

**Bouliā Shire Council**

**Financial Statements**  
**for the year ended 30 June 2019**

# **Boulia Shire Council**

## **Financial Statements**

### For the year ended 30 June 2019

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**Boulia Shire Council**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2019**

	Note	Council	
		2019	2018
		\$	\$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent Revenue</b>			
Rates, levies and charges	3(a)	1,269,480	1,107,663
Fees and charges		358,264	386,309
Rental income		333,553	334,275
Interest received		323,217	303,342
Sales revenue	3(b)	3,138,398	4,436,768
Other income		384,119	73,717
Grants, subsidies, contributions and donations	4(a)	5,940,377	5,274,693
		<u>11,747,408</u>	<u>11,916,767</u>
<b>Capital Revenue</b>			
Grants, subsidies, contributions and donations	4(b)	6,624,964	5,367,713
<b>Total Revenue</b>		<u>18,372,372</u>	<u>17,284,480</u>
<b>Total Income</b>		<u>18,372,372</u>	<u>17,284,480</u>
<b>Expenses</b>			
<b>Recurrent Expenses</b>			
Employee benefits	6	(3,056,328)	(3,316,847)
Materials and services	7	(6,371,632)	(9,229,539)
Finance costs		(46,614)	(76,892)
Depreciation	8	(3,679,360)	(3,236,714)
		<u>(13,153,933)</u>	<u>(15,859,992)</u>
<b>Capital Expenses</b>	5	(440,378)	(362,003)
<b>Total Expenses</b>		<u>(13,594,311)</u>	<u>(16,221,995)</u>
<b>NET RESULT</b>		<u>4,778,061</u>	<u>1,062,485</u>
<b>Other Comprehensive Income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in Asset Revaluation Surplus	15	17,922,851	-
<b>Total Other Comprehensive Income for the Year</b>		<u>17,922,851</u>	<u>-</u>
<b>Total Comprehensive Income for the Year</b>		<u>22,700,912</u>	<u>1,062,485</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 2019**

		Council		
		2019	2018	
Note		\$	\$	
<b>Current Assets</b>				
	Cash and cash equivalents	9	16,408,614	13,902,852
	Receivables	10	766,378	2,491,291
	Inventories		275,114	325,138
	<b>Total Current Assets</b>		<u>17,450,106</u>	<u>16,719,281</u>
<b>Non Current Assets</b>				
	Property, plant and equipment	11	174,597,856	152,645,009
	<b>Total Non-Current Assets</b>		<u>174,597,856</u>	<u>152,645,009</u>
	<b>Total Assets</b>		<u>192,047,962</u>	<u>169,364,290</u>
<b>Current Liabilities</b>				
	Payables	12	1,095,237	1,079,964
	Borrowings	13	52,282	15,185
	Provisions	14	98,107	171,546
	<b>Total Current Liabilities</b>		<u>1,245,626</u>	<u>1,266,696</u>
<b>Non-Current Liabilities</b>				
	Borrowings	13	1,061,742	1,147,358
	Provisions	14	199,875	110,427
	<b>Total Non-Current Liabilities</b>		<u>1,261,617</u>	<u>1,257,786</u>
	<b>Total Liabilities</b>		<u>2,507,243</u>	<u>2,524,482</u>
	<b>Net Community Assets</b>		<u>189,540,719</u>	<u>166,839,807</u>
<b>Community Equity</b>				
	Asset Revaluations Surplus	15	103,435,167	85,512,316
	Retained Surplus		86,105,552	81,327,491
	<b>Total Community Equity</b>		<u>189,540,719</u>	<u>166,839,807</u>

*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 2019**

<b>Council</b>	<b>Note</b>	<b>Asset revaluation surplus 15</b>	<b>Retained Surplus</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 1 July 2018</b>		85,512,316	81,327,491	166,839,807
Revaluation surplus		17,922,851	-	17,922,851
Net result		-	4,778,061	4,778,061
<b>Total Comprehensive Income for the Year</b>		<u>17,922,851</u>	<u>4,778,061</u>	<u>22,700,912</u>
<b>Balance as at 30 June 2019</b>		<u>103,435,167</u>	<u>86,105,552</u>	<u>189,540,719</u>
<b>Balance as at 1 July 2017</b>		85,512,316	80,265,006	165,777,322
Net result		-	1,062,485	1,062,485
<b>Total Comprehensive Income for the Year</b>		<u>-</u>	<u>1,062,485</u>	<u>1,062,485</u>
<b>Balance as at 30 June 2018</b>		<u>85,512,316</u>	<u>81,327,491</u>	<u>166,839,807</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 2019**

	Note	Council 2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>			
Receipts from customers		6,890,034	5,163,005
Payments to suppliers and employees		<u>(9,361,516)</u>	<u>(12,438,752)</u>
		(2,471,482)	(7,275,747)
Interest received		323,217	303,342
Rental income		333,553	334,275
Non capital grants and contributions		5,940,377	5,274,693
Borrowing costs		<u>(46,614)</u>	<u>(76,892)</u>
<b>Net Cash Inflow (outflow) from Operating Activities</b>	19	<u>4,079,050</u>	<u>(1,440,329)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for property, plant and equipment		(8,228,920)	(5,337,348)
Proceeds from sale of property plant and equipment		79,187	398,693
Grants, subsidies, contributions and donations		6,624,964	5,367,713
<b>Net Cash Inflow (outflow) from Investing Activities</b>		<u>(1,524,769)</u>	<u>429,058</u>
<b>Cash Flows from Financing Activities</b>			
Repayment of borrowings	13	<u>(48,519)</u>	<u>(46,922)</u>
<b>Net Cash Inflow (outflow) from Financing Activities</b>		<u>(48,519)</u>	<u>(46,922)</u>
<b>Net Change in Cash and Cash Equivalent Held</b>		<u>2,505,762</u>	<u>(1,058,193)</u>
<b>Cash and Cash Equivalents at the Beginning of the Financial Year</b>		13,902,852	14,961,044
<b>Cash and Cash Equivalents at End of the Financial Year</b>	9	<u>16,408,614</u>	<u>13,902,852</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 2019**

**1 Significant Accounting Policies**

**1.A Basis of Preparation**

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB).

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

These financial statements have been prepared under the historical cost convention except where stated.

**1.B Constitution**

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

**1.C Currency**

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

**1.D New and revised Accounting Standards**

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories(listed below).

<b>Financial asset/liability</b>	<b>Measurement category (unchanged)</b>
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

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

Standard and impact	Date council will apply the standard
<p><b>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</b></p>	
<p>AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector</p> <p>Identifiable impacts at the date of this report are:</p> <p>Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.</p> <p>Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.</p> <p>Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).</p> <p>Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.</p> <p>Based on Councils assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:</p> <ul style="list-style-type: none"> <li>- Revenue decrease of \$553,403 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).</li> <li>- there would be an equal reduction in the reported equity as the reduced Revenue will require an increase in recognition of contract liabilities, and statutory receivables.</li> <li>- net result would be lower on initial application as a result of decreased revenue.</li> </ul> <p>A range of new disclosures will also be required by the new standards in respect of the department's revenue.</p> <p><b>Transition method</b></p> <p>The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.</p> <p>The Council intends to apply the practical expedients available for the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.</p> <p><b>Peppercorn Leases</b></p> <p>Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.</p>	<p>1-Jul-19</p>



**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**1.E Estimates and Judgements**

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

Valuation and depreciation of property, plant and equipment (Note 11)

Impairment of property, plant and equipment (Note 11)

Provisions (Note 14)

Contingent liabilities (Note 17)

Financial instruments and financial liabilities (note 21)

**1.F Rounding and Comparatives**

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

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

**1.G Taxation**

The income of local government and public authorities is exempt from Income tax. However council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

## **2. Analysis of Results by Function**

### **2(a) Components of Council Functions**

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

#### **Corporate Support**

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

#### **Environmental and Natural Resources**

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

#### **Community and Lifestyle Services**

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

#### **Health and Welfare**

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

#### **Water, Sewerage and Garbage**

##### ***Water Infrastructure***

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

##### ***Sewerage Infrastructure***

Provide sewerage services to the urban community

##### ***Garbage Infrastructure***

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

#### **Roads**

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

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

2 Analysis of Results by Function

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

Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Assets
	Recurrent			Capital				Recurrent	Capital				
	Grants		Other	Grants		Other							
	2019	2019	2019	2019	2019	2019							
Corporate Support	\$ 83,937	\$ 1,286,134	\$ -	\$ -	\$ -	\$ -	\$ (209,636)	\$ (440,378)	\$ (650,014)	\$ 1,160,435	\$ 720,057	\$ 25,681,362	
Environmental & Natural Resources	2,233,855	26,634	-	-	-	2,260,489	(125,080)	-	(125,080)	2,135,409	2,135,409	255,617	
Community & Lifestyle Services	17,250	878,637	-	-	-	861,387	(4,183,365)	-	(4,183,365)	(3,321,978)	(3,321,978)	21,418,801	
Health & Welfare	815,281	-	-	-	-	815,281	(13,272)	-	(13,272)	802,009	802,009	-	
Water Sewerage & Garbage	449,608	405,101	-	-	-	3,040,331	(783,730)	-	(783,730)	70,979	2,256,601	7,922,740	
Roads	2,374,946	3,210,526	-	-	-	10,024,814	(7,838,850)	-	(7,838,850)	(2,263,378)	2,185,964	136,769,442	
<b>Total Council</b>	<b>5,940,377</b>	<b>5,807,032</b>	<b>6,624,964</b>	<b>-</b>	<b>-</b>	<b>18,372,372</b>	<b>(13,153,933)</b>	<b>(440,378)</b>	<b>(13,594,311)</b>	<b>(1,406,524)</b>	<b>4,778,062</b>	<b>192,047,962</b>	

**Year ended 30 June 2018**

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							
	2018	2018	2018	2018	2018	2018							
Corporate Support	\$ 3,340,933	\$ 1,177,574	\$ 148,074	\$ -	\$ -	\$ 4,666,581	(682,030)	(362,003)	(1,044,033)	3,836,477	3,622,548	21,450,600	
Environmental & Natural Resources	11,081	78,821	-	-	-	89,902	(151,280)	-	(151,280)	(61,378)	(61,378)	69,479	
Community & Lifestyle Services	52,721	563,563	1,301,447	-	-	1,917,731	(3,529,170)	-	(3,529,170)	(2,912,886)	(1,611,439)	23,392,836	
Health & Welfare	95,000	825	-	-	-	95,825	(46,504)	-	(46,504)	49,321	49,321	-	
Water Sewerage & Garbage	-	361,718	656,943	-	-	1,018,661	(519,425)	-	(519,425)	(157,707)	499,236	7,831,910	
Roads	1,774,958	4,459,573	3,261,249	-	-	9,495,780	(10,931,583)	-	(10,931,583)	(4,697,062)	(1,435,803)	116,619,464	
<b>Total Council</b>	<b>5,274,693</b>	<b>6,642,074</b>	<b>5,367,713</b>	<b>-</b>	<b>-</b>	<b>17,284,480</b>	<b>(15,859,992)</b>	<b>(362,003)</b>	<b>(16,221,995)</b>	<b>(3,943,225)</b>	<b>1,052,485</b>	<b>159,364,289</b>	

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

	Council	
	2019	2018
	\$	\$
<b>3 Revenue Analysis</b>		
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.		
<b>(a) Rates, Levies and Charges</b>		
Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.		
General rates	994,590	826,799
Water	170,022	166,832
Sewerage	115,816	115,774
Garbage charges	106,405	111,990
Total rates and utility charge revenue	1,386,833	1,221,395
Less: discounts	(117,158)	(113,042)
Less: pensioner remissions	(195)	(690)
	1,269,480	1,107,663
<b>(b) Sales Revenue</b>		
The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.		
Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.		
<b>Sale of services</b>		
Contract and recoverable works	3,138,398	4,436,768
	3,138,398	4,436,768
<b>4 Grants, Subsidies, Contributions and Donations</b>		
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.		
<b>(a) Recurrent</b>		
General purpose grants	2,774,372	2,260,059
State government and other subsidies and grants	3,163,261	3,005,998
Contributions	2,744	8,636
	5,940,377	5,274,693
<b>(b) Capital</b>		
Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and / or investment in new assets.		
State government subsidies and grants	6,243,162	5,367,713
Commonwealth government subsidies and grants	381,802	-
	6,624,964	5,367,713
<b>Conditions over contributions</b>		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for expenditure on services	-	487,774
	-	487,774

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

		Council	
		2019	2018
		\$	\$
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Capital Expenses</b>		
	<b>Gain / Loss on Disposal of Non-Current Assets</b>		
	Proceeds from the sale of property, plant and equipment	79,187	321,191
	Less: Book value of property, plant and equipment disposed of	(519,565)	(683,194)
		<u>(440,378)</u>	<u>(362,003)</u>
<b>6</b>	<b>Employee Benefits</b>		
	Total staff wages and salaries	2,766,253	2,596,320
	Councillors' remuneration	172,486	295,973
	Annual, sick, long service leave and entitlements	322,527	445,799
	Superannuation	308,150	291,417
		<u>3,569,416</u>	<u>3,629,509</u>
	Other employee related expenses	28,181	96,742
		<u>3,597,597</u>	<u>3,726,251</u>
	Less: Capitalised employee expenses	(541,269)	(409,404)
		<u>3,056,328</u>	<u>3,316,847</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
	Total council employees at the reporting date:	<b>2019</b>	<b>2018</b>
	Elected members	5	5
	Administration staff	15	14
	Depot and outdoors staff	22	23
	Total full time equivalent employees	<u>42</u>	<u>42</u>
<b>7</b>	<b>Materials and Services</b>		
	Administration supplies and consumables	1,102,637	834,362
	Audit of annual financial statements by the Auditor-General of Queensland	39,407	59,444
	Communications and IT	86,682	113,567
	Consultants	0	25,875
	Donations paid	47,017	60,535
	Housing	151,463	213,289
	Repairs and maintenance	127,971	186,988
	Roads	4,278,957	7,221,362
	Water & Sewerage	354,449	209,381
	Other materials and services	183,048	304,735
		<u>6,371,632</u>	<u>9,229,539</u>
<b>8</b>	<b>Depreciation</b>		
	Buildings & structures	708,783	663,420
	Plant & vehicles	403,468	428,660
	Furniture & equipment	73,395	45,697
	Road infrastructure	2,141,969	1,733,109
	Water infrastructure	128,424	136,632
	Sewerage infrastructure	48,203	48,171
	Aerodrome infrastructure	175,118	181,025
	Total depreciation	<u>3,679,360</u>	<u>3,236,714</u>

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

	Council	
	2019	2018
	\$	\$
<b>9 Cash and Cash Equivalents</b>		
Cash and cash equivalents include cash on hand, all cash and cheques received but not banked at the year end and deposits held at call with financial institutions.		
Cash at bank and on-hand	226,301	125,149
Deposits at-call	16,182,313	13,777,703
Balance per Statement of Cash Flows	16,408,614	13,902,852

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

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

**Restricted Cash**

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

	-	-
	-	-

In accordance with the *Local Government Act 2009* and Local Government Regulation 2012, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties.

Funds held in the trust account include those funds for security deposits lodged and auspicating projects. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the statements.

**Trust Funds**

**Trust Funds Held for Outside Parties**

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

Auspicing	48,962	47,896
Security deposits	19,665	24,012
	68,627	71,908

**10 Receivables**

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

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

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

**Current**

Rateable revenue and utility charges	167,494	143,857
Other debtors & Accrued Revenue	505,706	2,187,250
Loss Allowance	(141,222)	(98,960)
GST recoverable	234,400	63,578
Prepayments	-	195,566
	766,378	2,491,291

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	98,960	97,405
Impairment provided for during the year	42,263	1,555
Closing Balance at 30 June	141,223	98,960

**Boulia Shire Council  
Notes to the Financial Statements  
For the year ended 30 June 2019**

**11 Property, Plant and Equipment**

**Council - 30 June 2019**

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	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	789,328	26,851,859	5,755,464	1,445,233	145,145,676	7,613,073	3,089,745	6,077,997	3,645,785	200,414,160	8,228,921	6,983,370						
5	-	-	1,161,875	83,676	-	-	-	(349,503)	-	-	-	-	-	-	-	-	-	-
16	-	(681,444)	(226,753)	(43,926)	-	-	-	1,291,363	-	-	-	-	-	-	-	-	-	-
	-	1,243,835	-	-	9,855,459	-	-	382,784	-	-	-	-	-	-	-	-	-	-
	789,328	27,414,250	6,690,586	1,484,983	160,834,810	7,986,768	3,593,022	7,402,641	2,291,889	218,488,277								

Basis of measurement

**Asset Values**

Opening Gross Value as at 1 July 2018

Additions

Disposals

Revaluation adjustments to revaluation surplus

Transfers between classes

**Closing Gross Value as at 30 June 2019**

**Accumulated Depreciation**

Opening balance as at 1 July 2018

Depreciation provided in period

Depreciation on disposals

Revaluation adjustments to revaluation surplus

Transfers between classes

**Accumulated Depreciation as at 30 June 2019**

8	-	8,372,617	2,830,969	711,693	30,548,969	2,251,738	1,228,685	1,824,480	-	47,769,151								
5	-	708,783	403,468	73,395	2,141,969	128,424	48,203	175,118	-	3,679,360								
16	-	(331,263)	(145,076)	(43,926)	-	-	-	(261,796)	-	(782,061)								
	-	-	-	-	(6,910,000)	-	-	133,971	-	(6,776,029)								
	-	8,750,137	3,089,361	741,162	25,780,938	2,380,162	1,276,888	1,871,773	-	43,890,421								

**Total Written Down Value as at 30 June 2019**

Residual value

Range of estimated useful life in years

	789,328	18,664,113	3,601,225	743,821	135,053,872	5,606,606	2,316,134	5,530,868	2,291,889	174,597,856								
	-	-	-	-	-	-	-	-	-	-								
	N/A	20-100	2-20	3-10	10-1000	30-80	25-75	20-100										

Additions comprise:

Renewals

Other additions

Total additions

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	955,316	-	-	-	-	-	-	1,840,464	2,795,780							
	-	-	206,559	83,676	-	-	-	-	-	5,142,906	5,433,141							
	-	-	-	-	-	-	-	-	-	-	-							
	-	-	1,161,875	83,676	-	-	-	-	-	6,983,370	8,228,921							

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

Note	Land and Improvements Fair Value	Buildings and Structures Fair Value	Plant and Vehicles Cost	Furniture & Equipment Cost	Road Infrastructure Fair Value	Water Infrastructure Fair Value	Sewerage Infrastructure Fair Value	Aerodrome Infrastructure Fair Value	Work in Progress		Total
									Cost	\$	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	799,328	25,761,994	6,279,567	1,306,818	144,673,307	7,532,028	3,081,090	6,077,997	889,397	889,397	196,401,526
	-	-	221,369	138,415	-	-	-	-	4,977,564	4,977,564	5,337,348
5	(10,000)	(569,242)	(745,472)	-	-	-	-	-	-	-	(1,324,714)
	-	1,659,107	-	-	472,369	81,045	8,655	-	(2,221,176)	(2,221,176)	-
	789,328	26,851,859	5,755,464	1,445,233	145,145,676	7,613,073	3,089,745	6,077,997	3,645,785	3,645,785	200,414,160

**Council - 30 June 2018**

Basis of measurement

**Asset Values**

Opening Gross Value as at 1 July 2017

Additions

Disposals

Transfers between classes

Closing Gross Value as at 30 June 2018

**Accumulated Depreciation and Impairment**

Opening Balance as at 1 July 2017

Depreciation provided in period

Depreciation on disposals

**Accumulated Depreciation as at 30 June 2018**

**Total Written Down Value as at 30 June 2018**

Residual value

Range of estimated useful life in years

	-	7,860,362	2,815,164	665,996	28,815,860	2,115,106	1,180,514	1,643,455	-	-	45,096,457
8	-	663,420	428,660	45,697	1,733,109	136,632	48,171	181,025	-	-	3,236,714
5	-	(151,165)	(412,855)	-	-	-	-	-	-	-	(564,020)
	-	8,372,617	2,830,969	711,693	30,548,969	2,251,738	1,228,685	1,824,480	-	-	47,769,151

	789,328	18,479,242	2,924,495	733,540	114,596,707	5,361,335	1,861,060	4,253,517	3,645,785	3,645,785	152,645,009
	-	-	-	-	-	-	-	-	-	-	-
	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 2019**

**11 Property, Plant and Equipment**

**(a) Fair Value Measurements**

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

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

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

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

**(i) Recognised Fair Value Measurements**

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

Property, plant and equipment

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

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

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 13 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flow at balance date (Level 2).

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

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

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

**(b) Measurements**

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

**(c) Depreciation**

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

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

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

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

**(d) Impairment**

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**(e) Valuation**

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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

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

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

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

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

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

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2019.

Council		Level 2 2019	Level 2 2018	Level 3 2019	Level 3 2018	Total 2019	Total 2018
Note		(Observable inputs)	(Unobservable inputs)				
		\$	\$	\$	\$	\$	\$
<b>Recurring Fair Value Measurements</b>							
Land and improvement	11	789,328	789,328	-	-	789,328	789,328
Buildings and structures	11	1,480,000	1,480,000	17,184,113	16,999,242	18,664,113	18,479,242
Road infrastructure	11	-	-	135,053,872	114,596,707	135,053,872	114,596,707
Water infrastructure	11	-	-	5,606,606	5,361,335	5,606,606	5,361,335
Sewerage infrastructure	11	-	-	2,316,134	1,861,060	2,316,134	1,861,060
Aerodrome infrastructure	11	-	-	5,530,868	4,253,517	5,530,868	4,253,517
		2,269,328	2,269,328	165,691,593	143,071,861	167,960,921	145,341,189

There were no transfers between levels during the year.

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

**Specific Valuation Techniques Used to Value Council Assets Comprise:**

**Land (level 2)**

Council obtains independent valuations at least every 5 years for all rental properties. The last valuation was undertaken by J Long Values as at 30 June 2014.

**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.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**Infrastructure Assets (Level 3)**

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

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

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

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

**Roads and Aerodrome**

*Current Replacement Cost*

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

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

The last full independent valuation of road infrastructure was undertaken effective 31 May 2019 and was conducted by Shepherd Services Pty Ltd.

*Accumulated Depreciation*

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

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

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

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

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

**Boulia Shire Council  
Notes to the Financial Statements  
For the year ended 30 June 2019**

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

**Water and Sewerage**

*Current Replacement Cost*

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

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

Factors taken into account in determining replacement costs included:

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

*Accumulated Depreciation*

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

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

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

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

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

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

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

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

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

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

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

**(iv) Valuation Processes**

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer and the Manager Corporate and Financial Services. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is set out in Note 11 (e). Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

**12 Payables**

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

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

Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 12 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 12 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 12 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 18.

	<b>2019</b>	<b>Council</b>
	<b>\$</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Creditors and accruals	597,931	440,454
Annual leave	255,695	355,824
Sick leave	220,734	202,489
Other entitlements	20,877	81,197
	<b>1,095,237</b>	<b>1,079,964</b>

**13 Borrowings**

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

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

<b>Current</b>		
Loans - Queensland Treasury Corporation	52,282	15,185
	<b>52,282</b>	<b>15,185</b>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	1,061,742	1,147,358
	<b>1,061,742</b>	<b>1,147,358</b>
<b>Loans - Queensland Treasury</b>		
Opening balance at beginning of financial year	1,162,543	1,209,465
Loans raised	-	-
Principal repayments	(48,519)	(46,922)

The QTC loan market value at the reporting date was \$1,284,220.40. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

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

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

Principal and Interest repayments are made quarterly in arrears.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**14 Provisions**

*Long Service Leave*

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

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

	Council	
	\$	\$
<b>Current</b>		
Long service leave	98,107	171,546
	<u>98,107</u>	<u>171,546</u>
<b>Non-Current</b>		
Long service leave	199,875	110,427
	<u>199,875</u>	<u>110,427</u>
Details of movements in provisions:		
<b>Long Service Leave</b>		
Balance at beginning of financial year	281,974	282,076
Long service leave entitlement arising	64,670	31,345
Long service entitlement extinguished	-	-
Long service entitlement paid	(48,662)	(31,447)
Balance at end of financial year	<u>297,982</u>	<u>281,974</u>

**15 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 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.

	Council	
	\$	\$
<b>Movements in the Asset Revaluation Surplus were as follows:</b>		
Balance at beginning of financial year	85,512,316	85,512,316
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and improvements	-	-
Buildings and other structures	-	-
Road infrastructure	16,765,459	-
Aerodrome infrastructure	1,157,392	-
Sewerage	-	-
Water	-	-
Balance at end of financial year	<u>103,435,167</u>	<u>85,512,316</u>

**Asset Revaluation Surplus Analysis**

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

Land and improvements	604,432	604,432
Buildings	12,429,290	12,429,290
Road infrastructure	85,056,749	68,291,290
Sewerage	702,920	702,920
Water	2,566,680	2,566,680
Aerodrome infrastructure	2,075,097	917,705
	<u>103,435,167</u>	<u>85,512,316</u>

**Reserves**

**16 Contractual Commitments**

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

Plant and Vehicles	72,722	657,800
Business Systems	-	137,224
Water Infrastructure	-	148,591
Buildings	-	-
	<u>72,722</u>	<u>943,615</u>

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**17 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 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

**Local Government Workcare**

The Council is a member of the Queensland Local Government Worker's Compensation Self-Insurance Scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the Self Insurance Licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's Workers Compensation Authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$41,244.01.

**18 Superannuation - Regional Defined Benefit Fund**

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

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

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

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

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

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

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Boulia Shire Council made less than 1% of the total contributions to the plan in the 2018-19 financial year.

		<b>Council</b>	
		\$	\$
	Superannuation contributions made to the Regional Defined Benefits Fund	22,369	25,549
	Other superannuation contributions for employees	285,781	265,868
	Total superannuation contributions paid by Council for employees: 6	308,150	291,417
<b>Reconciliation of Net Result for the Year to Net Cash Inflow (outflow) from Operating Activities</b>			
19	Net result	4,778,061	1,062,485
	Non-cash items:		
	Depreciation and amortisation	3,679,360	3,236,714
	Investing and development activities:	3,679,360	3,236,714
	Net (Profit)/Loss on disposal of non-current assets	440,378	362,003
	Capital grants and contributions	(6,624,964)	(5,367,713)
		(6,184,586)	(5,005,710)
	Changes in operating assets and liabilities:		
	(Increase)/ decrease in receivables	1,724,913	(841,451)
	(Increase)/decrease in inventory	50,021	(24,597)
	Increase/(decrease) in payables	15,271	132,333
	Increase/(decrease) in other provisions	16,009	(103)
		1,806,214	(733,818)
	Net cash inflow from operating activities	4,079,050	(1,440,329)
20	<b>Reconciliation of Liabilities Arising From Finance Activities</b>		
		<b>As at 30 June 2018</b>	<b>Cash Flows</b>
			<b>As at 30 June 2019</b>
	Loans 13	1,162,543	(48,519)
		1,162,543	1,114,024
		1,162,543	(48,519)
			1,114,024

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**21 Financial Instruments**

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

- Credit risk
- Liquidity risk
- Market risk

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

**Financial Risk Management**

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

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

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

Boulia Shire Council does not enter into derivatives.

**Credit Risk**

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

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

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

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

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

	<u>Note</u>	Council	
		2019	2018
<b>Financial Assets</b>		\$	\$
Cash and equivalents	9	16,408,614	13,902,852
Receivables - rates	10	167,494	143,857
Receivables - other	10	364,484	2,088,290
<b>Other Credit Exposures</b>			
Guarantees	17	41,244	38,688
<b>Total Financial Assets</b>		<u>16,981,836</u>	<u>16,173,687</u>

*Cash and Cash Equivalents*

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

*Other Financial Assets*

Other investments are held with financial institutions, which are rated AA2 and P-1 based on rating agency Standard and Poor ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.



**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

*Receivables*

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

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

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

	Council	
	2019	2018
	\$	\$
Not past due	484,909	2,221,790
Past due 31-60 days	110	169,114
Past due 61-90 days	3,790	98
More than 90 days	170,443	3,683
Impaired	(141,223)	(98,960)
<b>Total</b>	<b>518,029</b>	<b>2,295,725</b>

**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 13.

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
	\$	\$	\$	\$	\$
<b>2019</b>					
Trade and other payables	597,931	0	0	597,931	597,931
Loans - QTC	94,897	379,588	1,047,663	1,522,148	1,095,947
	692,828	379,588	1,047,663	2,120,079	1,693,878
<b>2018</b>					
Trade and other payables	440,454	0	0	440,454	440,454
Loans - QTC	94,897	379,588	1,138,764	1,613,249	1,162,543
	535,351	379,588	1,138,764	2,053,703	1,602,997

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 2019**

**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
	\$	\$	\$	\$	\$
<b>Council</b>					
<b>2019</b>					
QTC Cash Fund	16,182,313	161,823	(161,823)	161,823	(161,823)
Other investments		-	-	-	-
Loans - QTC*	(1,114,024)	-	-	-	-
<b>Net Total</b>	<b>15,068,289</b>	<b>161,823</b>	<b>(161,823)</b>	<b>161,823</b>	<b>(161,823)</b>
<b>2018</b>					
QTC Cash Fund	13,777,703	137,777	(137,777)	137,777	(137,777)
Other investments	-	-	-	-	-
Loans - QTC*	(1,162,543)	-	-	-	-
<b>Net Total</b>	<b>12,615,160</b>	<b>137,777</b>	<b>(137,777)</b>	<b>137,777</b>	<b>(137,777)</b>

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

**Fair Value**

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

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 13.

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

**22 Events after the reporting period**

There were no material adjusting events after the balance date.

**Boulia Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2019**

**23 Transactions with Related Parties**

**(a) Transactions with Associates**

Nil

**(b) Transactions with Joint Ventures**

Nil

**(c) Transactions with Key Management Personnel (KMP)**

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some Executive Management. The compensation paid to KMP for 2018/19 comprises:

	2019	2018
	\$	\$
Short-term employee benefits	506,189	736,762
Post-employment benefits	26,313	79,671
Long-term benefits	95,154	25,372
<b>Total</b>	<b>627,656</b>	<b>841,806</b>

Detailed Remuneration disclosures are provided in the annual report.

**(d) Transactions with other Related Parties**

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

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

Details of Transaction	2019	2018
	\$	\$
Employee expenses for close family members of key management personnel	158,267	171,473
Purchase of materials and services from entities controlled by key management personnel	307,631	132,963

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

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

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

Payments charged by entities controlled by key management personnel	Details of related party	2019	2018
		\$	\$
Purchase of materials and services from entities controlled by key management personnel	Anthony Britton, a contractor employed by Council to undertake various construction works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	126,713	65,663
Purchase of materials and services from entities controlled by key management personnel	Councillor Rebecka Britton is a sole trader, who throughout the financial year provided cleaning services to Council. The engagement occurred in accordance with Council's procurement policy.	-	20,855
Purchase of materials and services from entities controlled by key management personnel	Tim Edgar, a contractor employed by Council to undertake various electrical works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	111,823	-
Purchase of materials and services from entities controlled by key management personnel	Dannleah Stewart, a contractor employed by Council to undertake various cleaning works throughout the course of the year, is a related party of Councillor Rebecka Britton. He was engaged on commercial terms and all transactions have occurred in accordance with Council's relevant procurement policy.	53,488	-
Purchase of materials and services from entities controlled by key management personnel	Various other minor and immaterial related party transactions.	15,607	46,445
<b>Total</b>		<b>307,631</b>	<b>132,963</b>

**(e) Loans and guarantees to / from Related Parties**

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

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

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

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

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

**Boulia Shire Council  
Financial Statements  
For the year ended 30 June 2019**

**Management Certificate  
For the year ended 30 June 2019**

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

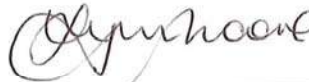
In accordance with Section 212(5) of the Regulation we certify that:

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



Mayor  
Eric Britton

Date: 17, 12, 19



Chief Executive Officer  
Lynn Moore

Date: 17, 12, 19

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Boulia Shire Council

### Report on the audit of the financial report

#### Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, and of their financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in Boulia Shire Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

### **Responsibilities of the council for the financial report**

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

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

### **Auditor's responsibilities for the audit of the financial report**

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

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

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

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on other legal and regulatory requirements**

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

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



Carolyn Dougherty  
as delegate of the Auditor-General

23 December 2019

Queensland Audit Office  
Brisbane

**Boulia Shire Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2019**


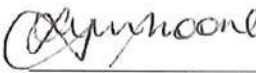
**Measures of Financial Sustainability**

Council's performance at 30 June 2019 against key financial ratios and targets:

	How the Measure is Calculated	Actual	Target
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-11.97%	0% and 10%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	57.50%	> 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-127.20%	< 60%

**Note 1 - Basis of Preparation**

The current year Financial Sustainability Statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

Certificate of Accuracy For the year ended 30 June 2019	
This Current-year Financial Sustainability Statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (the Regulation).	
In accordance with Section 212(5) of the Regulation we certify that this Current-year Financial Sustainability Statement has been accurately calculated.	
 Mayor Eric Britton Date: 17, 12, 19	 Chief Executive Officer Lynn Moore Date: 17, 12, 19



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Boulia Shire Council

### Report on the current year financial sustainability statement

#### Opinion

I have audited the accompanying current year financial sustainability statement of Boulia Shire Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Boulia Shire Council for the year ended 30 June 2019 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

Other information comprises the information included in Boulia Shire Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

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

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

### **Responsibilities of the council for the current year financial sustainability statement**

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

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

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

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

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

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

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



Carolyn Dougherty  
as delegate of the Auditor-General

23 December 2019

Queensland Audit Office  
Brisbane

**Boulia Shire Council  
Unaudited Long-Term Financial Sustainability Statement  
Prepared as at 30 June 2019**

Measure	Projected for the years ended									
	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating Surplus Ratio	Actuals at 30 June 2019	-19.85%	-24.46%	-28.16%	-28.07%	-28.16%	-27.85%	-27.72%	-27.69%	-27.66%
Asset Sustainability Ratio	Target	0% to 10%	-11.97%	-28.16%	-28.07%	-28.16%	-27.85%	-27.72%	-27.69%	-27.66%
Net Financial Liabilities Ratio	Target	> 80%	57.50%	100.88%	73.42%	72.22%	79.62%	72.12%	79.62%	88.70%
	Target	< 60%	-127.20%	-57.14%	-53.25%	-53.96%	-54.29%	-54.60%	-54.89%	-54.65%

**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 2019  
This Long-Term Financial Sustainability Statement has been prepared in accordance with Section 176 of the Local Government Act 2009 (QLD) and the Financial Reporting Act 2009 (QLD).  
In accordance with Section 21(2)(d) of the Regulations we certify that the Long-Term Financial Sustainability Statement has been prepared accurately.

*S. C. Smith*  
Mayor  
Date: 17, 12, 19

*[Signature]*  
Chief Executive Officer  
Date: 17, 12, 19