

Boulia Shire Council

**Financial Statements
for the year ended 30 June 2016**

Bouliia Shire Council

Financial Statements

For the year ended 30 June 2016

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	Finance Costs
9	Depreciation
10	Cash and Equivalents
11	Trade and Other Receivables
12	Inventories
13	Property, Plant and Equipment
14	Fair Value Measurements
15	Trade and Other Payables
16	Borrowings
17	Provisions
18	Revaluation Surplus
19	Reserves
20	Commitments for Expenditure
21	Contingent Liabilities
22	Superannuation
23	Trust Funds
24	Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities
25	Financial Instruments
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)	
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 2016

	Note	Council	
		2016	2015
		\$	\$
Income			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	1,202,071	1,302,965
Fees and charges	3(b)	405,050	381,807
Rental income	3(c)	319,152	340,512
Interest received	3(d)	414,343	435,995
Sales revenue	3(e)	3,387,486	4,430,069
Other income	3(f)	37,307	120,190
Grants, subsidies and contributions	4(a)	8,557,008	3,186,798
		<u>14,322,417</u>	<u>10,198,336</u>
Capital Revenue			
Grants, subsidies, contributions and donations	4(b)	3,968,377	5,585,945
		<u>18,290,794</u>	<u>15,784,281</u>
Total Revenue		<u>18,290,794</u>	<u>15,784,281</u>
Total Income		<u>18,290,794</u>	<u>15,784,281</u>
Expenses			
Recurrent Expenses			
Employee benefits	6	(3,249,003)	(3,581,770)
Materials and services	7	(9,544,540)	(3,732,085)
Finance costs	8	(75,844)	(39,697)
Depreciation	9	(3,289,272)	(3,208,346)
		<u>(16,158,659)</u>	<u>(10,561,896)</u>
Capital Expenses	5	(32,986)	(1,000)
		<u>(16,191,645)</u>	<u>(10,562,896)</u>
Total Expenses		<u>(16,191,645)</u>	<u>(10,562,896)</u>
NET RESULT		<u>2,099,149</u>	<u>5,221,385</u>
Other Comprehensive Income			
Items that will not be reclassified to net result			
Increase / (decrease) in Asset Revaluation Surplus	18	1,172,997	35,845,672
Total Other Comprehensive Income for the Year		<u>1,172,997</u>	<u>35,845,672</u>
Total Comprehensive Income for the Year		<u>3,272,146</u>	<u>41,067,057</u>

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

**Boulia Shire Council
Statement of Financial Position
as at 30 June 2016**

		Council	
	Note	2016 \$	2015 \$
Current Assets			
Cash and equivalents	10	11,779,119	13,378,540
Trade and other receivables	11	1,566,023	898,904
Inventories	12	275,742	320,984
Total Current Assets		13,620,884	14,598,428
Non Current Assets			
Property, plant and equipment	13	149,525,852	145,499,881
Total Non-Current Assets		149,525,852	145,499,881
Total Assets		163,146,736	160,098,309
Current Liabilities			
Trade and other payables	15	801,577	918,842
Borrowings	16	46,887	49,513
Provisions	17	208,482	287,460
Total Current Liabilities		1,056,946	1,255,815
Non-Current Liabilities			
Borrowings	16	1,207,138	1,253,550
Provisions	17	49,965	28,402
Total Non-Current Liabilities		1,257,103	1,281,952
Total Liabilities		2,314,049	2,537,767
Net Community Assets		160,832,686	157,560,542
Community Equity			
Asset Revaluations Surplus	18	85,512,316	84,339,319
Retained Surplus		72,991,819	70,664,939
Reserves	19	2,328,551	2,556,283
Total Community Equity		160,832,686	157,560,542

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

Boulia Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

Council	Note	Asset revaluation surplus 18 \$	Retained Surplus \$	Reserves 19 \$	Total \$
Balance as at 1 July 2015		84,339,319	70,664,939	2,556,283	157,560,542
Net result		0	2,099,149	0	2,099,149
Other comprehensive income for the year					
Increase in Asset Revaluation Surplus		1,172,997	0	0	1,172,997
Total Comprehensive Income for the Year		<u>1,172,997</u>	<u>2,099,149</u>	<u>0</u>	<u>3,272,146</u>
Transfers to and from reserves					
Transfers to reserves		-	780,232	(780,232)	-
Transfers from reserves		-	(552,500)	552,500	-
Total transfers to and from reserves		<u>-</u>	<u>227,732</u>	<u>(227,732)</u>	<u>-</u>
Balance as at 30 June 2016		<u>85,512,316</u>	<u>72,991,819</u>	<u>2,328,551</u>	<u>160,832,686</u>
Balance as at 1 July 2014		48,493,647	66,052,042	1,947,798	116,493,483
Net result		-	5,221,385	-	5,221,385
Other comprehensive income for the year					
Increase in Asset Revaluation Surplus		35,845,672	-	-	35,845,672
Total Comprehensive Income for the Year		<u>35,845,672</u>	<u>5,221,385</u>	<u>-</u>	<u>41,067,057</u>
Transfers to and from reserves*					
Transfers to reserves		-	(796,310)	796,310	-
Transfers from reserves		-	187,825	(187,825)	-
Total transfers to and from reserves		<u>-</u>	<u>(608,485)</u>	<u>608,485</u>	<u>-</u>
Balance as at 30 June 2015		<u>84,339,319</u>	<u>70,664,939</u>	<u>2,556,283</u>	<u>157,560,542</u>

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

Boulia Shire Council
Statement of Cash Flows
For the year ended 30 June 2016

	Note	Council	
		2016	2015
		\$	\$
Cash Flows from Operating Activities			
Receipts from customers		4,222,944	7,006,155
Payments to suppliers and employees		(12,932,818)	(7,206,336)
		<u>(8,709,873)</u>	<u>(200,181)</u>
Interest received		414,343	435,995
Rental income		319,152	340,512
Non capital grants and contributions		8,557,008	3,186,798
Borrowing costs		75,844	-
Net Cash Inflow (outflow) from Operating Activities	24	<u>656,474</u>	<u>3,763,124</u>
Cash Flows from Investing Activities			
Payments for property, plant and equipment		(6,659,633)	(9,981,809)
Proceeds from sale of property plant and equipment		546,364	76,000
Grants, subsidies, contributions and donations		3,906,412	5,585,945
Net Cash Inflow (outflow) from Investing Activities		<u>(2,206,856)</u>	<u>(4,319,864)</u>
Cash Flows from Financing Activities			
Proceeds from borrowings		-	1,303,063
Repayment of borrowings		(49,038)	-
Net Cash Inflow (outflow) from Financing Activities		<u>(49,038)</u>	<u>1,303,063</u>
Net Change in Cash and Equivalent Held		<u>(1,599,421)</u>	<u>746,323</u>
Cash and Equivalents at the Beginning of the Financial Year		13,378,540	12,632,217
Cash and Equivalents at End of the Financial Year	10	<u>11,779,119</u>	<u>13,378,540</u>

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements Issued by the Australian Accounting Standards Board.

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

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

Recurrent / Capital Classification

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

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

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

- i) Disposal of non-current assets
- ii) Discount rate adjustments to restoration provisions
- iii) Revaluations of investment property and property plant and equipment.

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

Constitution

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

Currency

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

Rounding and Comparatives

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

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

1.B Statement of Compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the 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), to the extent these Inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and Impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

1.C Date of Authorisation

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

1.D Adoption of New and Revised Accounting Standards

In the current year, Council adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised standards and interpretations has not resulted in any material changes to Council's accounting policies.

Boulia Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of *AASB 2015-7 Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of the financial report, *AASB 9 Financial Instruments* and *AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have material impact on Council's financial statements.

From 1 July 2016 AASB 124 Related party Disclosures will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have material impact on the financial statements.

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

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

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

Valuation and depreciation of property, plant and equipment - Note 1.L and Note 13

Impairment of property, plant and equipment - Note 1.M

Provisions - Note 17 and Note 1.O

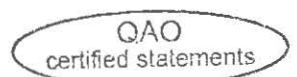
Contingent liabilities - Note 21.

1.F Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Rates and Levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

Grants and Subsidies

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.

Rental Income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest

Interest received from term deposits is accrued over the term of the investment.

Sales Revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Council generates revenues from a number of services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. 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.

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

1.G Financial Assets and Financial Liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Boulia Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial Assets

Cash and cash equivalents (Note 1.H)

Receivables - measured at amortised cost (Note 1.I)

Financial Liabilities

Payables - measured at amortised cost (Note 1.N)

Borrowings - measured at amortised cost (Note 1.P)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied. All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 25.

1.H Cash and Equivalents

Cash and equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.I Receivables

Receivables are assessed for impairment and bad debts have been written off where applicable.

1.J Inventories

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

1.K Investments

Term Deposits in excess of three (3) months are reported as investments, with deposits of less than three (3) months being reported as cash equivalents. At 30 June 2016 Council did not have any term deposits in excess of three months.

1.L Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of 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.

The classes of property, plant and equipment recognised by the Council are:

Land and improvements

Buildings and structures

Plant and vehicles

Furniture and equipment

Road infrastructure

Water infrastructure

Sewerage infrastructure

Aerodrome infrastructure

Work in progress

Acquisition of Assets

Acquisitions of assets are initially recorded at cost. 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.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and Operating Expenditure

Direct labour and materials and an appropriate proportion of overheads in the acquisition of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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.

Valuation

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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, buildings and major plant asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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 considered to be sound and result in a reasonable estimate of fair value.

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.

Capital Work In Progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Depreciation

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.

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.

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.

Bouliia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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. Details of the range of estimated useful lives for each class of asset are shown in Note 13.

Land Under Roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Bouliia Shire Council currently does not have any such land holdings.

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant Legislation. Therefore this land is not recognised in these financial statements.

1.M Impairment of Non-Current Assets

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

1.N Payables

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

1.O Liabilities - Employee Benefits

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

Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 15 as a payable.

Annual Leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 15 as a payable

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

Sick Leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 15 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 22.

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of 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. This liability is reported in Note 17 as a provision.

Where employees have met 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.

1.P Borrowings and Borrowing Costs

Borrowings are initially recognised as 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.

1.Q Asset Revaluation Surplus

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

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

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

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

1.R Retained Surplus

In reference to the comparative figures for the year ended 30 June 2016, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.S Reserves

Plant Purchase and Renewal Reserve

This Reserve was created and holds amounts to be contributed to the future replacement of Council's plant.

Asset Acquisition Reserve

This Reserve was created and holds amounts to be contributed to the future replacement of Council's assets.

Information Technology Reserve

This reserve was created and holds amounts to be contributed to the future replacement of Council's information technology assets.

Constrained Works Reserve

This reserve represents contributions received for capital works where the required works have not yet been carried out. Unspent grants received by Council are also placed in this reserve until the obligation has been satisfied.

1.T Taxation

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

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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

Bouliá Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

2 Analysis of Results by Function

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

Year ended 30 June 2016

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

Year ended 30 June 2015

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2015	2015	2015	2015		2015	2015				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate Support	2,284,077	1,937,215	-	-	4,221,292	(3,778,471)	(1,000)	(3,779,471)	442,821	441,823	20,381,194
Environmental & Natural Resources	86,241	28,575	217,651	-	332,467	(189,231)	-	(189,231)	(74,415)	143,236	-
Community & Lifestyle Services	18,008	512,455	100,000	-	630,463	(1,129,918)	-	(1,129,918)	(599,455)	(499,455)	21,801,380
Health & Welfare	70,700	3,211	161,244	-	235,155	(231,221)	-	(231,221)	(157,310)	3,934	-
Water Sewerage & Garbage	-	219,351	-	-	219,351	(1,083,697)	-	(1,083,697)	(864,346)	(864,346)	6,594,881
Roads	727,772	4,310,729	5,107,051	-	10,145,552	(4,149,358)	-	(4,149,358)	889,143	5,996,194	111,320,854
Total Council	3,186,798	7,011,537	5,585,946	-	15,784,281	(10,561,896)	(1,000)	(10,562,896)	(363,562)	5,221,385	160,098,309

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	Note	Council	
		2016 \$	2015 \$
3 Revenue Analysis			
(a) Rates, Levies and Charges			
General rates		931,559	1,028,315
Water		181,751	182,957
Sewerage		105,604	107,421
Garbage charges		105,154	105,641
Total rates and utility charge revenue		1,324,068	1,424,334
Less: discounts		(121,412)	(120,784)
Less: pensioner remissions		(585)	(585)
		<u>1,202,071</u>	<u>1,302,965</u>
(b) Fees and Charges			
Other fees and charges		405,050	381,807
		<u>405,050</u>	<u>381,807</u>
(c) Rental Income			
Rental income		319,152	340,512
		<u>319,152</u>	<u>340,512</u>
(d) Interest Received			
Interest received from investments		400,090	414,141
Interest from overdue rates and utility charges		14,253	21,854
		<u>414,343</u>	<u>435,995</u>
(e) Sales Revenue			
Contract and recoverable works		3,387,486	4,430,069
		<u>3,387,486</u>	<u>4,430,069</u>
(f) Other Income			
Other income		37,307	120,190
		<u>37,307</u>	<u>120,190</u>
4 Grants, Subsidies, Contributions and Donations			
(a) Recurrent			
General purpose grants		2,960,878	2,893,816
State government and other subsidies and grants		5,596,130	292,982
		<u>8,557,008</u>	<u>3,186,798</u>
(b) Capital			
State government subsidies and grants		2,851,353	5,194,966
Commonwealth government subsidies and grants		1,117,024	390,979
		<u>3,968,377</u>	<u>5,585,945</u>

Contributions recognised as Income during a previous reporting period that were obtained in respect of the current reporting period:

Non-reciprocal grants for expenditure on services		36,000
Non-reciprocal grants for expenditure on infrastructure		517,207
		<u>553,207</u>

QAO
certified statements

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	Council	
	2016	2015
Note	\$	\$
5 Capital Expenses		
Gain / Loss on Disposal of Non-Current Assets		
Proceeds from the sale of property, plant and equipment	546,364	76,000
Less: Book value of property, plant and equipment disposed of	(579,350)	(77,000)
	<u>(32,986)</u>	<u>(1,000)</u>
6 Employee Benefits		
Total staff wages and salaries	2,457,055	2,961,233
Councillors' remuneration	308,874	264,774
Annual, sick, long service leave and entitlements	620,415	632,179
Superannuation	304,746	313,976
	22	
	<u>3,691,090</u>	<u>4,172,162</u>
Other employee related expenses	117,808	184,686
	<u>3,808,898</u>	<u>4,356,848</u>
Less: Capitalised employee expenses	(559,895)	(775,079)
	<u>3,249,003</u>	<u>3,581,770</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.		
Total council employees at the reporting date:	2016	2015
Elected members	5	5
Administration staff	16	15
Depot and outdoors staff	26	24
Total full time equivalent employees	<u>47</u>	<u>44</u>
7 Materials and Services		
Administration supplies and consumables	887,409	867,474
Audit of annual financial statements by the Auditor-General of Queensland	91,807	42,890
Communications and IT	113,000	102,879
Consultants	8,777	12,424
Donations paid	56,693	78,954
Repairs and maintenance	328,765	433,207
Roads	6,649,899	1,541,982
Other materials and services	1,408,188	652,275
	<u>9,544,540</u>	<u>3,732,085</u>
8 Finance Costs		
Finance costs charged by the Queensland Treasury Corporation	49,277	-
Bank charges	19,074	6,446
Impairment of debts	7,493	33,251
	<u>75,844</u>	<u>39,697</u>
9 Depreciation		
Buildings & structures	1,008,176	996,152
Plant and vehicles	389,813	447,799
Furniture & equipment	44,550	61,201
Road infrastructure	1,479,059	1,291,181
Water infrastructure	129,049	127,044
Sewerage infrastructure	45,729	40,818
Aerodrome infrastructure	192,897	244,149
Total depreciation	13	
	<u>3,289,272</u>	<u>3,208,344</u>

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

	Note	Council	
		2016 \$	2015 \$
10 Cash and Equivalents			
Cash at bank and on-hand		120,297	1,604,922
Deposits at call		11,658,822	11,773,618
Balance per Statement of Cash Flows		<u>11,779,119</u>	<u>13,378,540</u>

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

11 Trade and Other Receivables

Current

Rateable revenue and utility charges		199,581	257,742
Other debtors		1,397,203	727,341
Less impairment		(97,405)	(183,030)
GST recoverable		(16,837)	8,323
Prepayments		83,481	88,528
		<u>1,566,023</u>	<u>898,904</u>

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

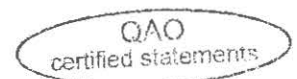
Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July		183,030	150,438
Impairment debts written off during the year		(85,625)	-
Additional impairments recognised			32,592
Impairments reversed			-
Closing Balance at 30 June		<u>97,405</u>	<u>183,030</u>

12 Inventories

Inventories Held For Sale or Consumption

Min Min Encounter stock		43,091	36,172
Plant and equipment stores		202,046	262,852
Other trading stocks		30,606	21,960
		<u>275,742</u>	<u>320,984</u>



Bouliá Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

13 Property, Plant and Equipment

Council - 30 June 2016

Basis of measurement

Asset Values

Opening Gross Value as at 1 July 2015

Additions

Disposals

Revaluation adjustments

Transfers between classes

Closing Gross Value as at 30 June 2016

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	475,500	29,639,217	6,279,459	1,299,755	135,084,944	6,796,778	2,863,544	5,959,247	1,850,498	190,248,942
	-	-	-	-	-	-	-	-	6,659,633	6,659,633
5	(19,000)	(650,381)	(1,002,982)	-	-	-	-	-	-	(1,672,363)
18	174,000	(3,522,523)	-	-	-	-	-	-	-	(3,348,523)
	-	76,212	781,287	1,963	6,931,642	424,844	-	105,017	(8,320,966)	(0)
	630,500	25,542,525	6,057,765	1,301,718	142,016,586	7,221,622	2,863,544	6,064,264	189,165	191,887,689

Accumulated Depreciation

Opening balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to accumulated depreciation

Transfers between classes

Accumulated Depreciation as at 30 June 2016

	-	13,193,443	2,898,218	553,245	23,764,090	1,976,208	1,089,233	1,274,624	-	44,749,061
9	-	1,008,176	389,813	44,550	1,479,059	129,049	45,729	192,897	-	3,289,272
5	-	(394,647)	(698,366)	-	-	-	-	-	-	(1,093,013)
18	-	(6,479,250)	-	-	1,895,766	-	-	-	-	(4,583,484)
	-	(2,539)	-	7,451	-	(114)	-	(4,798)	-	-
	0	7,325,183	2,589,665	605,246	27,138,915	2,105,143	1,134,962	1,462,723	0	42,361,837

Total Written Down Value as at 30 June 2016

Residual value

Range of estimated useful life in years

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

Additions comprise:

Renewals

Other additions

Total additions

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	733,710	-	2,174,220	279,153	-	-	-	3,187,082
	-	76,212	62,658	13,498	3,246,114	14,612	-	59,457	-	3,472,551
	-	76,212	796,368	13,498	5,420,334	293,764	-	59,457	-	6,659,633

13 Property, Plant and Equipment

Council - 30 June 2015

Basis of measurement

Asset Values

Opening Gross Value as at 1 July 2014

Additions

Disposals

Revaluation adjustment to revaluation surplus

Transfers between classes

Closing Gross Value as at 30 June 2015

Note	Land and Improvements	Buildings and Structures	Plant and Vehicles	Furniture & Equipment	Road Infrastructure	Water Infrastructure	Sewerage Infrastructure	Aerodrome Infrastructure	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	\$
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	475,500	29,057,500	6,043,635	1,299,755	80,764,199	6,796,778	2,325,990	4,541,357	792,997	132,097,711
	-	-	-	-	-	-	-	-	9,981,809	9,981,809
5	-	-	(149,774)	-	-	-	-	-	-	(149,774)
18	-	-	-	-	48,515,249	-	-	(196,053)	-	48,319,197
	-	581,717	385,598	-	5,805,496	-	537,554	1,613,943	(8,924,308)	-
	475,500	29,639,217	6,279,459	1,299,755	135,084,944	6,796,778	2,863,544	5,959,247	1,850,498	190,248,942

Accumulated Depreciation and Impairment

Opening Balance as at 1 July 2014

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to revaluation surplus

Accumulated Depreciation as at 30 June 2015

	-	12,197,291	2,523,194	492,044	9,337,375	1,849,165	1,048,415	1,692,484	-	29,139,968
9	-	996,152	447,798	61,201	1,291,181	127,043	40,818	244,149	-	3,208,344
5	-	-	(72,774)	-	-	-	-	-	-	(72,774)
	-	-	-	-	13,135,534	-	-	(662,009)	-	12,473,525
	-	13,193,443	2,898,218	553,245	23,764,090	1,976,208	1,089,233	1,274,624	-	44,749,061

Total Written Down Value as at 30 June 2015

Residual value

Range of estimated useful life in years

	475,500	16,445,774	3,381,241	746,510	111,320,854	4,820,570	1,774,311	4,684,623	1,850,498	145,499,881
	475,500	5,000	1,990,486	-	-	-	-	-	-	-
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100	-	-

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

14 Fair Value Measurements

(i) Recognised Fair Value Measurements

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

- Property, plant and equipment
 - Land and improvement
 - Buildings and other structures
 - Aerodrome infrastructure
 - Road infrastructure
 - Water infrastructure
 - Sewerage infrastructure

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in Note 16 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flow at balance date (Level 2).

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

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

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

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.

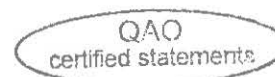
The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value and asset are observable, the asset is included in Level 2. If 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 2016.

Council							
At 30 June 2016	Note	Level 2 2016	Level 2 2015	Level 3 2016	Level 3 2015	Total 2016	Total 2015
		(Observable inputs)	(Unobservable inputs)				
		\$	\$	\$	\$	\$	\$
Recurring Fair Value Measurements							
Land and improvement	13	630,500	475,500	-	-	630,500	475,500
Buildings and structures	13	1,480,000	-	16,737,343	16,445,774	18,217,343	16,445,774
Road infrastructure	13	-	-	114,877,671	111,320,854	114,877,671	111,320,854
Water infrastructure	13	-	-	5,116,479	4,820,570	5,116,479	4,820,570
Sewerage infrastructure	13	-	-	1,728,582	1,774,311	1,728,582	1,774,311
Aerodrome infrastructure	13	-	-	4,601,541	4,684,624	4,601,541	4,684,624
		2,110,500	475,500	143,061,616	139,046,133	145,172,116	139,521,633

There were no transfers between levels 1 and 2 during the year, there was a transfer between levels 2 and 3.

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



**Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

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

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

Specific Valuation Techniques Used to Value Council Assets Comprise:

Land (Level 2)

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

Buildings (Level 2 and 3)

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

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

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

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

Infrastructure Assets (Level 3)

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

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

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

**Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

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

Roads and Aerodrome

Current Replacement Cost

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

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

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

Accumulated Depreciation

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

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

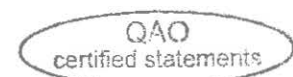
Description		% of Life Remaining
10	New asset	100%
9	Near new asset or refurbished asset	90%
8	Excellent condition, minimal deterioration noted	80%
7	Very good condition with early stages of deterioration	70%
6	Good condition, some signs of deterioration	60%
5	Fair to good condition, clear signs of deterioration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

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

Estimated useful lives and residual values are disclosed in Note 13.

Percentage of Assets Inspected

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



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

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

Water and Sewerage

Current Replacement Cost

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

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

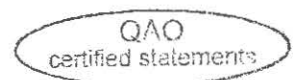
Factors taken into account in determining replacement costs included:

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

Accumulated Depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

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



**Bouliā Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

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.

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

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

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

The changes in Level 3 assets with recurring fair value measurements are detailed in Note 13.

(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, DCEO and the Manager of Corporate 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 1. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

15 Trade and Other Payables

	Note	2016 \$	Council	2015 \$
Current				
Creditors and accruals		352,763		437,469
Annual leave		304,230		297,059
Sick leave		124,951		171,186
Other entitlements		19,604		13,128
		<u>801,577</u>		<u>918,842</u>

16 Borrowings

Current				
Loans - Queensland Treasury Corporation		46,887		49,513
		<u>46,887</u>		<u>49,513</u>
Non-current				
Loans - Queensland Treasury Corporation		1,207,138		1,253,550
		<u>1,207,138</u>		<u>1,253,550</u>
Loans - Queensland Treasury				
Opening balance at beginning of financial year		1,303,063		-
Loans raised		-		1,303,063
Principal repayments		(49,038)		-
Book value at end of financial year		<u>1,254,025</u>		<u>1,303,063</u>

The QTC loan market value at the reporting date was \$1,381,206. 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.

17 Provisions

	Note	2016 \$	Council	2015 \$
Current				
Long service leave		208,482		287,460
		<u>208,482</u>		<u>287,460</u>
Non-Current				
Long service leave		49,965		28,402
		<u>49,965</u>		<u>28,402</u>

Details of movements in provisions:

Long Service Leave				
Balance at beginning of financial year		315,862		296,280
Long service leave entitlement arising		28,677		33,858
Long service entitlement extinguished		(29,080)		-
Long service entitlement paid		(57,012)		(14,276)
Balance at end of financial year		<u>258,448</u>		<u>315,862</u>

QAO
certified statements

Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

18 Revaluation Surplus

	Council	2016	2015
Note		\$	\$
Movements in the Asset Revaluation Surplus were as follows:			
Balance at beginning of financial year		84,339,319	48,493,647
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land and improvements		174,000	-
Buildings and other structures		2,894,763	-
Road infrastructure		(1,895,766)	35,379,715
Aerodrome infrastructure		-	466,957
Sewerage		-	-
Water		-	-
Balance at end of financial year		<u>85,512,316</u>	<u>84,339,319</u>

Asset Revaluation Surplus Analysis

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

Land and improvements	604,432	430,432
Buildings	12,429,290	9,534,527
Road infrastructure	68,291,290	70,187,055
Sewerage	702,920	702,920
Water	2,566,680	2,566,680
Aerodrome infrastructure	917,705	917,705
	<u>85,512,316</u>	<u>84,339,319</u>

19 Reserves

Reserves Held for Funding Future Capital Expenditure

Plant purchase and renewal reserve	499,172	383,172
Asset acquisition reserve	829,061	829,061
Information technology reserve	450,000	450,000
Constrained works reserve	550,318	894,050
Total reserves	<u>2,328,551</u>	<u>2,556,283</u>

Movements in capital reserves:

Plant Purchase and Renewal Reserve

Balance at beginning of financial year	383,172	383,172
Transfer to the retained surplus funds used in the period	116,000	-
Balance at end of financial year	<u>499,172</u>	<u>383,172</u>

Asset Acquisition Reserve

Balance at beginning of financial year	829,061	829,061
Transfer to retained surplus funds used in the period	-	-
Balance at end of financial year	<u>829,061</u>	<u>829,061</u>

Information Technology Reserve

Balance at beginning of financial year	450,000	450,000
Transfer from retained surplus for future expenditure	-	-
Balance at end of financial year	<u>450,000</u>	<u>450,000</u>

Constrained Works Reserve

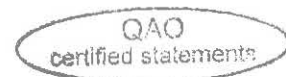
Balance at beginning of financial year	894,050	285,565
Transfer from retained surplus for future expenditure	(780,232)	796,310
Transfer to the retained surplus funds used in the period	436,500	(187,825)
Balance at end of financial year	<u>550,318</u>	<u>894,050</u>

20 Commitments for Expenditure

Contractual Commitments

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

Plant and Vehicles	1,000,000	-
	<u>1,000,000</u>	<u>-</u>



**Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

21 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 2016 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 \$1M.

22 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a multi-employer plan as defined in the Australian Accounting Standard AASB 119 *Employee Benefits*.

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

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

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

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

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

The Regional DBF is a defined benefit plan as defined in AASB 119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had 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.

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

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

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

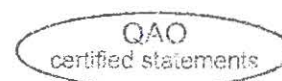
In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Boulia Shire Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

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

	Note	2016 \$	Council	2015 \$
Superannuation contributions paid by Council to the scheme for employees benefit was:	6	304,746		313,976



**Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016**

		Council	
23 Trust Funds	Note	2016 \$	2015 \$
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			
Auspicings		91,713	16,028
Security deposits		32,151	56,201
		123,864	72,229

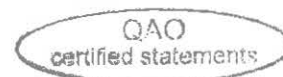
The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

Funds held in the Trust Account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the Trust Account by the Council. The Council performs only a custodial 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 financial statements.

The monies are disclosed in the Notes to the Financial Statements for information purposes only in the above note.

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

Net result	2,099,149	5,221,387
Non-cash items:		
Depreciation and amortisation	3,289,272	3,208,344
Investing and development activities:	3,289,272	3,208,344
Net (Profit)/Loss on disposal of non-current assets	32,986	1,000
Capital grants and contributions	(3,968,377)	(5,585,945)
	(3,935,391)	(5,584,945)
Changes in operating assets and Liabilities:		
(Increase)/ decrease in receivables	(667,119)	767,560
(Increase)/decrease in inventory	45,242	81,944
Increase/(decrease) in payables	(117,285)	49,254
Increase/(decrease) in other provisions	(57,414)	19,582
	(796,557)	918,340
Net cash inflow from operating activities	656,474	3,763,126



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

25 Financial Instruments

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

- Credit risk
- Liquidity risk
- Market risk

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

Financial Risk Management

Boulia Shire Council is responsible for the establishment and oversight of the Risk Management Framework, together with developing and monitoring Risk Management Policies. Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

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

Boulia Shire Council does not enter into derivatives.

Credit Risk

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

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

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

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

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

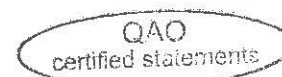
	<u>Note</u>	Council	
		2016	2015
Financial Assets		\$	\$
Cash and equivalents	10	11,779,119	13,378,540
Receivables - rates	11	199,581	257,742
Receivables - other	11	1,366,442	552,634
Other Credit Exposures			
Guarantees	21	67,058	75,986
Total Financial Assets		13,412,200	14,264,902

Cash and Equivalents

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

Other Financial Assets

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



Boulia Shire Council
Notes to the Financial Statements
For the year ended 30 June 2016

Trade and Other 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.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely agricultural, there is also a concentration in the agricultural sector.

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

	Council	
	2016	2015
	\$	\$
Not past due	1,235,603	42,181
Past due 31-60 days	2,930	659,824
Past due 61-90 days	4,340	20,266
More than 90 days	100,227	273,003
Impaired	(97,405)	(183,030)
Total	1,245,695	812,244

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.

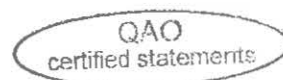
The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 16.

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
	\$	\$	\$	\$	\$
2016					
Trade and other payables	352,793	0	0	352,793	352,793
Loans - QTC	94,897	379,588	1,328,558	1,803,044	1,254,025
	447,690	379,588	1,328,558	2,155,836	1,606,817
2015					
Trade and other payables	437,469	0	0	437,469	437,469
Loans - QTC	99,790	376,411	1,167,488	1,643,689	1,303,063
	537,259	376,411	1,167,488	2,081,158	1,740,532

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 2016

Market Risk

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

Interest Rate Risk

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

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

Sensitivity

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

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

	Net Carrying Amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
Council					
2016					
QTC Cash Fund	11,658,822	116,588	(116,588)	116,588	(116,588)
Other investments	-	-	-	-	-
Loans - QTC*	1,254,025	-	-	-	-
Net Total	12,912,847	116,588	(116,588)	116,588	(116,588)
2015					
QTC Cash Fund	11,773,618	117,736	(117,736)	117,736	(117,736)
Other investments	-	-	-	-	-
Loans - QTC*	1,303,063	-	-	-	-
Net Total	13,076,681	117,736	(117,736)	117,736	(117,736)

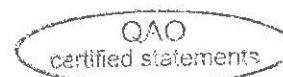
*QTC Generic Debt Pool - the Generic Debt Pool products approximate a fixed rate loan. There is negligible impact on interest sensitivity from changes in interest rates for Generic Debt Pool borrowings

Fair Value

The fair value of trade and other 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 16.

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.



**Boulia Shire Council
Financial Statements
For the year ended 30 June 2016**

**Management Certificate
For the year ended 30 June 2016**

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 1 to 32, 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: 31, 10, 2016



Chief Executive Officer
Lynn Moore

Date: 31, 10, 2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Boulia Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Boulia Shire Council, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Boulia Shire Council for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.




D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)

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 2016**

Measures of Financial Sustainability

	How the Measure is Calculated	Actual	Target
Council's performance at 30 June 2016 against key financial ratios and targets:			
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-13%	0% and 10%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	88%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-79%	< 65%


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 2016.

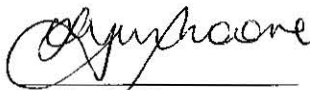
Certificate of Accuracy
For the year ended 30 June 2016

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: 31/10/2016



Chief Executive Officer
Lynn Moore
Date: 31/10/2016

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Boulia Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Boulia Shire Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.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 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.


D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)



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
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2016

Measures of Financial Sustainability	Measure	Target	Actual at 30 June 2016	Projected for the years ended								
				30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Council												
Operating Surplus Ratio	Net result divided by total operating revenue	0% to 10%	13%	-23.8%	-39.3%	-47.5%	-38.1%	31.3%	25.5%	-33.8%	-32.0%	-26.6%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	> 60%	86%	34.7%	41.0%	40.1%	60.6%	30.7%	39.8%	30.5%	31.0%	35.2%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	< 60%	-79%	102.5%	-116.8%	-101.3%	91.6%	0.0%	87.6%	-80.9%	-72.5%	-79.6%



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 2016

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

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

 _____ Mayor Eric Britton Date: <u>31</u> / <u>10</u> / <u>2016</u>	 _____ Chief Executive Officer Lynn Moore Date: <u>31</u> / <u>10</u> / <u>2016</u>
--	--

Rse_0344_01