY			
Contributed equity		30,430,390	30,430,390
Accumulated surplus		37,842,422	36,611,133
Asset revaluation surplus	12	68,858,851	65,981,180
TOTAL EQUITY		<u>137,131,663</u>	<u>133,022,703</u>

The accompanying notes form part of these financial statements

Statement of Changes in Equity

MOUNT ISA WATER BOARD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

Note	Accumulated Surplus	Asset Revaluation Surplus	Contributed Equity	Total
	\$	\$	\$	\$
Balance at 1 July 2017	36,307,943	60,527,811	30,430,390	127,266,144
Operating result from continuing operations	1,515,946	-	-	1,515,946
<i>Other comprehensive income</i>				
- Increase/(Decrease) on revaluation of property, plant and equipment	-	5,453,370	-	5,453,370
Total comprehensive income for the period	1,515,946	5,453,370	-	6,969,316
<i>Transactions with owners</i>				
- Dividend accrued	(1,212,756)	-	-	(1,212,756)
- Dividends paid	-	-	-	-
Balance at 30 June 2018	36,611,133	65,981,180	30,430,390	133,022,703
Balance at 1 July 2018	36,611,133	65,981,180	30,430,390	133,022,703
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	-	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>				
- Dividends accrued	(4,925,151)	-	-	(4,925,151)
- Dividends paid	-	-	-	-
Balance at 30 June 2019	37,842,422	68,858,851	30,430,390	137,131,663

The accompanying notes form part of these financial statements

Statement of Cash Flows

MOUNT ISA WATER BOARD

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 \$	2018 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Inflows:</i>			
Receipts from customers		23,400,164	21,016,831
Interest received		363,227	327,927
Other Revenue		590,421	556,865
GST Input Tax Credits from ATO		2,004,487	1,681,447
GST received from customers		58,672	54,630
<i>Outflows:</i>			
Employee expenses		(1,879,586)	(1,555,499)
Supplies and services		(10,374,644)	(9,206,623)
Finance/borrowing costs		(73,441)	(93,051)
Other expenses		(698,709)	(497,183)
GST paid to suppliers		(2,053,488)	(1,454,233)
GST remitted to ATO		(59,831)	(56,555)
Income taxes paid		(1,367,878)	(1,844,063)
Net cash provided by (used in) operating activities	13	<u>9,909,395</u>	<u>8,930,493</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
<i>Inflows:</i>			
Proceeds from sale of property, plant and equipment		16,818	12,727
<i>Outflows:</i>			
Payments for property, plant and equipment		(10,160,264)	(3,409,801)
Net cash provided by (used in) investing activities		<u>(10,143,446)</u>	<u>(3,397,074)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
<i>Outflows:</i>			
Repayment of loans		(268,026)	(814,967)
Dividends paid		(1,212,756)	(2,625,561)
Net cash provided by (used in) financing activities		<u>(1,480,782)</u>	<u>(3,440,528)</u>
Net increase (decrease) in cash and cash equivalents		(1,714,832)	2,092,891
Cash and cash equivalents at beginning of financial year		23,077,808	20,984,917
Cash and cash equivalents at end of financial year	5	<u>21,362,976</u>	<u>23,077,808</u>

The accompanying notes form part of these financial statements

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	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
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Note 15:	Contingencies
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MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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 42 of the *Financial and Performance Management Standard 2009*. 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 year ending 30 June 2019, 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).

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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).

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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.

Previous accounting policy on revenue

Revenues from the sale of water and electricity are recognised upon delivery to the customer. All revenue is stated net of the amount of Goods and Services Tax (GST).

(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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 receipted but not banked at 30 June 2019.

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

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 30 June 2019 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).

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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	1
Buildings	10,000
Infrastructure	10,000
Plant and Equipment	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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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, whichever 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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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)).

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 2019 is recognised at undiscounted values.

Long Service Leave

MIWB has estimated the liability for long service leave at 30 June 2019. 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 2019.

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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 2019 approximates fair value.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 15
Impairment provision on trade receivables and contract assets - note 14

(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 14.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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 2018-19 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 2018-2019 period. MIWB will apply these standards and interpretations in accordance with their respective commencement dates.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(u) New and Revised Accounting Standards (cont)

New and amended standards and interpretations effective during the year

MIWB applied AASB 15 Revenue from Contracts with Customers and AASB 9 Financial Instruments for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

AASB 9

AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments from 1 July 2018 resulted in change in accounting policy in relation to MIWB's trade receivables. The new accounting policy is set out in Note 1 (f) above. MIWB continue to measure its trade receivables at amortised cost and the application of the simplified approach to measuring expected credit losses did not result to material adjustments in the financial statements.

Apart from the change in accounting policy, the application of AASB 9 has not had a significant impact on the financial position and/or financial performance of MIWB.

AASB 15

AASB 15 supersedes AASB 111 Construction Contracts, AASB 118 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

MIWB has adopted AASB 15 from 1 July 2018 which resulted in changes in accounting policies. The new accounting policies are set out in Note 1 (b) above.

Apart from providing more extensive disclosures for MIWB's revenue transactions, the application of AASB 15 has not had a significant impact on the financial position and/or financial performance of MIWB.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(u) New and Revised Accounting Standards (cont)

Australian Accounting Standards Issued But Not Yet Effective

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

AASB 16 Leases

This standard will first apply to MIWB from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases - Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MIWB does not have any current operating leases, so has not quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to operating leases.

(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.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
2 Revenue From Contracts With Customers		
Water delivery services		
Sale of water	24,133,646	21,374,254
Sale of electricity	586,725	553,071
	<u>24,720,371</u>	<u>21,927,325</u>
 (a) Timing of revenue recognition		
Transferred at a point in time	3,404,917	2,757,727
Transferred over time	21,315,454	19,169,599
	<u>24,720,371</u>	<u>21,927,325</u>
 (b) Contracts with Customers		
Glencore Mount Isa Mines Ltd	11,002,816	9,746,492
Mount Isa City Council	10,312,637	9,423,107
Incitec Pivot Ltd	2,810,003	2,199,360
Other	8,189	5,295
Revenue from power sales	586,725	553,071
	<u>24,720,371</u>	<u>21,927,325</u>
 (c) Assets and Liabilities Related to Contracts with Customers		
Trade receivables - refer to Note 6		

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019	2018
	\$	\$
3 Expenses from Continuing Operations		
3a Employee Expenses		
Wages and salaries	1,526,176	1,235,760
Annual leave expense*	12,139	(6,659)
Long service leave expense*	17,207	14,911
Employee housing allowance *	-	25,792
Board member fees	100,500	100,500
Employer's superannuation contributions*	161,747	140,931
Employee Related Expenses		
Worker's compensation premium*	13,213	11,880
Payroll tax*	62,703	42,528
	<u>1,893,686</u>	<u>1,565,642</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:

17.1

15.4

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 2018-19 and during the 2017-18 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
Director - Mr Neil Hatherly			19/06/2014
Director - Mr Myles Johnston			Reappointed 4/02/2010
Director - Mr George Fortune			15/09/2016
Independent Chair of Finance, Audit and Compliance Committee - Ms Karen Read	Responsible for chairing the Finance, Audit and Compliance Committee	Board Resolution	23/07/2014

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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
Operations Manager	The Operations Manager is responsible for the overall management of the operations and maintenance contractor, the capital works program, health and safety, water quality and operations at R48 Reserve	Individual Employment Contract	Operations Manager appointed 22/02/2016 Ceased employment 10/07/2018 and not replaced
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

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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 2018-19 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 2017-18 or 2018-19.

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.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

3b b) Remuneration (cont.)

Board of Directors' compensation
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 Bohannon)	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 - Ms Karen Read	5,000	-	-	110	-	5,110
Total Remuneration	100,500	-	-	9,660	-	110,160

1 July 2017- 30 June 2018

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 Bohannon)	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 - Ms Karen Read	5,000	-	-	115	-	5,115
Total Remuneration	100,500	-	-	9,665	-	110,165

Key Executive Management Personnel compensation

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
Total Remuneration	501,416	-	9,757	43,593	-	554,807

1 July 2017- 30 June 2018

Position	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits				
	\$	\$				
Chief Executive	258,864	-	3,268	23,921	-	286,053
Finance Manager	177,663	-	6,104	17,412	-	201,179
Operations Manager	166,853	-	763	15,884	-	183,500
Total Remuneration	603,380	-	10,135	57,217	-	670,732

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**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 13 transactions for the supply of goods and services to director related entities during the year (2017-18: 13 transactions) and 15 transactions for the purchase of goods and services (2017-18: 17 transactions). The aggregate amounts recognised in profit or loss during the year relating to Directors and Director related entities, other than Directors' remuneration, comprise:

	2019 \$	2018 \$
Revenue		
Water Charges	10,174,934	8,868,411
Expenditure		
Other expenses	9,848	16,702
Supplies & Services - Other	5,392	-
R48 Infrastructure	784,800	-

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

Receivables		
Trade receivables	861,461	719,998
Payables		
Trade creditors	1,591	1,155

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.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
3c Supplies and Services		
Accounting and secretarial	54,321	44,875
Audit fees – External audit*	52,300	51,110
Audit fees – Internal fees	46,117	30,380
Professional Services	310,308	475,436
General repairs and maintenance	22,190	3,996
Insurance	205,470	174,843
Legal fees	123,214	242,286
Recruitment and relocation	79,239	95,234
Water testing	104,590	116,526
SunWater – Lake Julius	437,888	401,575
Power costs	4,588,182	4,504,524
Technical services	469,023	297,427
Operating and maintenance	4,095,555	4,061,817
Filtration costs	44,611	293,648
Other	587,212	370,625
	<u>11,220,220</u>	<u>11,164,302</u>

* Total audit fees paid to the Queensland Audit Office relating to the 2018-19 financial statements are estimated to be \$52,300 (2018: \$51,110). There are no non-audit services included in this amount.

4 Income Tax Expense**(a) Income tax equivalents expense**

Current income tax charges	2,009,834	1,557,111
Deferred income tax relating to origination and reversal of temporary tax differences	(389,722)	(914,317)
Under/(over) provision in prior years	(152,636)	(16,094)
Tax rate change	(1,734,197)	-
Income tax expense	<u>(266,721)</u>	<u>626,699</u>

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

Decrease/(Increase) in deferred tax assets	(147,692)	(13,875)
(Decrease)/ Increase in deferred tax liabilities	(242,030)	(900,441)
	<u>(389,722)</u>	<u>(914,316)</u>

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

Profit from operations before income tax expense	5,889,718	2,142,644
Tax at the rate of 27.5% (2018: 30%)	1,619,672	642,793
Permanent tax differences	440	-
Under/(over) provision in prior years	(152,636)	(16,094)
Change to corporate tax rate	(1,734,197)	-
Income tax equivalents expense	<u>(266,721)</u>	<u>626,699</u>

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

Deferred Tax		
Net gain/loss on revaluation of property, plant & equipment	1,091,530	1,907,246
	<u>1,091,530</u>	<u>1,907,246</u>

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
5 Cash and Cash Equivalents		
Cash at Bank	21,038,143	22,760,546
Deposits at Queensland Treasury Corporation, at call	324,833	317,262
	<u>21,362,976</u>	<u>23,077,808</u>
6 Receivables		
Current		
Trade Debtors	3,814,749	3,081,267
Accrued Interest	52,632	56,307
GST Receivable	189,094	138,934
	<u>4,056,475</u>	<u>3,276,508</u>
7 Property Plant & Equipment		
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	1,170,000
Less: Accumulated depreciation	(672,265)	(668,571)
	<u>475,505</u>	<u>501,429</u>
Infrastructure: Pipelines		
At fair value	158,163,689	152,913,544
Less: Accumulated depreciation	(88,601,855)	(83,772,899)
	<u>69,561,834</u>	<u>69,140,645</u>
Infrastructure: Other		
At fair value	127,153,419	120,441,860
Less: Accumulated depreciation	(63,212,572)	(58,330,934)
	<u>63,940,847</u>	<u>62,110,926</u>
Plant and Equipment Infrastructure:		
At cost	2,060,763	1,930,402
Less: Accumulated depreciation	(1,087,271)	(932,820)
	<u>973,492</u>	<u>997,582</u>
Capital work in progress		
At cost	10,194,791	3,581,443
Total	<u><u>145,804,026</u></u>	<u><u>136,989,583</u></u>

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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 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 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	63,940,847
Plant and Equipment (at cost)	997,582	-	-	-	(154,451)	130,362	973,492
Capital WIP (at cost)	3,581,443	10,175,969	-	-	-	(3,562,621)	10,194,791
TOTAL	136,989,583	10,175,969	-	3,959,993	(5,321,517)	-	145,804,026

30 June 2018	Balance at beginning of year	Adjustments Additions	Disposals	Revaluation increments / (decrements)	Depreciation expense	Transfers	Carrying amount at end of year
	\$	\$	\$	\$	\$	\$	\$
Land (at fair value)	137,133	-	-	(48,561)	-	-	88,571
Leasehold Land (at cost)	568,986	-	-	-	-	-	568,986
Buildings (at fair value)	621,616	-	-	(102,959)	(17,228)	-	501,429
Infrastructure: Pipelines (at fair value)	77,757,995	12,911	-	(6,447,410)	(2,182,851)	-	69,140,645
Infrastructure: Other (at fair value)	51,015,933	(12,911)	-	12,803,912	(2,886,804)	1,190,796	62,110,926
Plant and Equipment (at cost)	572,857	-	-	-	(115,684)	540,406	997,582
Capital WIP (at cost)	1,902,846	3,409,798	-	-	-	(1,731,202)	3,581,443
TOTAL	132,577,366	3,409,798	-	6,204,982	(5,202,567)	-	136,989,583

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

7 Property Plant & Equipment (cont.)

Land & Buildings - fair value hierarchy level 2 both 2018 and 2019

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 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 Land

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

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

7 Property Plant & Equipment (cont.)

Infrastructure: Pipelines & Other - fair value hierarchy level 3 both 2018 and 2019

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 depreciated 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 2018 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:

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

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.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**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 ²	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:

	2019	2018
	\$	\$
Land	32,500	32,500
Buildings	775,460	775,460
Infrastructure - Pipelines	35,354,827	35,253,593
Infrastructure - Other	66,941,704	63,610,679
TOTAL	103,104,491	99,672,232

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
8 Payables		
Current Liabilities		
Trade creditors	1,599,961	1,333,044
Other creditors	51,911	43,972
Accruals	5,471,771	4,882,943
Dividends payable *	4,925,151	1,212,756
	<u>12,048,793</u>	<u>7,472,716</u>

* On 7 May 2019, 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 2019 based on 80% of NPAT as per section 660(3) of the *Water Act 2000*. The Minister wrote to MIWB on 27 June 2019 approving the dividend recommendation.

9 Other Financial Liabilities**Current**

Loans - Queensland Treasury Corporation	283,020	270,800
	<u>283,020</u>	<u>270,800</u>

Non Current

Loans – Queensland Treasury Corporation	1,174,986	1,455,232
	<u>1,174,986</u>	<u>1,455,232</u>
Total Financial Liabilities	<u>1,458,006</u>	<u>1,726,032</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 \$1,573,185 (2017 \$2,678,397). 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.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
10 Current and Deferred Tax		
	2019 \$	2018 \$
Assets		
Non-current		
Deferred tax asset comprises:		
Employee benefits	44,200	43,988
Accrued expenses	7,862	(1,112)
Deferred income	40,012	45,468
Depreciation	168,112	17,482
Deferred tax asset	<u>260,185</u>	<u>105,826</u>
Liabilities		
Non-current		
Deferred tax liability comprises:		
Property Plant & Equipment	<u>20,038,154</u>	<u>20,939,061</u>
Net deferred tax liability	<u>19,777,969</u>	<u>20,833,235</u>
11 Other Liabilities		
	2019 \$	2018 \$
Non-current		
Grants received in advance	<u>145,498</u>	<u>151,561</u>
	<u>145,498</u>	<u>151,561</u>

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**12 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 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
TOTAL	65,981,180	2,877,671	-	-	-	68,858,851

30 June 2018	Balance at beginning of year	Revaluation Increments	Revaluation Decrements	Impairment Losses through equity	Impairment reversals through equity	Balance at end of year
	\$	\$	\$	\$	\$	\$
Land	73,243	-	(33,993)	-	-	39,250
Buildings	20,913	-	(20,913)	-	-	0
Infrastructure	60,357,401	13,185,671	(7,677,395)	-	-	65,865,677
Plant & Equipment	76,253	-	-	-	-	76,253
TOTAL	60,527,810	13,185,671	(7,732,301)	-	-	65,981,180

Revaluation increments and decrements above are disclosed net of tax.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

13 Cashflow Information

Reconciliation of Profit to Net Cash from Operating Activities	2019	2018
	\$	\$
Profit after income tax	6,156,439	1,515,944
Depreciation	5,321,517	5,202,567
Revaluation decrement	9,210	1,618,225
Profit on Sale of Asset	(16,818)	(12,727)
	<u>11,470,348</u>	<u>8,324,009</u>
Movement in Operating Assets and Liabilities		
Receivables	(733,482)	1,243,458
Interest Receivable	3,675	(5,778)
GST Receivables	(50,160)	225,289
Prepayments	(18,107)	892
Payables	863,684	355,906
Annual Leave	27,670	9,604
Long Service Leave	(13,571)	539
Deferred Income	(6,063)	(6,062)
Deferred Tax	(2,162,501)	(930,411)
Provision for Taxes	527,902	(286,953)
Net cash from operating activities	<u>9,909,395</u>	<u>8,930,493</u>

Changes in Liabilities Arising from Financing Activities

2019		Non-Cash Charges			Cash Flows		
	Closing Balance 2018 \$	Transfers to/(from other Queensland Government Entities \$	New Leases Acquired \$	Other \$	Cash Received \$	Cash Repayments \$	Closing Balance 2019 \$
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
2018		Non-Cash Charges			Cash Flows		
	Closing Balance 2017 \$	Transfers to/(from other Queensland Government Entities \$	New Leases Acquired \$	Other \$	Cash Received \$	Cash Repayments \$	Closing Balance 2018 \$
Borrowings	2,541,001	-	-	-	-	814,967	1,726,032
Dividends Payable	2,625,560	-	-	1,212,756	-	2,625,560	1,212,756
Total	5,166,561	-	-	1,212,756	-	3,440,527	2,938,788

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

14 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.

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

14 Financial Instruments (cont.)

ii) Credit Risk Exposure (cont.)

The maximum exposure to credit risk at balance 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 2019 is \$3,006,128, which represents 72.2 per cent of the total trade receivables at balance date (2018 \$2,148,206 and 67.7 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 1 July 2018 and 30 June 2019.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14 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 balance date. The undiscounted cash flows in these tables differ from the amounts in the Statement of Financial Position.

2019 Payable in

	Note	< 1 year	1 - 5 years	> 5 years	Total
Financial Liabilities		\$	\$	\$	\$
Payables	8	12,048,793	-	-	12,048,793
Other financial liabilities					
- QTC Borrowings	9	343,426	1,287,849	-	1,631,275
Total		12,392,220	1,287,849	-	13,680,069

2018 Payable in

	Note	< 1 year	1 - 5 years	> 5 years	Total
Financial Liabilities		\$	\$	\$	\$
Payables	8	7,472,716	-	-	7,472,716
Other financial liabilities					
- QTC Borrowings	9	343,426	1,373,705	257,570	1,974,702
Total		7,816,142	1,373,705	257,570	9,447,418

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**14 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 and 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 \$199,050 (2018: \$213,517). 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.

2019 Financial Instruments	2019 Carrying Amount \$	2019 Interest Rate Risk			
		-1%		+1%	
		Profit & Loss \$	Equity \$	Profit & Loss \$	Equity \$
Cash and cash equivalents	21,362,976	(213,630)	(213,630)	213,630	213,630
QTC Borrowings	1,458,006	14,581	14,581	(14,580)	(14,580)
Potential Impact on Profit and Equity		(199,049)	(199,049)	199,050	199,050

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

14 Financial Instruments (cont.)

v) Interest Rate Risk (cont.)

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

2018 Financial Instruments	Carrying Amount	2018 Interest Rate Risk			
		-1%		+1%	
		Profit & Loss	Equity	Profit & Loss	Equity
	\$	\$	\$	\$	\$
Cash and cash equivalents	23,077,808	(230,778)	(230,778)	230,778	230,778
QTC Borrowings	1,726,032	17,261	17,261	(17,260)	(17,260)
Potential Impact on Profit and Equity		(213,517)	(213,517)	213,518	213,518

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 9) and is disclosed below:

Financial Liabilities	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$	\$	\$	\$
Financial liabilities at amortised cost:				
QTC Borrowings	1,458,006	1,573,185	1,726,032	1,826,950
Total	1,458,006	1,573,185	1,726,032	1,826,950

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15 Contingencies

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

(a) Litigation in Progress

As at 30 June 2019, the following cases were filed in the courts naming MIWB acting as defendant:

	2019	2018
	Number of cases	Number of cases
Supreme Court	1	1
Total	<u>1</u>	<u>1</u>

It is not possible to make a reliable estimate the outcome or the final amount payable, if any, in respect of the litigation before the courts at this time.

Proceedings were commenced by Nortask Pty Ltd in 2008 in relation to claims arising out of works associated with the Lake Moondarra Pipeline in 2002/2003. No step has been taken in the proceedings since 2009. As a consequence of this fact, Nortask Pty Ltd must seek an order from the court before proceeding any further. The solicitors for the plaintiff have issued a letter pursuant to the court rules stating that they intend to proceed with the litigation. However, this letter is not a "step" for the purpose of the court rules, it is no more than notification of an intention. MIWB rejects the claims and intends defending them should they be pursued.

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16 Budget vs Actual Comparison

Statement of Comprehensive Income

	Variance Notes	Budget 2019 \$	Actual 2019 \$	Variance \$	Variance % of Budget
INCOME FROM CONTINUING OPERATIONS					
Revenue					
Water charges	1	24,694,000	24,133,646	(560,354)	-2.3%
Interest	2	390,000	359,552	(30,448)	-7.8%
Other revenue	3	786,000	596,484	(189,516)	-24.1%
TOTAL REVENUE		25,870,000	25,089,682	(780,318)	-3.0%
Gain on sale of property, plant and equipment		-	16,818	16,818	NA
TOTAL INCOME FROM CONTINUING OPERATIONS		25,870,000	25,106,500	(763,500)	-3.0%
EXPENSES FROM CONTINUING OPERATIONS					
Employee expenses	4	(2,378,000)	(1,893,686)	484,314	-20.4%
Supplies and services	5	(11,426,794)	(11,220,220)	206,574	-1.8%
Depreciation and amortisation		(5,322,000)	(5,321,517)	483	0.0%
Finance/borrowing costs		(75,000)	(73,441)	1,559	-2.1%
Revaluation decrement		-	(9,210)	9,210	NA
Other expenses		(454,666)	(698,709)	(244,043)	53.7%
Losses					
Loss on sale of property, plant & equipment		-	-	-	NA
TOTAL EXPENSES FROM CONTINUING OPERATIONS		(19,656,460)	(19,216,782)	439,678	-2.2%
OPERATING RESULTS FROM CONTINUING OPERATIONS BEFORE INCOME TAX		6,213,540	5,889,718	(323,822)	-5.2%
Income tax expense		(1,864,061)	266,721	2,130,782	114.3%
OPERATING RESULTS FROM CONTINUING OPERATIONS AFTER INCOME TAX		4,349,479	6,156,439	1,806,960	41.5%
OTHER COMPREHENSIVE INCOME					
<i>Items that will not be reclassified subsequently to Operating Result:</i>					
Increase (decrease) in asset revaluation surplus		-	2,877,671	-	NA
TOTAL OTHER COMPREHENSIVE INCOME, NET OF TAX		-	2,877,671	-	NA
TOTAL COMPREHENSIVE INCOME		4,349,479	9,034,110	4,684,631	107.7%

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16 Budget vs Actual Comparison (cont.)

Statement of Financial Position

	Variance Notes	Budget 2019 \$	Actual 2019 \$	Variance \$	Variance % of Budget
CURRENT ASSETS					
Cash and cash equivalents	6	18,545,792	21,362,976	2,817,184	15.2%
Receivables	7	2,831,179	4,056,475	1,225,296	43.3%
Other current assets		241,830	25,175	(216,655)	-90%
TOTAL CURRENT ASSETS		21,618,801	25,444,626	3,825,825	17.7%
NON-CURRENT ASSETS					
Property, plant and equipment		142,340,117	145,804,026	3,463,909	2.4%
TOTAL NON-CURRENT ASSETS		142,340,117	145,804,026	3,463,909	2.4%
TOTAL ASSETS		163,958,918	171,248,652	7,289,734	4.4%
CURRENT LIABILITIES					
Payables		2,122,075	7,123,642	5,001,567	235.7%
Accrued employee benefits		87,626	114,962	27,336	31.2%
Dividend payable		3,479,582	4,925,151	1,445,569	41.5%
Other financial liabilities		280,246	283,020	2,774	1.0%
Tax liabilities		332,664	525,997	193,333	58.1%
TOTAL CURRENT LIABILITIES		6,302,193	12,972,772	6,670,579	105.8%
NON-CURRENT LIABILITIES					
Accrued employee benefits		59,000	45,764	(13,236)	-22.4%
Other financial liabilities		1,174,986	1,174,986	(0)	0.0%
Deferred tax liabilities	8	20,828,935	19,777,969	(1,050,966)	-5.0%
Other liabilities		145,623	145,498	(125)	-0.1%
TOTAL NON-CURRENT LIABILITIES		22,208,544	21,144,218	(1,064,326)	-4.8%
TOTAL LIABILITIES		28,510,737	34,116,990	5,606,253	19.7%
NET ASSETS		135,448,181	137,131,663	1,683,482	1.2%
EQUITY					
Contributed equity		30,430,390	30,430,390	-	0.0%
Accumulated surplus		39,036,611	37,842,422	(1,194,189)	-3.1%
Asset revaluation surplus		65,981,180	68,858,851	2,877,671	4.4%
TOTAL EQUITY		135,448,181	137,131,663	1,683,482	1.2%

MOUNT ISA WATER BOARD

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

16 Budget vs Actual Comparison (cont.)

Statement of Cash Flow

	Variance Notes	Budget 2019 \$	Actual 2019 \$	Variance \$	Variance % of Budget
CASH FLOWS FROM OPERATING ACTIVITIES					
<i>Inflows:</i>					
Receipts from customers		27,485,295	23,400,164	(4,085,131)	-14.9%
Interest received		390,000	363,227	(26,773)	-6.9%
Other Income		786,000	590,421	(195,579)	-24.9%
GST per budget	8	2,267,438	-	(2,267,438)	-100.0%
GST Input Tax Credits from ATO	8	-	2,004,487	2,004,487	NA
GST received from customers	8	-	58,672	58,672	NA
<i>Outflows:</i>					
Employee expenses		(2,378,000)	(1,879,586)	498,414	-21.0%
Supplies and services	5	(18,758,375)	(10,374,645)	8,383,730	-44.7%
Finance/borrowing costs		(75,000)	(73,441)	1,559	-2.1%
Other expenses		(454,666)	(698,709)	(244,043)	53.7%
GST paid to suppliers	8	-	(2,053,488)	(2,053,488)	NA
GST remitted to ATO	8	-	(59,831)	(59,831)	NA
Income taxes paid		(1,529,493)	(1,357,878)	171,615	-11.2%
Net cash provided by (used in) operating activities		7,733,199	9,919,395	2,186,196	28.3%
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Inflows:</i>					
Sale of property, plant and equipment		-	16,818	16,818	NA
<i>Outflows:</i>					
Payments for property, plant and equipment		(10,784,943)	(10,160,264)	624,679	-5.8%
Net cash provided by (used in) investing activities		(10,784,943)	(10,143,446)	641,497	-5.9%
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Outflows:</i>					
Repayment of borrowings		(267,516)	(268,026)	(510)	0.2%
Loans received		-	-	-	NA
Dividends		(1,212,756)	(1,212,756)	0	0.0%
Net cash provided by (used in) financing activities		(1,480,272)	(1,480,782)	(510)	0.0%
Net increase (decrease) in cash and cash equivalents		(4,532,016)	(1,704,832)	2,827,184	-62.4%
Cash and cash equivalents at beginning of financial year		23,077,808	23,077,808	0	0.0%
Cash and cash equivalents at end of financial year	6	18,545,792	21,372,976	2,827,184	15.2%

MOUNT ISA WATER BOARD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

16 Budget vs Actual Comparison (cont.)

Explanations of Major Variances

Statement of Comprehensive Income

1. Actuals are lower than budget due to fixed and variable charge true-ups.
2. Actuals are lower than budget due to lower than forecast interest rates.
3. Actuals are lower than budget due to lower than budgeted electricity charges.
4. Actuals are lower than budget due to lower than budgeted staff numbers for part of the financial 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 to the tax rate change from 30% to 27.5%.

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

MOUNT ISA WATER BOARD

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), relevant sections of the *Financial and Performance Management Standard 2009* 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 2018 to 30 June 2019 and of the financial position of the Mount Isa Water Board as at the end of that year.

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



Steve de Kruijff

Chairperson



Stephen Farrelly

Chief Executive Officer

Dated 21st day of August 2019



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 2019, 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 2009 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, 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 of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the 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 of Queensland Auditing Standards*.

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

Other Information

Other information comprises the information included in the entity's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon.

The Board is responsible for the other information.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

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

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.



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 2009 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, but not for expressing an opinion on the effectiveness of the entity's internal control.
- 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.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

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

A handwritten signature in black ink, appearing to read "Vaughan Stemmett".

Vaughan Stemmett
as delegate of the Auditor-General

26 August 2019
Queensland Audit Office
Brisbane

Glossary

ADWG	Australian Drinking Water Guidelines (2011)
Announced Allocation	A defined share of water available to be taken under an annual water allocation, and recalculated annually
ANZECC	Australian and New Zealand Environment and Conservation Council
Blue-green algae	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.
Board	The Board of Directors of Mount Isa Water Board
DNRME	Department of Natural Resources, Mines and Energy
DWQMP	Drinking Water Quality Management Plan
EBIT	Earnings before Interest and Tax
FTE	Full Time Equivalent (employee)
Glencore	Glencore completed a merger with Xstrata in May 2013 and the local mining operator is now known as Mount Isa Mines, a Glencore Company
Gulf Plan	Water Resource (Gulf) Plan 2007
km	Kilometre or kilometres
Lake Julius	Owned and operated by SunWater, a government-owned corporation
Lake Moondarra	Owned by Mount Isa Mines Limited as resource operations licence holder
m	Million
MIM	Mount Isa Mines Ltd, a Glencore Company
MIWB	Mount Isa Water Board – as the Statutory Corporate entity
MICC	Mount Isa City Council
ML	Megalitre (one million litres)
R48 Reserve	R48 Water and Recreation Reserve
RTI	Right to Information relating to the <i>Right to Information Act 2009</i>
SunWater	The government-owned corporation operating under that name
Water Act	<i>Water Act 2000 (Qld)</i> as amended

Readers' survey

MIWB is committed to improving the quality of our annual report. Please take a few moments to complete this survey and return it to us.

The survey can be detached from the annual report, or hard copies can be downloaded from www.mountisawater.qld.gov.au.

Please tick the appropriate response.

1. The level of detail in the annual report was:

- far too little
- too little
- just right
- too much
- far too much

2. The language and style of the annual report text was:

- far too simple
- too simple
- just right
- too complex
- far too complex

3. For my needs, the length of the annual report was:

- far too short
- too short
- just right
- too long
- far too long

4. I found the design of the annual report to be:

- very unappealing
- unappealing
- acceptable
- appealing
- very appealing

5. Compared with the previous annual report, this year's report was:

- much worse
- worse
- about the same
- better
- much better
- OR I didn't see the previous annual report

6. If I could make one improvement to the annual report, it would be:

7. Please use this space to provide any comments you would like to make that have not been addressed elsewhere.

8. What is your main reason for reading the report?

- Business purposes
- Library reference
- Official use
- Staff use
- General interest
- Student needs
- Other (please specify below)

9. The annual report is available through the Mount Isa Water Board website at www.mountisawater.qld.gov.au and in the future:

- I would prefer to access it electronically
- I still want a hard copy

Thank you for your comments.

MIWB staff Please return the completed survey to the Chief Executive.

External readers Please return the completed survey to: Mount Isa Water Board, PO Box 1712, Mount Isa, Qld 4825

Annual report compliance checklist

Summary of requirement	Basis for requirement	Annual report reference
Letter of compliance	<ul style="list-style-type: none"> A letter of compliance from the accountable officer or statutory body to the relevant Minister 	ARRs – section 7 4
Accessibility	<ul style="list-style-type: none"> Table of contents 	ARRs – section 9.1 8
	<ul style="list-style-type: none"> Glossary 	95
	<ul style="list-style-type: none"> Public availability 	ARRs – section 9.2 3
	<ul style="list-style-type: none"> Interpreter service statement 	<i>Queensland Government Language Services Policy</i> ARRs – section 9.3 7
	<ul style="list-style-type: none"> Copyright notice 	<i>Copyright Act 1968</i> ARRs – section 9.4 3
	<ul style="list-style-type: none"> Information licensing 	<i>QGEA - Information Licensing</i> ARRs – section 9.5 N/A to MIWB
General information	<ul style="list-style-type: none"> Introductory information 	ARRs – section 10.1 5
	<ul style="list-style-type: none"> Machinery of Government changes 	ARRs – section 10.2, 31 and 32 N/A to MIWB
	<ul style="list-style-type: none"> Agency role and main functions 	ARRs – section 10.2 5
	<ul style="list-style-type: none"> Operating environment 	ARRs – section 10.3 14-16
Non-financial performance	<ul style="list-style-type: none"> Government's objectives for the community 	ARRs – section 11.1 17
	<ul style="list-style-type: none"> Other whole-of-government plans / specific initiatives 	ARRs – section 11.2 N/A to MIWB
	<ul style="list-style-type: none"> Agency objectives and performance indicators 	ARRs – section 11.3 10, 11, 17-22
	<ul style="list-style-type: none"> Agency service areas and service standards 	ARRs – section 11.4 N/A to MIWB
Financial performance	<ul style="list-style-type: none"> Summary of financial performance 	ARRs – section 12.1 11, 35-36
Governance – management and structure	<ul style="list-style-type: none"> Organisational structure 	ARRs – section 13.1 28
	<ul style="list-style-type: none"> Executive management 	ARRs – section 13.2 28-29
	<ul style="list-style-type: none"> Government bodies (statutory bodies and other entities) 	ARRs – section 13.3 26-27
	<ul style="list-style-type: none"> <i>Public Sector Ethics Act 1994</i> 	<i>Public Sector Ethics Act 1994</i> ARRs – section 13.4 33
	<ul style="list-style-type: none"> Queensland public service values 	ARRs – section 13.5 2

Annual report compliance checklist

Summary of requirement	Basis for requirement	Annual report reference	
Governance – risk management and accountability	• Risk management	ARRs – section 14.1	30
	• Audit Committee	ARRs – section 14.2	27
	• Internal Audit	ARRs – section 14.3	30
	• External scrutiny	ARRs – section 14.4	30
	• Information systems and recordkeeping	ARRs – section 14.5	29
Governance – human resources	• Strategic workforce planning and performance	ARRs – section 15.1	33
	• Early retirement, redundancy and retrenchment	Directive No.04/18 <i>Early Retirement, Redundancy and Retrenchment</i> ARRs – section 15.2	N/A to MIWB
Open data	• Statement advising publication of information	ARRs – section 16	31
	• Consultancies	ARRs – section 33.1	data.qld.gov.au
	• Overseas travel	ARRs – section 33.2	data.qld.gov.au
	• Queensland Language Services Policy	ARRs – section 33.3	data.qld.gov.au
Financial statements	• Certification of financial statements	FAA – section 62 FPMS – sections 42, 43 and 50 ARRs – section 17.1	91
	• Independent Auditor’s Report	FAA – section 62 FPMS – section 50 ARRs – section 17.2	92

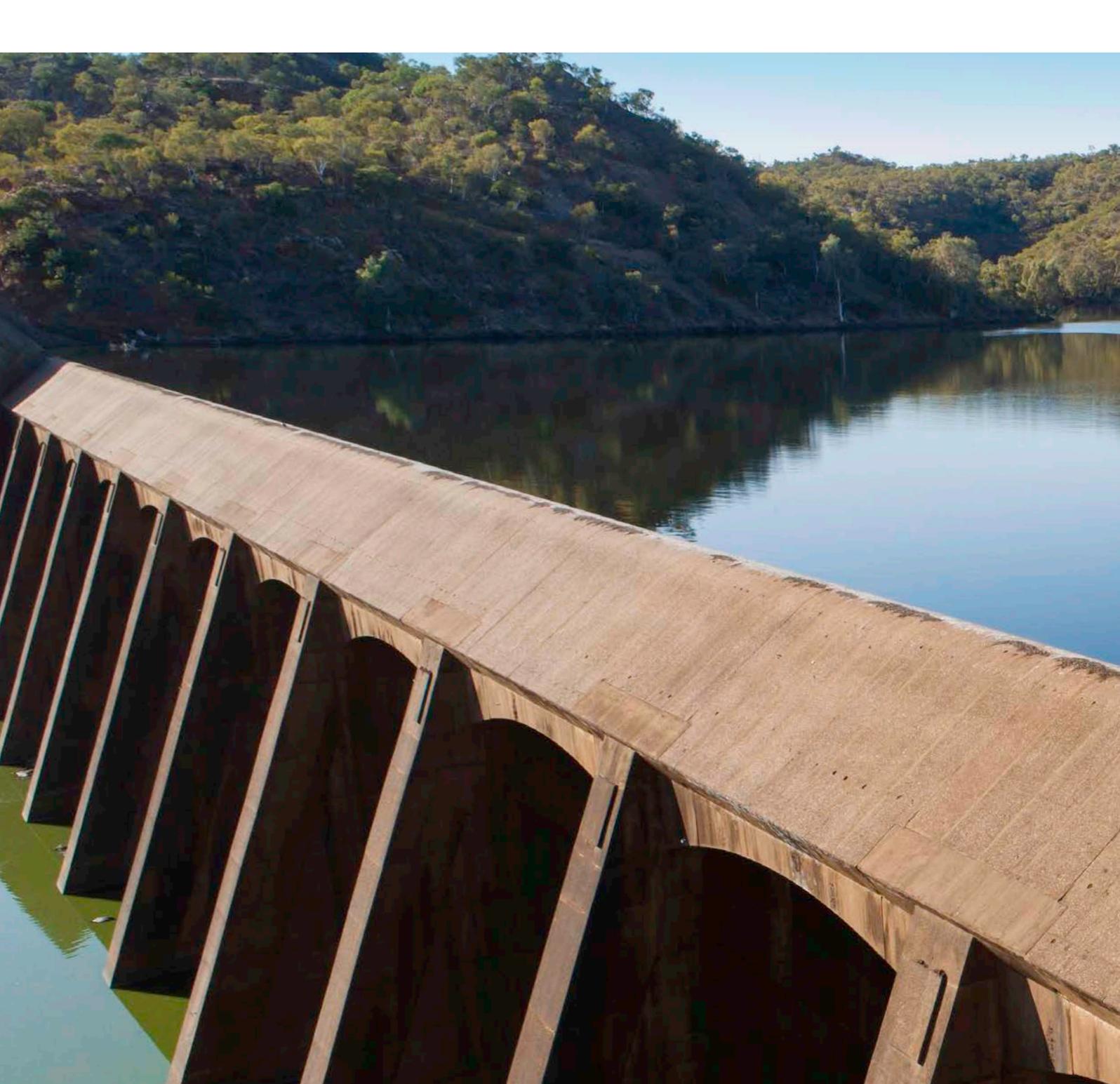
FAA *Financial Accountability Act 2009*

FPMS Financial and Performance Management Standard 2009

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

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Mount Isa Water Board
mountisawater.qld.gov.au