

Bouliā Shire Council

**Financial Statements
for the year ended 30 June 2020**

Bouliia Shire Council

Financial Statements

For the year ended 30 June 2020

Table of contents

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

- 1 Significant Accounting Policies
- 2 Analysis of Results by Function
- 3 Revenue Analysis
- 4 Grants, Subsidies, Contributions and Donations
- 5 Capital Expenses
- 6 Employee Benefits
- 7 Materials and Services
- 8 Depreciation
- 9 Cash and Cash Equivalents
- 10 Receivables
- 11 Inventories
- 12 Property, Plant and Equipment
- 13 Payables
- 14 Borrowings
- 15 Provisions
- 16 Asset Revaluation Surplus
- 17 Commitments for Expenditure
- 18 Contingent Liabilities
- 19 Superannuation - Regional Defined Benefit Fund
- 20 Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities
- 21 Reconciliation of Liabilities Arising From Finance Activities
- 22 Financial Instruments
- 23 Events after the reporting period
- 24 Transactions with Related Parties
- 25 Change in accounting policy
- 26 Impact of COVID outbreak on Council operations and financial position

Management Certificate

Independent Auditor's Report (General Purpose Financial Statements)

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

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

Unaudited Long Term Financial Sustainability Statement

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Boulia Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	1,359,973	1,269,480
Fees and charges		259,728	358,264
Rental income		282,979	333,553
Interest received		186,512	323,217
Sales revenue	3(b)	3,742,753	3,138,398
Other income		210,696	384,119
Grants, subsidies, contributions and donations	4(a)	6,744,544	5,940,377
		<u>12,787,185</u>	<u>11,747,408</u>
Capital Revenue			
Grants, subsidies, contributions and donations	4(b)	5,291,273	6,624,964
Total Revenue		<u>18,078,458</u>	<u>18,372,372</u>
Total Income		<u>18,078,458</u>	<u>18,372,372</u>
Expenses			
Recurrent Expenses			
Employee benefits	6	(3,796,927)	(3,056,328)
Materials and services	7	(7,222,096)	(6,371,631)
Finance costs		(44,375)	(46,614)
Depreciation	8	(4,276,228)	(3,679,360)
		<u>(15,339,626)</u>	<u>(13,153,933)</u>
Capital Expenses	5	(25,769)	(440,378)
Total Expenses		<u>(15,365,395)</u>	<u>(13,594,311)</u>
NET RESULT		<u>2,713,063</u>	<u>4,778,061</u>
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase / (decrease) in Asset Revaluation Surplus	16	7,255,692	17,922,851
Total Other Comprehensive Income for the Year		<u>7,255,692</u>	<u>17,922,851</u>
Total Comprehensive Income for the Year		<u>9,968,755</u>	<u>22,700,912</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standard relating to revenue.

Boulia Shire Council
Statement of Financial Position
as at 30 June 2020

	Note	2020 \$	2019 \$
Current Assets			
Cash and cash equivalents	9	21,513,165	16,408,614
Receivables	10	362,477	766,378
Inventories	11	328,235	275,114
Total Current Assets		<u>22,203,876</u>	<u>17,450,106</u>
Non Current Assets			
Property, plant and equipment	12	184,385,741	174,597,856
Total Non-Current Assets		<u>184,385,741</u>	<u>174,597,856</u>
Total Assets		<u>206,589,618</u>	<u>192,047,962</u>
Current Liabilities			
Payables	13	1,590,064	1,095,237
Borrowings	14	54,280	52,282
Provisions	15	269,151	98,107
Contract Liabilities	25	4,618,501	-
Total Current Liabilities		<u>6,531,997</u>	<u>1,245,626</u>
Non-Current Liabilities			
Borrowings	14	1,009,222	1,061,742
Provisions	15	182,464	199,875
Total Non-Current Liabilities		<u>1,191,686</u>	<u>1,261,617</u>
Total Liabilities		<u>7,723,683</u>	<u>2,507,243</u>
Net Community Assets		<u>198,865,935</u>	<u>189,540,719</u>
Community Equity			
Asset Revaluations Surplus	16	110,690,859	103,435,167
Retained Surplus		88,175,076	86,105,552
Total Community Equity		<u>198,865,935</u>	<u>189,540,719</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standard relating to revenue.

Bouliia Shire Council
Statement of Changes in Equity
For the year ended 30 June 2020

Council	Note	Asset revaluation surplus 16 \$	Retained Surplus \$	Total \$
Balance as at 1 July 2019		103,435,167	86,105,552	189,540,719
Adjustment on initial application of AASB 15 / ASSB 1058		-	(643,539)	(643,539)
Restated balance as at 1 July 2019		103,435,167	85,462,013	188,897,180
Revaluation surplus		7,255,692	-	7,255,692
Net result		-	2,713,063	2,713,063
Total Comprehensive Income for the Year		7,255,692	2,713,063	9,968,755
Balance as at 30 June 2020		110,690,859	88,175,076	198,865,935
Balance as at 1 July 2018		85,512,316	81,327,491	166,839,807
Revaluation surplus		17,922,851	-	17,922,851
Net result		-	4,778,061	4,778,061
Total Comprehensive Income for the Year		17,922,851	4,778,061	22,700,912
Balance as at 30 June 2019		103,435,167	86,105,552	189,540,719

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standard relating to revenue.

Boulia Shire Council
Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash Flows from Operating Activities			
Receipts from customers		5,335,985	6,890,034
Payments to suppliers and employees		(9,782,618)	(9,361,516)
		<u>(4,446,633)</u>	<u>(2,471,482)</u>
Interest received		186,512	323,217
Rental income		282,979	333,553
Non capital grants and contributions		6,744,544	5,940,377
Borrowing costs		(44,375)	(46,614)
Net Cash Inflow (outflow) from Operating Activities	20	<u>2,723,027</u>	<u>4,079,050</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(7,157,251)	(8,228,920)
Net movement in loans & advances			
Proceeds from sale of property plant and equipment		323,057	79,187
Grants, subsidies, contributions and donations		9,266,239	6,624,964
Net Cash Inflow (outflow) from Investing Activities		<u>2,432,045</u>	<u>(1,524,769)</u>
Cash Flows from Financing Activities			
Repayment of borrowings	14	(50,522)	(48,519)
Net Cash Inflow (outflow) from Financing Activities		<u>(50,522)</u>	<u>(48,519)</u>
Net Change in Cash and Cash Equivalent Held		<u>5,104,550</u>	<u>2,505,762</u>
Cash and Cash Equivalents at the Beginning of the Financial Year		16,408,615	13,902,852
Cash and Cash Equivalents at End of the Financial Year	9	<u>21,513,165</u>	<u>16,408,615</u>

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and therefore the comparative information is presented using the previous standard relating to revenue.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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 where stated.

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 New and revised Accounting Standards

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standard which had an impact on reported position, performance and cash flows was the one relating to revenue.

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020. These standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies new and amended Australian Accounting Standards, and Interpretation, that were issued but not yet effective at the time of compiling these illustrative statements that could be applicable to Council.

	Effective for NFP annual report periods beginning on or after:
AASB 17 Insurance Contracts	1 January 2021
AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material	1 January 2020

1.E Estimates and Judgements

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

Valuation and depreciation of property, plant and equipment (Note 12)

Impairment of property, plant and equipment (Note 12)

Provisions (Note 15)

Contingent liabilities (Note 18)

Financial instruments and financial liabilities (note 22)

The full impact of the COVID19 pandemic is unknown at this time, with minor impact expected until the 2020-2021 financial year when the first general rates are issued for the 2021 year in July/August 2020.

1.F Rounding and Comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1.

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

1.G Taxation

The income of local government and public authorities is exempt from Income tax. However council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. 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 2020

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 2020

- 2 Analysis of Results by Function
(b) Income and Expenses defined between Recurring and Capital are attributed to the following functions:

Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets	
	Recurring		Capital		2020	2020		2020	2020					2020
	Grants	Other	Grants	Other										
Corporate Support														
Environmental & Natural Resources	2,436,777	24,973	-	-	1,902,854	2,461,750	(4,840,691)	(233,125)	(4,840,691)	2,937,837	2,228,625	(2,937,837)	36,072,739	
Community & Lifestyle Services	555,153	385,667	-	-	940,820	1,654,234	(1,654,234)	-	(1,654,234)	713,414	-	(713,414)	386,617	
Health & Welfare	846,865	7,391	-	-	854,256	3,403,571	(98,658)	(98,658)	(98,658)	755,598	755,598	755,598	21,901,721	
Water Sewerage & Garbage	34,792	405,107	2,963,672	-	3,403,571	8,515,207	(1,001,890)	(1,001,890)	(1,001,890)	561,991	2,401,681	2,401,681	11,365,202	
Roads	2,870,957	3,316,649	2,327,601	-	8,515,207	7,536,797	(7,536,797)	(25,769)	(7,536,797)	1,323,422	978,410	978,410	136,863,339	
Total Council	6,744,544	6,042,641	5,291,273	-	18,078,458	(15,339,626)	(25,769)	(15,339,626)	(15,339,626)	(2,552,441)	2,713,063	2,713,063	206,589,618	

Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets	
	Recurring		Capital		2019	2019		2019	2019					2019
	Grants	Other	Grants	Other										
Corporate Support														
Environmental & Natural Resources	83,937	1,286,134	-	-	1,370,071	(209,636)	(440,378)	(440,378)	(650,014)	1,160,435	720,057	720,057	25,681,362	
Community & Lifestyle Services	2,233,855	26,634	-	-	2,260,489	(125,080)	-	-	(125,080)	2,135,409	2,135,409	2,135,409	255,617	
Health & Welfare	-17,250	878,637	-	-	861,387	(4,183,365)	-	-	(4,183,365)	(3,321,978)	(3,321,978)	(3,321,978)	21,418,801	
Water Sewerage & Garbage	815,281	-	-	-	815,281	(13,272)	-	-	(13,272)	802,009	802,009	802,009	-	
Roads	449,608	405,101	2,185,622	-	3,040,331	(783,730)	-	-	(783,730)	70,979	2,256,601	2,256,601	7,922,740	
Total Council	2,374,946	3,210,526	4,439,342	-	10,024,814	(7,838,850)	-	-	(7,838,850)	(2,253,378)	2,185,964	2,185,964	136,769,442	
	5,940,377	5,807,032	6,624,964	-	18,372,373	(13,153,933)	(440,378)	(440,378)	(13,594,311)	(1,406,524)	4,778,062	4,778,062	192,047,962	

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

3 Revenue Analysis	Note	2020	2020
		\$	\$
		AASB 15	AASB 1058
		\$	\$
Revenue recognised at a point in time			
Rates, levies and charges		-	1,359,973
Fees and charges		-	-
Rental income		-	-
Interest received		-	-
Sale of goods and services		3,742,753	-
Grants, subsidies, donations and contributions		-	6,744,544
Other income		210,696	-
		<u>3,953,449</u>	<u>8,104,517</u>
Revenue recognised over time			
Fees and charges		259,728	-
Sale of goods and services		282,979	-
Grants, subsidies, donations and contributions		186,512	-
Other income		-	-
		<u>729,219</u>	<u>-</u>
Total revenue		<u>4,682,668</u>	<u>8,104,517</u>

(a) Rates, Levies and Charges

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: 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, the payment is recognised as unearned income and transferred to rates, levies and charges in the relevant rating period.

	2020	2019
	\$	\$
General rates	1,039,305	994,590
Water	180,451	170,022
Sewerage	117,950	115,816
Garbage charges	105,741	106,405
Total rates and utility charge revenue	1,443,447	1,386,833
Less: discounts	(84,419)	(117,158)
Less: pensioner remissions	945	(195)
	<u>1,359,973</u>	<u>1,269,480</u>

(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	2020	2019
	\$	\$
Contract and recoverable works	3,742,753	3,138,398
	<u>3,742,753</u>	<u>3,138,398</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

Note	2020 \$	2019 \$
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4 Grants, Subsidies, Contributions and Donations

2020 accounting policy:

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be some performance obligations where control transfers at a point in time, and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods, being either costs or time incurred, are deemed to be the most appropriate methods to reflect the transfer of benefit

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the asset's fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

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	2,436,777	2,774,372
State government and other subsidies and grants	4,305,322	3,163,261
Contributions	2,445	2,744
	6,744,544	5,940,377

(b) Capital

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control, and which are enforceable, are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred. This is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

Donations and contributions are generally recognised on receipt of the asset since there are no enforceable performance obligations.

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	4,438,589	6,243,162
Commonwealth government subsidies and grants	852,684	381,802
	5,291,273	6,624,964

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	-	-
	-	-

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
5 Capital Expenses			
Gain / Loss on Disposal of Non-Current Assets			
Proceeds from the sale of property, plant and equipment		323,057	79,187
Less: Book value of property, plant and equipment disposed of		(348,826)	(519,565)
		<u>(25,769)</u>	<u>(440,378)</u>
6 Employee Benefits			
Total staff wages and salaries		2,545,658	2,766,253
Councillors' remuneration		256,518	172,486
Annual, sick, long service leave and entitlements		982,029	322,527
Superannuation	19	335,738	308,150
		<u>4,119,943</u>	<u>3,569,416</u>
Other employee related expenses		28,965	28,181
		<u>4,148,908</u>	<u>3,597,597</u>
Less: Capitalised employee expenses		(351,981)	(541,269)
		<u>3,796,927</u>	<u>3,056,328</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total council employees at the reporting date:			
Elected members		5	5
Administration staff		12	15
Depot and outdoors staff		22	22
Total full time equivalent employees		<u>39</u>	<u>42</u>
7 Materials and Services			
Administration supplies and consumables		933,962	1,102,637
Audit of annual financial statements by the Auditor-General of Queensland		55,493	39,407
Communications and IT		112,793	86,682
Consultants		214,717	0
Donations paid		57,863	47,017
Housing		108,796	151,463
Repairs and maintenance		243,994	127,971
Roads		4,672,004	4,278,957
Water & Sewerage		419,455	354,449
Other materials and services		403,019	183,048
		<u>7,222,096</u>	<u>6,371,631</u>
Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$58,000 (2019-\$55,600).			
8 Depreciation			
Buildings & structures		1,035,646	708,783
Plant & vehicles		386,971	403,468
Furniture & equipment		81,783	73,395
Road infrastructure		2,262,696	2,141,969
Water infrastructure		225,949	128,424
Sewerage infrastructure		103,106	48,203
Aerodrome infrastructure		180,077	175,118
Total depreciation	12	<u>4,276,228</u>	<u>3,679,360</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

	2020	2019
Note	\$	\$
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	220,994	226,301
Deposits at-call	21,292,171	16,182,313
Balance per Statement of Cash Flows	21,513,165	16,408,614

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	54,646	48,962
Security deposits	10,470	19,665
	65,116	68,627

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. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.

Current

Rateable revenue and utility charges	165,292	298,219
Other debtors & Accrued Revenue	257,897	505,706
Loss Allowance	(35,313)	(141,222)
GST recoverable	67,588	234,400
Rates received in advance	(92,987)	(130,725)
	362,477	766,378

Interest rate charged on outstanding rates as at 1st July 2019 was 9.83%. 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	141,223	98,960
Impairment (released)/provided for during the year	(105,910)	42,263
Closing Balance at 30 June	35,313	141,223

Bouliá Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
11 Inventories			
Stores and raw materials held for resale are valued at the lower of costs and net realisable value and include where applicable, direct material, direct labour and an appropriate proportion of variable and fixed overheads.			
Inventories held for distribution are			
- goods to be supplied at no nominal charge; and			
- goods to be used for the provision of services at no or nominal charge.			
These goods are valued at cost, adjusted, when applicable for any loss of service potential.			
Inventories held for sale			
Miscellaneous sales items		70,177	55,895
		70,177	55,895
Inventories held for distribution			
Quarry and road materials		258,058	219,219
		258,058	219,219
Total Inventories		328,235	275,114

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

12 Property, Plant and Equipment

Council - 30 June 2020

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	Fair Value	Fair Value	Cost	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	789,328	27,414,250	6,690,586	1,484,983	160,834,810	7,986,768	3,593,022	7,402,641	2,291,889	218,488,277									
	-	-	1,205,502	-	-	-	-	-	-	-	-	-	-	-	-	-	5,951,749	7,157,251	
5	-	-	(804,498)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(804,498)
16	-	687,323	-	-	(100)	1,369,042	43,458	34,875	-	-	-	-	-	-	-	-	-	-	2,134,598
	20,000	779,588	(183,856)	(284,106)	-	267,966	267,966	-	-	-	-	-	-	-	-	-	(867,558)	-	-
	809,328	28,881,161	6,907,734	1,200,877	160,834,710	9,623,776	3,904,446	7,437,516	7,376,080	226,975,627									

Basis of measurement

Asset Values

Opening Gross Value as at 1 July 2019

Additions

Disposals

Revaluation adjustments to revaluation surplus

Transfers between classes

Closing Gross Value as at 30 June 2020

Accumulated Depreciation

Opening balance as at 1 July 2019

Depreciation provided in period

Depreciation on disposals

Revaluation adjustments to revaluation surplus

Transfers between classes

Accumulated Depreciation as at 30 June 2020

	-	8,750,137	3,089,361	741,162	25,780,938	2,380,162	1,276,888	1,871,773	-	43,890,421									
8	-	1,035,646	386,971	81,783	2,262,696	225,949	103,106	180,077	-	4,276,228									
5	-	-	(455,672)	-	-	-	-	-	-	(455,672)									
16	-	(3,310,289)	-	-	10	(1,001,703)	(817,738)	8,629	-	(5,121,091)									
	-	503,948	(203,872)	(300,076)	-	-	-	-	-	-									
	-	6,979,442	2,816,788	522,869	28,043,644	1,604,408	562,256	2,060,479	-	42,589,886									

Total Written Down Value as at 30 June 2020

Residual value

Range of estimated useful life in years

809,328	21,901,719	4,090,946	678,008	132,791,066	8,019,368	3,342,190	5,377,037	7,376,080	184,385,741										
N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	-	-									

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
20,000	300,340	1,205,502	-	-	267,966	267,966	267,966	2,075,562	3,281,064										
20,000	300,340	1,205,502	-	-	267,966	267,966	267,966	5,095,477	7,157,250										

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

Note	Land and Improvements Fair Value	Buildings and Structures Fair Value	Plant and Vehicles Cost	Furniture & Equipment Cost	Road Infrastructure Fair Value	Water Infrastructure Fair Value	Sewerage Infrastructure Fair Value	Aerodrome Infrastructure Fair Value	Work in Progress Cost	Total
Council - 30 June 2019										
Basis of measurement										
Asset Values										
Opening Gross Value as at 1 July 2018	789,328	26,851,859	5,755,464	1,445,233	145,145,676	7,613,073	3,089,745	6,077,997	3,645,785	200,414,160
Additions	-	-	1,161,875	83,676	-	-	-	-	6,983,370	8,228,921
Disposals	-	(681,444)	(226,753)	(43,926)	-	-	-	(349,503)	-	(1,301,626)
Revaluation adjustments to revaluation surplus	-	1,243,835	-	-	9,855,459	373,695	503,277	382,784	-	11,146,822
Transfers between classes	-	-	-	-	5,833,675	7,986,768	3,593,022	7,402,641	(8,337,266)	-
Closing Gross Value as at 30 June 2019	789,328	27,414,250	6,690,586	1,484,983	160,834,810	7,986,768	3,593,022	7,402,641	2,291,889	218,488,277
Accumulated Depreciation and Impairment										
Opening Balance as at 1 July 2018	-	8,372,617	2,830,969	711,693	30,548,969	2,251,738	1,228,685	1,824,480	-	47,769,151
Depreciation provided in period	-	708,783	403,468	73,395	2,141,969	128,424	48,203	175,118	-	3,679,360
Depreciation on disposals	-	(331,263)	(145,076)	(43,926)	-	-	-	(261,796)	-	(782,061)
Revaluation adjustments to revaluation surplus	-	-	-	-	(6,910,000)	-	-	133,971	-	(6,776,029)
Accumulated Depreciation as at 30 June 2019	-	8,750,137	3,089,361	741,162	25,780,938	2,380,162	1,276,888	1,871,773	-	43,890,421
Total Written Down Value as at 30 June 2019	789,328	18,664,113	3,601,225	743,821	135,053,872	5,606,606	2,316,134	5,530,868	2,291,889	174,597,856
Residual value	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	-
Range of estimated useful life in years										

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

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 improvements
- 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.

(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.

(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 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

12 Property, Plant and Equipment (Continued)

(e) Valuation (Continued)

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 perform a "desktop" valuation. A desktop valuation involves management reviewing additions, deletions and changes in assumptions such as useful life, residual value and condition rating. Suitable indices are sourced which are applied to each of these asset classes. Management, in consultation with consulting engineers, also assess 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 2020.

Note	Level 2 2020	Level 2 2019	Level 3 2020	Level 3 2019	Total 2020	Total 2019	
	(Observable inputs)		(Unobservable inputs)				
	\$	\$	\$	\$			\$
Recurring Fair Value Measurements							
Land and improvement	12	809,328	789,328	-	-	809,328	789,328
Buildings and structures	12	1,230,000	1,480,000	20,671,719	17,184,113	21,901,719	18,664,113
Road infrastructure	12	-	-	132,791,066	135,053,872	132,791,066	135,053,872
Water infrastructure	12	-	-	8,019,368	5,606,606	8,019,368	5,606,606
Sewerage infrastructure	12	-	-	3,342,190	2,316,134	3,342,190	2,316,134
Aerodrome infrastructure	12	-	-	5,377,037	5,530,868	5,377,037	5,530,868
		2,039,328	2,269,328	170,201,380	165,691,593	172,240,708	167,960,921

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.

Specific Valuation Techniques Used to Value Council Assets Comprise:

Land (Level 2)

Council obtains independent valuations at least every 5 years for all rental properties. The last valuation was undertaken by APV Valuers and Asset Management on 30th April 2020.

Buildings (Level 2 and 3)

The fair value of buildings were also determined by independent valuer, APV Valuers and Asset Management effective 30 April 2020. 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.

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.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

12 Property, Plant and Equipment (Continued)

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 and 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 31 May 2019 and was conducted by Shepherd Services Pty Ltd. The indexation was calculated for the June 2020 year and was found to be immaterial to the financial statements and therefore not applied as at 30 June 2020.

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 12.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

12 Property, Plant and Equipment (Continued)

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, APV Valuers and Asset Management effective 30th April 2020. 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.

APV Asset Valuers and Asset Management's Cost Models were derived from the following sources:
• Asset valuation 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.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

12 Property, Plant and Equipment (Continued)

(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 12 (e).

(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 Manager Corporate and Financial Services. 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.

13 Payables

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts 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 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 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 employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported 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.

	2020	2019
	\$	\$
Current		
Creditors and accruals	637,026	597,931
Annual leave	388,411	255,695
Sick leave	545,888	220,734
Other entitlements	18,739	20,877
	1,590,064	1,095,237

14 Borrowings

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

In accordance with the *Local Government Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next 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	54,280	52,282
	54,280	52,282

Non-current

Loans - Queensland Treasury Corporation	1,009,222	1,061,742
	1,009,222	1,061,742

Loans - Queensland Treasury

Opening balance at beginning of financial year	1,114,024	1,162,543
Loans raised	-	-
Principal repayments	(50,522)	(48,519)
Book value at end of financial year	1,063,502	1,114,024

The QTC loan market value at the reporting date was \$1,262,722.53. 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.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

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.

	2020	2019
	\$	\$
Current		
Long service leave	289,151	98,107
	<u>289,151</u>	<u>98,107</u>
Non-Current		
Long service leave	182,464	199,875
	<u>182,464</u>	<u>199,875</u>

Details of movements in provisions:

Long Service Leave

Balance at beginning of financial year	297,982	281,974
Long service leave entitlement arising	197,624	64,670
Long service entitlement extinguished	-	-
Long service entitlement paid	(43,991)	(48,662)
Balance at end of financial year	<u>451,615</u>	<u>297,982</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 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.

	2020	2019
	\$	\$
Movements in the Asset Revaluation Surplus were as follows:		
Balance at beginning of financial year	103,435,167	85,512,316
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and improvements	-	-
Buildings and other structures	3,987,615	-
Road infrastructure	(110)	16,765,459
Aerodrome infrastructure	26,246	1,157,392
Sewerage	861,196	-
Water	2,370,746	-
Balance at end of financial year	<u>110,690,859</u>	<u>103,435,167</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	16,426,904	12,429,290
Road infrastructure	85,056,638	85,056,749
Sewerage	1,564,115	702,920
Water	4,937,425	2,566,680
Aerodrome infrastructure	2,101,344	2,075,097
	<u>110,690,859</u>	<u>103,435,167</u>

Reserves

17 Contractual Commitments

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

Plant and Vehicles	207,350	72,722
Business Systems	-	-
Water Infrastructure	-	-
Buildings	-	-
	<u>207,350</u>	<u>72,722</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

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 2020 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 \$41,244.01.

19 Superannuation - Regional Defined Benefit Fund

Council contributes to the LGIA Super Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIA super trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIASuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2021.

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Boulia Shire Council made less than 1% of the total contributions to the plan in the 2019-20 financial year.

	2020	2019	
Note	\$	\$	
Superannuation contributions made to the Regional Defined Benefits Fund	22,264	22,369	
Other superannuation contributions for employees	313,474	285,781	
Total superannuation contributions paid by Council for employees:	6 335,738	308,150	
Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities			
20 Net result	2,713,063	4,778,061	
Non-cash items:			
Depreciation and amortisation	4,276,228	3,679,360	
	4,276,228	3,679,360	
Investing and development activities:			
Net (Profit)/Loss on disposal of non-current assets	25,769	440,378	
Capital grants and contributions	(5,291,273)	(6,624,964)	
	(5,265,504)	(6,184,586)	
Changes in operating assets and Liabilities:			
(Increase)/ decrease in receivables	403,901	1,724,913	
(Increase)/decrease in inventory	(53,121)	50,021	
Increase/(decrease) in payables	494,827	15,271	
Increase/(decrease) in other provisions	153,633	16,009	
	999,241	1,806,214	
Net cash inflow from operating activities	2,723,027	4,079,050	
21 Reconciliation of Liabilities Arising From Finance Activities			
	As at 30 June 2019	Cash Flows	As at 30 June 2020
Loans	14 1,114,024	50,522	1,164,546
	1,114,024	50,522	1,164,546

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

22 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:

	Note	Council	
		2020	2019
		\$	\$
Financial Assets			
Cash and equivalents	9	21,513,165	16,408,614
Receivables - rates	10	165,292	298,219
Receivables - other	10	222,584	364,484
Other Credit Exposures			
Guarantees	19	41,244	41,244
Total Financial Assets		21,942,285	17,112,561

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 AA2 and P-1 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 2020

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	
	2020	2019
	\$	\$
Not past due	188,406	484,909
Past due 31-60 days	59,173	110
Past due 61-90 days	-	3,790
More than 90 days	137,766	170,443
Impaired	(35,313)	(141,223)
Total	350,032	518,029

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 9..

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
	\$	\$	\$	\$	\$
2020					
Trade and other payables	637,026	-	-	637,026	637,026
Loans - QTC	94,897	379,588	948,970	1,423,455	1,063,503
	731,923	379,588	948,970	2,060,481	1,700,529
2019					
Trade and other payables	597,931	0	0	597,931	597,931
Loans - QTC	94,897	379,588	1,047,663	1,522,148	1,114,024
	692,828	379,588	1,047,663	2,120,079	1,711,955

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 2020

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
	\$	\$	\$	\$	\$
2020					
QTC Cash Fund	21,292,171	212,922	(212,922)	212,922	(212,922)
Other investments	-	-	-	-	-
Loans - QTC*	(1,063,502)	-	-	-	-
Net Total	20,228,669	212,922	(212,922)	212,922	(212,922)
2019					
QTC Cash Fund	16,182,313	161,823	(161,823)	161,823	(161,823)
Other investments	-	-	-	-	-
Loans - QTC*	(1,114,024)	-	-	-	-
Net Total	15,068,289	161,823	(161,823)	161,823	(161,823)

*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.

23 Events after the reporting period

There were no material adjusting events after the balance date.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2020

24 Transactions with Related Parties

(a) Transactions with Associates

Nil

(b) Transactions with Joint Ventures

Nil

(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 2019/20 comprises:

	2020	2019
	\$	\$
Short-term employee benefits	583,449	508,189
Post-employment benefits	16,136	26,313
Long-term benefits	16,835	95,154
Total	616,420	627,656

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	2020	2019
	\$	\$
Employee expenses for close family members of key management personnel	186,515	158,267
Purchase of materials and services from entities controlled by key management personnel	368,700	307,631

(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.

The council employs 42 staff of which only 3 are close family members of key management personnel.

(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	2020	2019
		\$	\$
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.	182,717	126,713
Purchase of materials and services from entities controlled by key management personnel	Tim Edgar, a contractor employed by Council to undertake various electrical 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.	75,071	111,823
Purchase of materials and services from entities controlled by key management personnel	Dannileah Stewart, a contractor employed by Council to undertake various cleaning works throughout the course of the year, is a related party of Ron Callope. She was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	84,386	53,488
Purchase of materials and services from entities controlled by key management personnel	Various other minor and immaterial related party transactions.	26,526	15,607
Total		368,700	307,631

(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
Notes to the Financial Statements
For the year ended 30 June 2020

25 Changes in accounting policy

During the year ended 30 June 2020, the Council adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-For-Profit Entities and AASB 16 Leases using the modified retrospective (cumulative catch-up) method.

The comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations.

The application of AASB 15 and AASB 1058 resulted in adjustments to the Council's revenue of \$3,974,962 for the 2019/20 year. All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058.

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Opening contract balances on transition at 1 July 2019

Council	Balance at 1 July 2019
Contract assets	
- Under AASB 15	-
- Under AASB 1058	-
Total contract assets	<u>-</u>
Contract liabilities	
- Under AASB 15	-
- Under AASB 1058	643,539
Total contract liabilities	<u>643,539</u>

Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards:

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Contract assets	-	-	-
Other assets	-	-	-
Contract liabilities - current	(4,618,501)	4,618,501	-
Contract liabilities - non-current	-	-	-
Retained earnings	-	(4,618,501)	(4,618,501)
	<u>(4,618,501)</u>	<u>-</u>	<u>(4,618,501)</u>

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Revenue - operating	-	-	-
Grants	-	-	-
Fees and charges	-	-	-
Revenue - capital	5,291,273	3,974,962	9,266,235
Expenses - materials and services	-	-	-
	<u>5,291,273</u>	<u>3,974,962</u>	<u>9,266,235</u>

26

Impact of COVID outbreak on Council operations and financial position

Council has experienced very little impact on its operations since the outbreak of COVID.

Along with all Western Queensland the council area has been and remains free of any COVID cases.

Council has not had to consider any rates or charges remissions or deferrals as a result of the economic impact of the COVID virus and has not made any changes to its operations over the months since the outbreak of the COVID virus and furthermore at the date of this report does not see the need to do so.

**Boulia Shire Council
Financial Statements
For the year ended 30 June 2020**

**Management Certificate
For the year ended 30 June 2020**

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 28, 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: 10, 12, 2020



Chief Executive Officer
Lynn Moore

Date: 10, 12, 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Boulia Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Boulia Shire Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2020, and of their 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 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

I am independent of the 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Boulia Shire Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 of the council.

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 2020:

- 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.



Melissa Read
as delegate of the Auditor-General

16 December 2020

Queensland Audit Office
Brisbane

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)

Boulia Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2020

Measures of Financial Sustainability

Council's performance at 30 June 2020 against key financial ratios and targets:

How the Measure is Calculated	Actual	Target
Operating Surplus Ratio		
Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-19.91%	0% and 10%
Asset Sustainability Ratio		
Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	54.51%	> 90%
Net Financial Liabilities Ratio		
Total liabilities less current assets divided by total operating revenue (excluding capital items)	-113.24%	< 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 2020.


Certificate of Accuracy
For the year ended 30 June 2020

This Current-year 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 Current-year Financial Sustainability Statement has been accurately calculated.



 Mayor
 Eric Britton
 Date: 10, 12, 2020



 Chief Executive Officer
 Lynn Moore
 Date: 10, 12, 2020

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 (the council) for the year ended 30 June 2020 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 2020 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Boulia Shire Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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.



Melissa Read
as delegate of the Auditor-General

16 December 2020

Queensland Audit Office
Brisbane

Boulia Shire Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

**Boulia Shire Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020**



Measure	Target	Projected for the years ended									
		Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
Net result divided by total operating revenue	0% to 10%	-19.96%	-19.95%	-24.46%	-28.16%	-28.07%	-28.16%	-27.89%	-27.72%	-27.69%	-27.66%
Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	> 90%	54.51%	106.67%	111.53%	100.86%	73.42%	72.22%	79.62%	72.12%	79.62%	68.70%
Total liabilities less current assets divided by total operating revenue	< 60%	-113.24%	-57.14%	-52.58%	-53.25%	-53.62%	-53.96%	-54.29%	-54.60%	-54.89%	-54.65%

**Measures of Financial Sustainability
Council**

Operating Surplus Ratio
Asset Sustainability Ratio
Net Financial Liabilities Ratio

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 2020	
This Long-term Financial Sustainability Statement has been prepared pursuant to Section 17B of the Local Government Regulation 2012 (the Regulation).	
In accordance with Section 21(2)(c) of the Regulation we certify that this Long-term Financial Sustainability Statement has been accurately calculated.	
 Mayer Eric Britton Date: 10/12/2020	 Chief Executive Officer Lynn Moore Date: 10/12/2020

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