



Bouliā Shire Council

Financial Statements
for the year ended 30 June 2017

Bouliia Shire Council

Financial Statements

For the year ended 30 June 2017

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Boulia Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	Council	
		2017 \$	2016 \$
Income			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	1,241,215	1,202,071
Fees and charges		394,570	405,050
Rental income		260,450	319,152
Interest received		269,529	414,343
Sales revenue	3(b)	5,291,981	3,387,486
Other income		9,938	37,307
Grants, subsidies, contributions and donations	4(a)	10,611,740	8,557,008
		18,079,423	14,322,417
Capital Revenue			
Grants, subsidies, contributions and donations	4(b)	4,539,433	3,968,377
Total Revenue		22,618,856	18,290,794
Total Income		22,618,856	18,290,794
Expenses			
Recurrent Expenses			
Employee benefits	6	(3,200,516)	(3,249,003)
Materials and services	7	(11,224,942)	(9,544,540)
Finance costs		(77,188)	(75,844)
Depreciation	8	(3,061,203)	(3,289,272)
		(17,563,849)	(16,158,659)
Capital Expenses	5	(110,369)	(32,986)
Total Expenses		(17,674,218)	(16,191,645)
NET RESULT		4,944,638	2,099,149
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase / (decrease) in Asset Revaluation Surplus	16	-	1,172,997
Total Other Comprehensive Income for the Year		-	1,172,997
Total Comprehensive Income for the Year		4,944,638	3,272,146

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

**Boulia Shire Council
Statement of Financial Position
as at 30 June 2017**

		Council	
	Note	2017 \$	2016 \$
Current Assets			
Cash and cash equivalents	9	14,961,044	11,779,119
Receivables	10	1,649,839	1,566,023
Inventories		300,541	275,742
Total Current Assets		16,911,424	13,620,884
Non Current Assets			
Property, plant and equipment	11	151,305,069	149,525,852
Total Non-Current Assets		151,305,069	149,525,852
Total Assets		168,216,493	163,146,736
Current Liabilities			
Payables	13	947,630	801,577
Borrowings	14	48,519	46,887
Provisions	15	202,994	208,482
Total Current Liabilities		1,199,143	1,056,946
Non-Current Liabilities			
Borrowings	14	1,160,946	1,207,138
Provisions	15	79,082	49,965
Total Non-Current Liabilities		1,240,028	1,257,103
Total Liabilities		2,439,171	2,314,049
Net Community Assets		165,777,322	160,832,686
Community Equity			
Asset Revaluations Surplus	16	85,512,316	85,512,316
Retained Surplus		80,265,006	75,320,370
Total Community Equity		165,777,322	160,832,686

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

Boulia Shire Council
Statement of Changes in Equity
For the year ended 30 June 2017

Council	Note	Asset revaluation surplus	Retained Surplus	Total
	16			
		\$	\$	\$
Balance as at 1 July 2016		85,512,316	75,320,370	160,832,686
Net result		-	4,944,638	4,944,638
Other comprehensive income for the year				
Increase in Asset Revaluation Surplus		-	-	-
Total Comprehensive Income for the Year		-	4,944,638	4,944,638
Balance as at 30 June 2017		85,512,316	80,265,006	165,777,322
Balance as at 1 July 2015		84,339,319	73,221,222	157,560,542
Net result		-	2,099,149	2,099,149
Other comprehensive income for the year				
Increase in Asset Revaluation Surplus		1,172,997	-	1,172,997
Total Comprehensive Income for the Year		1,172,997	2,099,149	3,272,146
Balance as at 30 June 2016		85,512,316	75,320,370	160,832,686

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

Boulia Shire Council
Statement of Cash Flows
For the year ended 30 June 2017

	Note	Council	
		2017	2016
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		6,853,888	4,222,944
Payments to suppliers and employees		(14,280,576)	(12,932,818)
		<u>(7,426,688)</u>	<u>(8,709,873)</u>
Interest received		269,529	414,343
Rental income		260,450	319,152
Non capital grants and contributions		10,611,740	8,557,008
Borrowing costs		(77,188)	75,844
Net Cash Inflow (outflow) from Operating Activities	20	<u>3,637,844</u>	<u>656,474</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(5,171,167)	(6,659,633)
Proceeds from sale of property plant and equipment		220,375	546,364
Grants, subsidies, contributions and donations		4,539,433	3,906,412
Net Cash Inflow (outflow) from Investing Activities		<u>(411,359)</u>	<u>(2,206,856)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(44,560)	(49,038)
Net Cash Inflow (outflow) from Financing Activities		<u>(44,560)</u>	<u>(49,038)</u>
Net Change in Cash and Cash Equivalent Held		<u>3,181,925</u>	<u>(1,599,421)</u>
Cash and Cash Equivalents at the Beginning of the Financial Year		11,779,119	13,378,540
Cash and Cash Equivalents at End of the Financial Year	9	<u>14,961,044</u>	<u>11,779,119</u>

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation gains and losses within a class of assets and the timing of recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for the following financial assets and liabilities which are measured at fair value:-

- i) Land and improvements
- ii) Building & structures
- iii) Road infrastructure
- iv) Water infrastructure
- v) Sewerage infrastructure
- vi) Aerodrome infrastructure

Recurrent / Capital Classification

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

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

The following transactions are classified as either "capital income" or "capital expense" depending on whether they result in accounting gains or losses:

- i) Disposal of non-current assets
- ii) Revaluations of property plant and equipment.

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

1.B Constitution

The Boulia Shire Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1.C Currency

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

1.D Rounding and Comparatives

The financial statements have been rounded to the nearest \$1.

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

1.E Date of Authorisation

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

1.F Adoption of New and Revised Accounting Standards

This year Council has applied AASB 124 Related Party Disclosures for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 22.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

Standard and impact	Date council will apply the standard
AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	
AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.	1-Jul-19
Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.	

1.G Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Valuation and depreciation of property, plant and equipment - Note 11
- Impairment of property, plant and equipment - Note 1.H
- Provisions - Note 15
- Contingent liabilities - Note 18.

1.H Impairment of Non-Current Assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually.

1.I Taxation

Income of local authorities and public authorities is exempt from Commonwealth Taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

2. Analysis of Results by Function

2(a) Components of Council Functions

The activities relating to the Council's components reported on in Note 2(b) are as follows :

Corporate Support

Secure revenue from governments and ratepayers to finance the general activities of Council
Provide support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements including disaster management, civic receptions and regional services
Provide Council and corporate management of the organisation including:-
Financial and administrative services
Encourage and monitor the planning and construction of the building environment
Information technology
Human resources and payroll
Plan and design Council's infrastructure and provide general engineering and operational support
Provision of tourism attractions and museums and assist with the promotion and development of the local tourism industry
Provide leadership and key industry contacts for the diversification and growth of local industry
Procure and service Council's mobile fleet

Environmental and Natural Resources

Ensure a high level of environmental health is maintained for all residents and visitors. Protect the natural environment and undertake projects to enhance economic and environmental return from use of reserves.
Protect and enhance the environmental and natural resources within the Shire. This includes:-
Property pest management
Stock route management
Animal control
Environmental licenses and approvals

Community and Lifestyle Services

Enhance community development and equity through targeted assistance and development activities
Provide activities and services to improve the lifestyle of residents including:-
Providing accessible and quality library materials to residents
Providing entertainment venues for all residents
Community centres and halls
Providing community housing for both staff and non-staff members of the Shire
Community services
Provision of clean and appropriate recreational & sporting facilities and areas and other public spaces for community and tourist use
Parks and gardens
Cemeteries

Health and Welfare

Assist with the provision of facilities and activities to enhance the health and welfare of residents. Lobby government for improved facilities.

Water, Sewerage and Garbage

Water Infrastructure

Supply urban residents and businesses with a clean and reliable water supply
Improve the conservation of water use by the community

Sewerage Infrastructure

Provide sewerage services to the urban community

Garbage Infrastructure

Provide urban residents and businesses with an efficient refuse collection and disposal service

Roads

Provide, maintain and upgrade roads, streets and drainage to the highest standard within limits of resources
Undertake road construction and maintenance works for third parties

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

2 Analysis of Results by Function

(b) Income and Expenses defined between Recurring and Capital are attributed to the following functions:

Year ended 30 June 2017

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2017	2017	2017	2017		2017	2017				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Support	3,360,394	1,242,775	102,948	-	4,706,117	(893,982)	(110,369)	(1,004,351)	3,709,187	3,701,764	22,141,710
Environmental & Natural Resources	37,073	10,497	-	-	47,570	(173,867)	-	(173,867)	(126,297)	(126,297)	53,875
Community & Lifestyle Services	213,817	511,761	592,452	-	1,318,030	(3,177,697)	-	(3,177,697)	(2,452,119)	(1,859,667)	22,613,525
Health & Welfare	109,352	770	-	-	110,122	(181,151)	-	(181,151)	(71,029)	(71,029)	-
Water Sewerage & Garbage	-	385,263	542,718	-	927,981	(526,952)	-	(526,952)	(141,689)	401,029	7,326,767
Roads	6,891,104	5,316,617	3,301,315	-	15,509,036	(12,610,200)	-	(12,610,200)	(402,479)	2,898,836	116,080,616
Total Council	10,611,740	7,467,683	4,539,433	-	22,618,856	(17,563,849)	(110,369)	(17,674,218)	515,575	4,944,638	168,216,493

Year ended 30 June 2016

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2016	2016	2016	2016		2016	2016				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Support	2,282,171	1,666,261	-	-	3,948,432	(2,972,104)	-	(2,972,104)	976,328	976,329	16,219,183
Environmental & Natural Resources	-	-	-	-	-	(186,009)	-	(186,009)	(186,009)	(186,009)	62,459
Community & Lifestyle Services	25,093	319,152	329,352	-	673,598	(3,958,186)	-	(3,958,186)	(3,613,941)	(3,284,589)	25,096,615
Health & Welfare	126,227	-	-	-	126,227	(99,893)	-	(99,893)	26,334	26,334	-
Water Sewerage & Garbage	-	392,510	50,674	-	443,184	(617,159)	-	(617,159)	(224,649)	(173,975)	6,873,700
Roads	6,123,516	3,387,486	3,588,351	(32,986)	13,066,366	(8,325,310)	-	(8,325,310)	1,185,691	4,741,056	114,894,779
Total Council	8,557,008	5,765,409	3,968,377	(32,986)	18,257,807	(16,158,661)	-	(16,158,661)	(1,836,245)	2,099,146	163,146,736

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

		Council	
Note	2017	2016	
	\$	\$	

3 Revenue Analysis

Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.

(a) Rates, Levies and Charges

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

General rates	954,800	931,559
Water	190,619	181,751
Sewerage	103,080	105,604
Garbage charges	99,734	105,154
Total rates and utility charge revenue	1,348,233	1,324,068
Less: discounts	(106,898)	(121,412)
Less: pensioner remissions	(120)	(585)
	1,241,215	1,202,071

(b) Sales Revenue

The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Sale of services

Contract and recoverable works	5,291,981	3,387,486
	5,291,981	3,387,486

4 Grants, Subsidies, Contributions and Donations

All grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

(a) Recurrent

General purpose grants	4,506,802	2,960,878
State government and other subsidies and grants	6,104,938	5,596,130
	10,611,740	8,557,008

(b) Capital

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and / or investment in new assets.

State government subsidies and grants	4,539,433	2,851,353
Commonwealth government subsidies and grants	-	1,117,024
	4,539,433	3,968,377

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for expenditure on services	421,210	-
	421,210	-

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	Council	
		2017 \$	2016 \$
5 Capital Expenses			
Gain / Loss on Disposal of Non-Current Assets			
Proceeds from the sale of property, plant and equipment		174,843	546,364
Less: Book value of property, plant and equipment disposed of		(285,212)	(579,350)
		<u>(110,369)</u>	<u>(32,986)</u>
6 Employee Benefits			
Total staff wages and salaries		2,641,149	2,457,055
Councillors' remuneration		311,053	308,874
Annual, sick, long service leave and entitlements		456,322	620,415
Superannuation	19	286,478	304,746
		<u>3,695,002</u>	<u>3,691,090</u>
Other employee related expenses		88,451	117,808
		<u>3,783,453</u>	<u>3,808,898</u>
Less: Capitalised employee expenses		(582,937)	(559,895)
		<u>3,200,516</u>	<u>3,249,003</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total council employees at the reporting date:		2017	2016
Elected members		5	5
Administration staff		16	16
Depot and outdoors staff		25	26
Total full time equivalent employees		<u>46</u>	<u>47</u>
7 Materials and Services			
Administration supplies and consumables		1,018,627	887,409
Audit of annual financial statements by the Auditor-General of Queensland		67,542	52,624
		24,813	39,183
Communications and IT		210,908	113,000
Consultants		-	8,777
Donations paid		77,077	56,693
Repairs and maintenance		211,376	328,765
Roads		8,239,741	6,649,899
Other materials and services		1,374,858	1,408,188
		<u>11,224,942</u>	<u>9,544,540</u>
8 Depreciation and Amortisation			
Depreciation of Non-current Assets			
Buildings & structures		535,179	1,008,176
Plant & vehicles		427,709	389,813
Furniture & equipment		60,750	44,550
Road infrastructure		1,676,945	1,479,059
Water infrastructure		134,336	129,049
Sewerage infrastructure		45,552	45,729
Aerodrome infrastructure		180,732	192,897
Total depreciation	11	<u>3,061,203</u>	<u>3,289,272</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

		Council	
	Note	2017 \$	2016 \$
9 Cash and Cash Equivalents			
Cash and cash equivalents include cash on hand, all cash and cheques received but not banked at the year end and deposits held at call with financial institutions.			
Cash at bank and on-hand		244,820	120,297
Deposits at-call		14,716,224	11,658,822
Balance per Statement of Cash Flows		14,961,044	11,779,119

Cash and deposits at call are held in the Queensland Treasury Corporation and Commonwealth Bank of Australia in normal business accounts.

Cash and deposits at call are held in the Commonwealth Bank of Australia in normal at call and business cheque accounts. The bank currently has a short term credit rating of AA2 and longer term rating of P-1.

In accordance with the Local Government Act 2009 and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds for security deposits lodged and auspicing projects. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the statements.

Trust Funds

Trust Funds Held for Outside Parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities

Auspicing	81,278	91,713
Security deposits	1,615	32,151
	82,893	123,864

10 Receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June 2017. If an amount is recovered in a subsequent period it is recognised as revenue.

Current

Rateable revenue and utility charges	85,986	199,581
Other debtors	1,607,722	1,397,203
Less impairment	(97,405)	(97,405)
GST recoverable	-	(16,837)
Prepayments	53,536	83,481
	1,649,839	1,566,023

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July	97,405	183,030
Impairment debts written off during the year	-	(85,625)
Closing Balance at 30 June	97,405	97,405

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

11 Property, Plant and Equipment

Council - 30 June 2017

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	630,500	25,542,525	6,057,765	1,301,718	142,016,586	7,221,622	2,863,544	6,064,264	189,165	191,887,689
	107,046	291,954	580,919	5,100	2,655,021	499,124	217,546	13,733	800,724	5,171,167
5	-	(75,175)	(359,117)	-	-	(223,038)	-	-	-	(657,330)
	61,782	2,690	-	-	1,700	34,320	-	-	(100,492)	-
	799,328	25,761,994	6,279,567	1,306,818	144,673,307	7,532,028	3,081,090	6,077,997	889,397	196,401,526

Basis of measurement

Asset Values

Opening Gross Value as at 1 July 2016

Additions

Disposals

Transfers between classes

Closing Gross Value as at 30 June 2017

Accumulated Depreciation

Opening balance as at 1 July 2016

Depreciation provided in period

Depreciation on disposals

Accumulated Depreciation as at 30 June 2017

	-	7,325,183	2,589,665	605,246	27,138,915	2,105,143	1,134,962	1,462,723	-	42,361,837
8	-	535,179	427,709	60,750	1,676,945	134,336	45,552	180,732	-	3,061,203
5	-	-	(202,210)	-	-	(124,373)	-	-	-	(326,583)
	-	7,860,362	2,815,164	665,996	28,815,860	2,115,106	1,180,514	1,643,455	-	45,096,457

Total Written Down Value as at 30 June 2017

Residual value

Range of estimated useful life in years

	799,328	17,901,632	3,464,403	640,822	115,857,447	5,416,922	1,900,576	4,434,542	889,397	151,305,069
	-	-	-	-	-	-	-	-	-	-
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	-

Additions comprise:

Renewals

Other additions

Total additions

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	9,928	-	-	92,085	-	176,305	-	-	278,318
	107,046	282,026	580,919	5,100	2,562,936	499,124	41,241	13,733	800,724	4,892,849
	107,046	291,954	580,919	5,100	2,655,021	499,124	217,546	13,733	800,724	5,171,167

11 Property, Plant and Equipment

Council - 30 June 2016

Basis of measurement

Asset Values

Opening Gross Value as at 1 July 2015

Additions

Disposals

Revaluation adjustment to revaluation surplus

Transfers between classes

Closing Gross Value as at 30 June 2016

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	475,500	29,639,217	6,279,459	1,299,755	135,084,944	6,796,778	2,863,544	5,959,247	1,850,498	190,248,942
	-	-	-	-	-	-	-	-	6,659,633	6,659,633
5	(19,000)	(650,381)	(1,002,982)	-	-	-	-	-	-	(1,672,363)
16	174,000	(3,522,523)	-	-	-	-	-	-	-	(3,348,523)
	-	76,212	781,287	1,963	6,931,642	424,844	-	105,017	(8,320,966)	-
	630,500	25,542,525	6,057,765	1,301,718	142,016,586	7,221,622	2,863,544	6,064,264	189,165	191,887,689

Accumulated Depreciation and Impairment

Opening Balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to revaluation surplus

Transfer between classes

Accumulated Depreciation as at 30 June 2016

	-	13,193,443	2,898,218	553,245	23,764,090	1,976,208	1,089,233	1,274,624	-	44,749,061
8	-	1,008,176	389,813	44,550	1,479,059	129,049	45,729	192,897	-	3,289,272
5	-	(394,647)	(698,366)	-	-	-	-	-	-	(1,093,013)
	-	(6,479,250)	-	-	1,895,766	-	-	-	-	(4,583,484)
	-	(2,539)	-	7,451	-	(114)	-	(4,798)	-	-
	-	7,325,183	2,589,665	605,246	27,138,915	2,105,143	1,134,962	1,462,723	-	42,361,837

Total Written Down Value as at 30 June 2016

Residual value

Range of estimated useful life in years

	630,500	18,217,343	3,468,099	696,472	114,877,671	5,116,479	1,728,582	4,601,541	189,165	149,525,852
	630,500	-	1,274,486	-	-	-	-	-	-	-
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	

Boulia Shire Council
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12 Property, Plant and Equipment

(a) Fair Value Measurements

Plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

(i) Recognised Fair Value Measurements

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

Property, plant and equipment

- Land and improvement
- Buildings and other structures
- Aerodrome infrastructure
- Road infrastructure
- Water infrastructure
- Sewerage infrastructure

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 14 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flow at balance date (Level 2).

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

In accordance with AASB 13 *Fair Value Measurements* are categorised on the following basis:

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

(b) Measurements

Property plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

(c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class. Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council. Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date.

(d) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council 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.

Boulia Shire Council
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(e) Valuation

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements and buildings and structures asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes. Management, in consultation with consulting engineers, also assesses indices on an annual basis for material movements in relevant indices.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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

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

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

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

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2017.

Council							
At 30 June 2017	Note	Level 2 2017	Level 2 2016	Level 3 2017	Level 3 2016	Total 2017	Total 2016
		(Observable inputs)		(Unobservable inputs)			
		\$	\$	\$	\$	\$	\$
Recurring Fair Value Measurements							
Land and improvement	11	799,328	630,500	-	-	799,328	630,500
Buildings and structures	11	1,480,000	1,480,000	16,421,632	16,737,343	17,901,632	18,217,343
Road infrastructure	11	-	-	115,857,447	114,877,671	115,857,447	114,877,671
Water infrastructure	11	-	-	5,416,922	5,116,479	5,416,922	5,116,479
Sewerage infrastructure	11	-	-	1,900,576	1,728,582	1,900,576	1,728,582
Aerodrome infrastructure	11	-	-	4,434,542	4,601,541	4,434,542	4,601,541
		2,279,328	2,110,500	144,031,119	143,061,616	146,310,447	145,172,116

There were no transfers between levels during the year.

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

(ii) Valuation Techniques Used to Derive Fair Values for Level 2 and Level 3 Valuations

Council adopted AASB13 *Fair Value Measurement* for the first time in the 2013/14 financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific Valuation Techniques Used to Value Council Assets Comprise:

Land (Level 2)

Land Fair Values were determined by independent valuer, APV Valuers and Asset Management effective 30 June 2016. Level 2 valuation input were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings (Level 2 and 3)

The fair value of buildings were also determined by independent valuer, APV Valuers and Asset Management effective 30 June 2016. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

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

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In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

While the unit rates based on square metres can be supported by market evidence (Level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (Level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as Level 3. The valuation's sensitivity to these inputs is summarised below.

Infrastructure Assets (Level 3)

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

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

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

1(a) Road Infrastructure - Calculation of Current Replacement Cost

Roads and Aerodrome

Current Replacement Cost

The Road Network has been segmented. Unit rates are applied to the individual road components seal, pavement, formation, footpaths, floodways, culverts and kerb & channel of each road in order to determine the replacement cost.

The unit rates assume an incremental Greenfields approach and exclude Brownfield cost components. These unit rates are estimated using information collated from cost guides, historical costs, contractor rates, future works, regional information and the Queensland Road Alliance project data. Primary factors used in assumptions on unit rates are:- 1) Raw materials have been sourced locally from gravel pits for unsealed roads; 2) Water is available at low to moderate cost for rural road work (<20 km); 3) Contract crushing utilised for aggregate for sealing and aggregation of sealing projects and renewals to reduce low quantity works and increase economies of scale; 4) Quality of material used in pavement construction and extent of compaction of formation varied based on road type and hierarchy.

The last full independent valuation of road infrastructure was undertaken effective 30 June 2015 and was conducted by Australis Asset Advisory Group.

Accumulated Depreciation

The remaining useful life was measured based primarily on inspected physical condition data for visible assets and chronological construction dates for underground or inaccessible assets. The condition data was collected through an extensive survey that consisted of physical inspection of 68.5% of rural shire roads and 100% inspection of urban sealed roads. The physical condition score was then combined with any relevant obsolescence factors to arrive at an adopted remaining useful life. The condition score was utilised on a sliding scale of those assets where physical condition is difficult to accurately measure due to short maintenance cycles or other circumstances.

The condition rating inputs can be defined in the following table:

	Description	% of Life Remaining
10	New asset	100%
9	Near new asset or refurbished asset	90%
8	Excellent condition, minimal deterioration noted	80%
7	Very good condition with early stages of deterioration	70%
6	Good condition, some signs of deterioration	60%
5	Fair to good condition, clear signs of deterioration evident	50%
4	Poor to fair condition with clear deterioration. Moderate maintenance requirements	40%
3	Poor condition, clear deterioration, high maintenance required. Renewal required.	30%
2	Very poor condition with severe deterioration.	20%
1	Extremely poor condition with almost failed	10%
0	Failed asset, inhabitable, inoperable	0%

Remaining lives used in the depreciation calculations are estimated using Three (3) different methods: condition, known age and estimated age.

Estimated useful lives and residual values are disclosed in Note 11.

Percentage of Assets Inspected

68.5% of shire rural roads & 100% of urban sealed roads were inspected as part of the valuation. None of the sealed pavement or any formation was inspected due to the inaccessible nature of the asset component.

Boulia Shire Council
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2(a) Water and Sewerage Infrastructure – Calculation of Written Down Current Replacement Cost

Water and Sewerage

Current Replacement Cost

Water and sewerage infrastructure fair values were determined by independent valuers, AssetVal Pty Ltd effective 30 June 2014. CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

AssetVal's Cost Models were Derived from the following sources:
• AssetVal database
• Schedule rates for construction of asset or similar assets
• Cost curves derived by experience
• Price index tables
• Recent contract and tender data
• Relevant Indices for building and construction, and
• Suppliers' quotations

Factors taken into account in determining replacement costs included:

- **Development factors** - the area in which development takes place (e.g. Rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).
- **Soil Factors** - The types of soil or other surface material (e.g. Areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).
- **Depth Factors** - All water assets are in trenches at or above 600mm in depth. Most sewerage assets are in trenches less than 1.5m and Council will reline sewers rather than replace them.

Accumulated Depreciation

In determining 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 active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

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

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

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

- For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.
- Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.
- The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age.

In August, 2014, 1.45 kms of the sewerage system was relined after initial visual assessments of the CCTV footage indicated that a number of joint displacements, intruding junctions, fracturing longitudinally and circumferentially as well as root and debris within the invert of the assets. The relining work utilised EX PVC lining. The product is guaranteed for between 20 - 25 years by Abergeldie Complex Infrastructure, the company that undertook the work. However, discussions with our Engineer, Stuart Bourne have indicated 3 studies that have been completed that have stated that PVC pipe has a longevity in excess of 100 years and that it would be further protected by being inside the existing sewerage pipes.

The relining is treated as an addition and depreciated as a separate component to the existing pipe and that the remaining useful life of the existing pipe would then be consistent with the useful life of the relining.

Given the studies that predict that PVC piping has a useful life of in excess of 100 years, we have given the relining a useful life equivalent to the remaining useful life of the existing pipe.

(iii) Changes in Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

The changes in Level 3 assets with recurring fair value measurements are detailed in Note 11.

(iv) Valuation Processes

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer and the Finance Manager. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is set out in Note 12 (e). Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

Boulia Shire Council
Notes to the Financial Statements
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13 Payables

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

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 13 as a payable.

Annual Leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 13 as a payable.

As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

Sick Leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 13 as a payable.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 19.

		Council	
	Note	2017 \$	2016 \$
Current			
Creditors and accruals		434,684	352,793
Annual leave		320,055	304,230
Sick leave		164,911	124,951
Other entitlements		27,980	19,604
		947,630	801,577

14 Borrowings and Borrowing Costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these Liabilities are measured at amortised cost.

In accordance with the Local Government Regulation 2012 Council adopts an annual debt policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times. All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Current

Loans - Queensland Treasury Corporation		48,519	46,887
		48,519	46,887

Non-current

Loans - Queensland Treasury Corporation		1,160,946	1,207,138
		1,160,946	1,207,138

Loans - Queensland Treasury

Opening balance at beginning of financial year		1,254,025	1,303,063
Principal repayments		(44,560)	(49,038)
Book value at end of financial year		1,209,465	1,254,025

The QTC loan market value at the reporting date was \$1,263,402.43. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No Assets have been pledged as security by the Council for any liabilities. However, all loans are guaranteed by the Queensland Government.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. Expected final repayment date is 15th June 2035. There has been no defaults or breaches of the loan agreement during the period.

Principal and Interest repayments are made quarterly in arrears.

Bouliá Shire Council
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15 Provisions

Long Service Leave

The provision for long service leave represents 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 is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

		2017		Council	2016
	Note	\$			\$
Current					
Long service leave		202,994			208,482
		<u>202,994</u>			<u>208,482</u>
Non-Current					
Long service leave		79,082			49,965
		<u>79,082</u>			<u>49,965</u>

Details of movements in provisions:

Long Service Leave

Balance at beginning of financial year		258,448			315,862
Long service leave entitlement arising		29,117			28,677
Long service entitlement extinguished		(337)			(29,080)
Long service entitlement paid		(5,152)			(57,012)
Balance at end of financial year		<u>282,076</u>			<u>258,448</u>

16 Asset Revaluation Surplus

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

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

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

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

		2017		Council	2016
	Note	\$			\$
Movements in the Asset Revaluation Surplus were as follows:					
Balance at beginning of financial year		85,512,316			84,339,319
Net adjustment to non-current assets at end of period to reflect a change in current fair value:					
Land and improvements		-			174,000
Buildings and other structures		-			2,894,763
Road infrastructure		-			(1,895,766)
Aerodrome infrastructure		-			-
Sewerage		-			-
Water		-			-
Balance at end of financial year		<u>85,512,316</u>			<u>85,512,316</u>

Asset Revaluation Surplus Analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land and improvements		604,432			604,432
Buildings		12,429,290			12,429,290
Road infrastructure		68,291,290			68,291,290
Sewerage		702,920			702,920
Water		2,566,680			2,566,680
Aerodrome infrastructure		917,705			917,705
		<u>85,512,316</u>			<u>85,512,316</u>

17 Commitments for Expenditure

Contractual Commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Plant and Vehicles		-			1,000,000
Buildings		875,787			-
		<u>875,787</u>			<u>1,000,000</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

18 Contingent Liabilities

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

Local Government Mutual

The Council is a member of the Local Government Mutual Liability Self-Insurance Pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland Local Government Worker's Compensation Self-Insurance Scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the Self Insurance Licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's Workers Compensation Authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$44,364.44.

19 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a multi-employer plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the Local Government Superannuation Scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) Legislation.

The scheme has three (3) elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund
- The Regional Defined Benefits Fund (Regional DBF) which covers Defined Benefit Fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on Councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Boulia Shire Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2017	Council	2016
		\$		\$
Superannuation contributions paid by Council to the scheme for employees benefit was:	6	286,478		304,746

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

20 Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities

Net result	4,944,638	2,099,149
Non-cash items:		
Depreciation and amortisation	3,061,203	3,289,272
	<u>3,061,203</u>	<u>3,289,272</u>
Investing and development activities:		
Net (Profit)/Loss on disposal of non-current assets	110,369	32,986
Capital grants and contributions	(4,539,433)	(3,968,377)
	<u>(4,429,064)</u>	<u>(3,935,391)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(83,816)	(667,119)
(Increase)/decrease in inventory	(24,799)	45,242
Increase/(decrease) in payables	146,053	(117,265)
Increase/(decrease) in other provisions	23,629	(57,414)
	<u>61,067</u>	<u>(796,557)</u>
Net cash inflow from operating activities	<u>3,637,844</u>	<u>656,474</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

21 Financial Instruments

Boulia Shire Council has exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial Risk Management

Boulia Shire Council is responsible for the establishment and oversight of the Risk Management Framework, together with developing and monitoring Risk Management Policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Boulia Shire Council does not enter into derivatives.

Credit Risk

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

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

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

No Collateral is held as security relating to the financial assets held by Boulia Shire Council.

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

	<u>Note</u>	Council	
		2017	2016
Financial Assets		\$	\$
Cash and equivalents	9	14,961,044	11,779,119
Receivables - rates	10	85,986	199,581
Receivables - other	10	1,510,317	1,366,442
Other Credit Exposures			
Guarantees	18	44,364	67,058
Total Financial Assets		16,601,711	13,412,200

Cash and Cash Equivalents

The Council may be exposed to credit risk through its Investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC cash fund are capital guaranteed. Working capital facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other Financial Assets

Other investments are held with financial institutions, which are rated AAA to AA- based on rating agency Standard and Poor ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

Receivables

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

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	Council	
	2017	2016
	\$	\$
Not past due	1,456,886	1,235,603
Past due 31-60 days	7,473	2,930
Past due 61-90 days	1,430	4,340
More than 90 days	227,919	100,227
Impaired	(97,405)	(97,405)
Total	1,596,303	1,245,695

Liquidity Risk

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

Boulia Shire Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 14.

The following table sets out the liquidity risk in relation to financial liabilities held by Council. It represents the remaining contractual cash flows (Principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements.

Council

	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
2017					
Trade and other payables	434,684	0	0	434,684	434,684
Loans - QTC	94,897	379,588	1,233,661	1,708,147	1,209,138
	529,581	379,588	1,233,661	2,142,831	1,643,822
2016					
Trade and other payables	352,793	0	0	352,793	352,793
Loans - QTC	94,897	379,588	1,328,558	1,803,044	1,254,025
	447,690	379,588	1,328,558	2,155,836	1,606,817

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

Market Risk

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

Interest Rate Risk

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

Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Sensitivity

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

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net Carrying Amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
Council					
2017					
QTC Cash Fund	14,716,224	147,162	(147,162)	147,162	(147,162)
Loans - QTC*	1,209,465	-	-	-	-
Net Total	15,925,689	147,162	(147,162)	147,162	(147,162)
2016					
QTC Cash Fund	11,658,822	116,588	(116,588)	116,588	(116,588)
Loans - QTC*	1,254,025	-	-	-	-
Net Total	12,912,847	116,588	(116,588)	116,588	(116,588)

*QTC Generic Debt Pool - the Generic Debt Pool products approximate a fixed rate loan. There is negligible impact on interest sensitivity from changes in interest rates for Generic Debt Pool borrowings.

Fair Value

The fair value of receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 14.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to client's cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

22 Transactions with Related Parties

(a) Transactions with Associates

Nil

(b) Transactions with Joint Ventures

Nil

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

(c) Transactions with Key Management Personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some Executive Management. The compensation paid to KMP for 2016/17 comprises:

	2017
	\$
Short-term employee benefits	538,525
Post-employment benefits	99,223
Long-term benefits	31,664
Total	669,412

Detailed Remuneration disclosures are provided in the annual report.

(d) Transactions with other Related Parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between council and other related parties are disclosed below:

Details of Transaction	Additional information	2017
		\$
Employee expenses for close family members of key management personnel	22(d)(i)	144,187
Purchase of materials and services from entities controlled by key management personnel	22(d)(ii)	185,545

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

(ii) The purchases of materials and services from entities controlled by key management personnel were on an arm's length basis in accordance with Council's procurement policies. The total disclosed includes the following:

Payments charged by entities controlled by key management personnel	Details of related party	\$
Purchase of materials and services from entities controlled by key management personnel	Anthony Britton, a contractor employed by Council to undertake various construction works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	155,476
Purchase of materials and services from entities controlled by key management personnel	Councillor Rebecka Britton is a sole trader, who throughout the financial year provided cleaning services to Council. The engagement occurred in accordance with Council's procurement policy.	27,115
Purchase of materials and services from entities controlled by key management personnel	Various other minor and immaterial related party transactions.	2,954
Total		185,545

(e) Loans and guarantees to / from Related Parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(f) Transactions with Related Parties that have not been disclosed

Most of the entities and people that are related parties of council live and operate within the Boulia Shire Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Gym membership
- Dog registration
- Venue hiring
- Borrowing books from a council library

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

**Boulia Shire Council
Financial Statements
For the year ended 30 June 2017**

**Management Certificate
For the year ended 30 June 2017**

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 3 to 27, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor
Eric Britton

Date: 13, 10, 2017



Chief Executive Officer
Lynn Moore

Date: 13, 10, 2017

Boulia Shire Council

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

Independent Auditor's Report (Current Year Financial Sustainability Statement)

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Boulia Shire Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Boulia Shire Council.

In my opinion, the financial report:

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

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

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Boulia Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the Current Year Financial Sustainability Statement and Long-Term Financial Sustainability Statement.

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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



Patrick Flemming
as Delegate of the Auditor-General



Queensland Audit Office
Brisbane

Boulia Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2017

Measures of Financial Sustainability

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

How the Measure is Calculated	Actual	Target
Operating Surplus Ratio	2.85%	0% and 10%
Asset Sustainability Ratio	10.82%	> 90%
Net Financial Liabilities Ratio	-80.05%	< 60%

Note 1 - Basis of Preparation

The current year Financial Sustainability Statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2017.

Certificate of Accuracy For the year ended 30 June 2017	
This Current-year Financial Sustainability Statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation).	
In accordance with Section 212(5) of the Regulation we certify that this Current-year Financial Sustainability Statement has been accurately calculated.	
 _____ Mayor Eric Britton	 _____ Chief Executive Officer Lynn Moore
Date: ____/____/____	Date: <u>13, 10, 2017</u>

Boulia Shire Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Boulia Shire Council

Report on the Current Year Financial Sustainability Statement

Opinion

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

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

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other information

Other information comprises the information included in Boulia Shire Council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information was the General Purpose Financial Report and Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the General Purpose Financial Report.

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Patrick Flemming
as Delegate of the Auditor-General



Queensland Audit Office
Brisbane

Boulia Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2017

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2017	Projected for the years ended								
				30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Council												
Operating Surplus Ratio	Net result divided by total operating revenue	0% to 10%	2.85%	-16.60%	-16.50%	-16.10%	-16.20%	-16.70%	-17.00%	-17.20%	-17.70%	-18.02%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	> 90%	10.82%	34.70%	41.00%	40.10%	60.80%	30.70%	39.80%	30.50%	31.00%	35.20%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-80.05%	-81.70%	-84.00%	-88.00%	-95.09%	-95.60%	-96.20%	-96.70%	-97.10%	-97.90%

Council's Financial Management Strategy

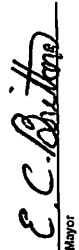

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven (7) key financial performance Indicators to guide our financial health. In addition to the financial Indicators, we have the above three (3) sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all Councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

Certificate of Accuracy

For the Long-term Financial Sustainability Statement prepared as at 30 June 2017

The Long-term Financial Sustainability Statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this Long-term Financial Sustainability Statement has been accurately calculated.

 _____ Mayor Eric Britton Date: ____/____/____	 _____ Chief Executive Officer Lynn Moore Date: <u>13/10/2017</u>
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