

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Our Vision
Growth - Community - Local - Everyone



General Purpose Financial Statements

for the year ended 30 June 2019

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Bulloo Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Income from Continuing Operations			
Revenue			
Recurrent Revenue			
Rates, Levies and Charges	3a	4,862,438	4,611,720
Fees and Charges	3b	62,674	86,120
Rental Income	3c	319,221	316,583
Interest and Investment Revenue	3d	490,958	296,777
Sales Revenue	3e	2,319,111	3,172,321
Other Income	3f	31,084	60,601
Grants, Subsidies, Contributions and Donations	4a	7,775,691	6,782,716
Total Recurrent Revenue		15,861,177	15,326,838
Capital Revenue			
Grants, Subsidies, Contributions and Donations	4b	3,436,272	8,840,828
Total Income (Continuing Operations)		19,297,449	24,167,666
Expenses from Continuing Operations			
Recurrent Expenses			
Employee Benefits	5	5,754,623	5,135,342
Materials and Services	6	3,868,038	3,944,828
Finance Costs	7	165,655	167,186
Depreciation and Amortisation	8	5,495,200	5,309,567
Total Recurrent Expenses		15,283,516	14,556,924
Capital Expenses	9	649,180	467,132
Total Expenses (Continuing Operations)		15,932,696	15,024,056
Operating Result (Continuing Operations)		3,364,753	9,143,610
Net Result		3,364,753	9,143,610
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to the Net Result			
Gain/(Loss) on Revaluation and Impairment of Property, Plant and Equipment	18	6,307,549	(27,767,726)
Total Other Comprehensive Income		6,307,549	(27,767,726)
Total Comprehensive Income		9,672,302	(18,624,116)

Bulloo Shire Council

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	10	19,337,917	19,390,651
Trade and Other Receivables	11	1,104,280	524,616
Inventories	12	414,515	390,232
Total Current Assets		20,856,712	20,305,499
Non-Current Assets			
Trade and Other Receivables	11	547,586	717,433
Property, Plant and Equipment	13	192,141,212	183,091,061
Total Non-Current Assets		192,688,798	183,808,494
TOTAL ASSETS		213,545,510	204,113,993
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	980,051	827,564
Borrowings	16	528,429	482,786
Provisions	17	549,855	356,897
Total Current Liabilities		2,058,335	1,667,247
Non-Current Liabilities			
Borrowings	16	1,956,058	2,506,792
Provisions	17	98,763	218,743
Total Non-Current Liabilities		2,054,821	2,725,535
TOTAL LIABILITIES		4,113,156	4,392,782
Net Community Assets		209,432,354	199,721,211
COMMUNITY EQUITY			
Asset Revaluation Reserve	18	87,220,993	80,913,445
Retained Surplus/(Deficiency)	19	122,211,361	118,807,766
Total Community Equity		209,432,354	199,721,211

Statement of Changes in Equity
for the year ended 30 June 2019

	Notes	Asset Revaluation Reserve \$	Retained Surplus \$	Total Equity \$
2019				
Opening Balance (as per Last Year's Audited Accounts)		80,913,444	118,807,766	199,721,210
a. Adjustment on Initial Application of AASB 9		-	38,842	38,842
Revised Opening Balance (as at 1/7/18)		80,913,444	118,846,608	199,760,052
b. Net Operating Surplus for the Year		-	3,364,753	3,364,753
c. Other Comprehensive Income				
- Revaluations : Property, Plant and Equip. Asset Revaluation Rsve	18	6,307,549	-	6,307,549
Other Comprehensive Income		6,307,549	-	6,307,549
Total Comprehensive Income		6,307,549	3,364,753	9,672,302
Equity Balance as at 30 June, 2019		87,220,993	122,211,361	209,432,354
2018				
Opening Balance (as per Last Year's Audited Accounts)		108,681,170	109,664,156	218,345,326
a. Net Operating Surplus for the Year		-	9,143,610	9,143,610
b. Other Comprehensive Income				
- Revaluations : Property, Plant and Equip. Asset Revaluation Rsve	18	(27,767,726)	-	(27,767,726)
Other Comprehensive Income		(27,767,726)	-	(27,767,726)
Total Comprehensive Income		(27,767,726)	9,143,610	(18,624,116)
Equity Balance as at 30 June, 2018		80,913,444	118,807,766	199,721,210

Bulloo Shire Council

Statement of Cash Flows for the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash Flows from Operating Activities			
Receipts from Customers		7,269,544	8,202,158
Payments to Suppliers and Employees		(10,530,165)	(10,895,352)
		(3,260,621)	(2,693,194)
<u>Receipts:</u>			
Investment and Interest Revenue Received		490,958	296,777
Rental Income		319,221	335,777
Non Capital Grants and Contributions		7,775,691	7,213,963
Other		795,268	2,092,921
<u>Payments:</u>			
Borrowing Costs		(165,655)	(167,186)
Other		(51,793)	(22,732)
Net Cash - Operating Activities	22	5,903,068	7,056,326
Cash Flows from Investing Activities			
<u>Receipts:</u>			
Sale of Property, Plant and Equipment		337,591	175,591
Grants, Subsidies, Contributions and Donations		3,436,272	8,840,828
<u>Payments:</u>			
Purchase of Property, Plant and Equipment		(9,224,573)	(14,521,982)
Net Cash - Investing Activities		(5,450,710)	(5,505,563)
Cash Flows from Financing Activities			
<u>Payments:</u>			
Repayment of Borrowings		(505,091)	(483,680)
Net Cash Flow - Financing Activities		(505,091)	(483,680)
Net Increase/(Decrease) for the year		(52,733)	1,067,083
plus: Cash and Cash Equivalents - beginning		19,390,650	18,323,567
Cash and Cash Equivalents - closing	10	19,337,917	19,390,650

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 1. Summary of 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*.

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period.

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.

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

(1.b) Constitution

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

(1.c) Adoption of New and Revised Accounting Standards

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

Bulloo Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

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). Carrying amounts were also unchanged, except for receivables which increased by \$38,842 due to a decrease in impairment under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

Financial asset/liability	Measurement Category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Borrowings	Amortised cost

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 not expected to have a material impact upon Council's future financial statements.

Effective for annual reporting periods beginning on or after 1 July 2019

- 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.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Transition method

The Council has applied 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.

The Council will 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.

Based on Council's assessment, if Council had adopted the new standard in the current financial year it would have the following impacts:

- Revenue decrease of \$1,191,620 due to deferral of grant funding.
- There would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities.

A range of new disclosures will also be required by the new standards in respect of the council's revenue.

- AASB 16 Leases – The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which the Council is a lessee

No significant impact is expected for the Council's finance leases as Council has none.

Based on Council's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have no impact as Council has no leases.

Leases in which the Council is a lessor

No significant impact is expected for other leases in which the Council is a lessor.

Peppercorn Leases

Council has no peppercorn leases.

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

The standards are not expected to have a material impact upon Council's future financial statements are:

Effective for annual reporting periods beginning on or after 1 January 2019

- AASB 15 Revenue from Contracts with Customers
- AASB 16 Leases
- AASB 16 Leases (Appendix D)
- AASB 1058 Income of Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities (Appendix D)
- AASB 1059 Service Concession Arrangements: Grantors
- AASB 1059 Service Concession Arrangements: Grantors (Appendix D)
- AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Summary of Significant Accounting Policies (continued)

Effective for annual reporting periods beginning on or after 1 January 2021

- AASB 17 Insurance Contracts
- AASB 17 Insurance Contracts (Appendix D)

(1.d) Critical accounting judgements and key sources of estimation uncertainty

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:

- Provision for Impairment – Note 11
- Valuation and depreciation of Property, Plant & Equipment - Note 13 and Note 14
- Impairment of Property, Plant and Equipment - Note 14
- Provisions - Note 17
- Contingencies - Note 20.
- Financial instruments - Note 25.

(1.e) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1 unless otherwise indicated.

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

(1.f) 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.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(a). Council Functions - Component Descriptions

Details relating to the Council's functions / activities as reported in Note 2(b) are as follows:

FINANCE

Provides professional financial operations of the Council not specifically related to any other function. This function includes rates & charges, as well as grants, budget support, subsidies and contributions and other financial transactions relating to all areas of Council. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

ADMINISTRATION

Management of Council operations generally including administrative support to Council and to other functions. This function includes internal audit, communication and information technology services, insurances, strategic and operational planning, risk management, legal and administrative support. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meeting statutory requirements. The Mayor, Councillors and Chief Executive Officer are included in the Administration function.

ENGINEERING

Maintaining and improving the road network and other council infrastructure. The objects of the engineering program are:-

- a) to ensure the community is serviced by a high quality and effective road network,
- b) to ensure the community is serviced by high quality and effective aerodromes and associated infrastructure.

The function provides and maintains transport infrastructure including the maintenance and provision of the drainage network and aerodromes.

This functions includes activities and services related to town planning, workplace health and safety and quality assurance.

HEALTH AND ENVIRONMENT

Providing services and facilities to maintain the health of the community and protect the environment. The function provides refuse collection and disposal services, maintains public conveniences and cemeteries, animal control including registrations and environmental licences and approvals. The function also provides effective management of stock routes, animal and weed pests.

COMMUNITY AND CULTURE

The goal of Community and Culture is to ensure the Bulloo Shire is a healthy, vibrant, contemporary and connected community. Community and Culture provides well managed and maintained community facilities, and ensures the effective delivery of cultural, educational, tourism, sport and recreational services.

This function includes Libraries, Entertainment venues, Sporting venues, Education facilities, Caravan parks and Parks and gardens.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 2(a). Council Functions - Component Descriptions (continued)

Details relating to the Councils functions / activities as reported in Note 2(b) are as follows: (continued)

WATER AND SEWERAGE

The goal of this program is to support a healthy, safe community through sustainable water services by providing a potable water supply and system for the collection and disposal of waste water. The water function includes all activities relating to water, whilst the sewerage function protects and supports the health of our community by sustainably managing sewerage infrastructure.

ASSET AND RESOURCE MANAGEMENT

This function provides the management of Council's real property, building and plant assets.

The objective of the Asset and Resource Management function is to provide and maintain a reliable and safe fleet of vehicles and machinery to ensure works are carried out in an efficient and productive manner. This function provides and maintains Council's housing stock. This function includes depot, workshop and plant operations.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Analysis of Results by Council Functions

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
2019	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance	5,928,607	5,058,420	936,000	-	11,923,027	-	-	-	10,987,027	11,923,027	29,909,161
Administration	-	23,316	-	-	23,316	(3,461,169)	-	(3,461,169)	(3,437,853)	(3,437,853)	530,519
Engineering	1,194,750	2,307,410	1,147,754	-	4,649,914	(7,655,701)	-	(7,655,701)	(4,153,541)	(3,005,787)	148,142,591
Health and Environment	111,440	59,326	-	-	170,766	(740,191)	-	(740,191)	(569,425)	(569,425)	-
Community and Culture	421,065	186,132	1,352,518	-	1,959,715	(2,348,438)	-	(2,348,438)	(1,741,241)	(388,723)	-
Water and Sewerage	-	217,099	-	-	217,099	(590,526)	-	(590,526)	(373,427)	(373,427)	8,625,317
Asset and Resource Management	119,829	233,783	-	-	353,612	(487,491)	(649,180)	(1,136,671)	(133,879)	(783,059)	26,337,922
Total	7,775,691	8,085,486	3,436,272	-	19,297,449	(15,283,516)	(649,180)	(15,932,696)	577,661	3,364,753	213,545,510

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
2018	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance	5,426,648	4,657,000	2,559,063	-	12,642,711	(164,509)	-	(164,509)	9,919,139	12,478,202	28,029,053
Administration	-	31,573	-	-	31,573	(3,026,764)	-	(3,026,764)	(2,995,191)	(2,995,191)	533,948
Engineering	1,166,815	3,173,647	5,793,611	-	10,134,073	(8,265,025)	-	(8,265,025)	(3,924,563)	1,869,048	142,527,199
Health and Environment	102,661	90,464	-	-	193,125	(695,258)	-	(695,258)	(502,133)	(502,133)	-
Community and Culture	16,733	202,691	488,154	-	707,578	(1,858,530)	-	(1,858,530)	(1,639,106)	(1,150,952)	-
Water and Sewerage	-	210,258	-	-	210,258	(546,838)	-	(546,838)	(336,580)	(336,580)	7,687,282
Asset and Resource Management	69,859	178,489	-	-	248,348	-	(467,132)	(467,132)	248,348	(218,784)	25,336,510
Total	6,782,716	8,544,122	8,840,828	-	24,167,666	(14,556,924)	(467,132)	(15,024,056)	769,914	9,143,610	204,113,992

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 3. Revenue Analysis

	Notes	2019 \$	2018 \$
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.			
(a). Rates, Levies and Charges			
Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.			
General Rates		4,746,934	4,497,645
Separate Rates		5,151	4,870
Water		122,255	117,095
Sewerage		90,741	87,247
Garbage Charges		39,574	37,054
Total rates and utility charge revenue		5,004,655	4,743,911
Less: Discounts		(141,400)	(129,084)
Less: Pensioner remissions		(817)	(3,107)
<u>TOTAL RATES, LEVIES AND CHARGES</u>		<u>4,862,438</u>	<u>4,611,720</u>
(b). Fees and Charges			
Fees and charges are recognised when Council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.			
Dog Registration		6,895	7,177
Tourism Receipts		24,028	14,801
Other Fees and Charges		31,751	64,142
<u>TOTAL FEES AND CHARGES</u>		<u>62,674</u>	<u>86,120</u>
(c). Rental Income			
Rent from Council Houses is recognised as income on a periodic straight line basis over the lease term.			
Caravan Park Rent		171,984	186,404
Housing Rent		139,386	122,502
Other Rental Income		7,851	7,677
<u>TOTAL RENTAL INCOME</u>		<u>319,221</u>	<u>316,583</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Revenue Analysis (continued)

	Notes	2019 \$	2018 \$
(d). Interest and Investment Revenue			
Interest received from Queensland Treasury Corporation (QTC) over the term of the investment.			
Interest is charged on outstanding rates at a rate of 9.83% 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.			
Interest Received from Bank Accounts		482,380	287,042
Interest Received from Other Sources		1,257	1,172
Interest from Overdue Rates and Utility Charges		7,321	8,563
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>490,958</u>	<u>296,777</u>
(e). Sales Revenue			
The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.			
Revenue from Contracts and Recoverable Works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no Contracts in progress at the year end. The Contract work carried out is not subject to retentions.			
Sale of services			
Contract and Recoverable Works		1,945,932	2,895,009
Total Sale of Services		1,945,932	2,895,009
Sale of goods			
Café		14,706	-
Aviation fuel		358,473	277,312
Total Sale of Goods		373,179	277,312
<u>TOTAL SALES REVENUE</u>		<u>2,319,111</u>	<u>3,172,321</u>
(f). Other Income			
Recovered Costs		24,798	25,443
Insurance refunds		-	20,568
Other Income		6,286	14,590
<u>TOTAL OTHER INCOME</u>		<u>31,084</u>	<u>60,601</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Grants, Subsidies, Contributions and Donations

	2019	2018
Notes	\$	\$

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds.

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

(a) Recurrent

General Purpose Grants	5,896,107	5,425,150
State Government Subsidies & Grants	216,834	111,660
Commonwealth Government Subsidies & Grants	1,662,750	1,245,906
<u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>7,775,691</u>	<u>6,782,716</u>

(b) Capital

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

State Government Subsidies & Grants	1,758,947	7,293,197
Commonwealth Government Subsidies & Grants	1,677,325	1,547,631
<u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>3,436,272</u>	<u>8,840,828</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Employee Benefits

	Notes	2019 \$	2018 \$
Wages and Salaries		4,310,306	3,922,328
Annual, Sick and Long Service Leave Entitlements		940,917	955,769
Superannuation	21	491,664	500,374
Councillors' Remuneration		320,483	315,944
		<u>6,063,370</u>	<u>5,694,415</u>
Other Employee Related Expenses		251,717	240,307
		<u>6,315,087</u>	<u>5,934,722</u>
Less: Capitalised Employee Expenses		(560,464)	(799,380)
<u>TOTAL EMPLOYEE BENEFITS</u>		<u><u>5,754,623</u></u>	<u><u>5,135,342</u></u>
Additional information:			
Total Employees at year end:			
Federal Award Staff		22	22
State Award Staff		32	31
Total full time equivalent employees		<u>54</u>	<u>53</u>
Total Elected members		<u>5</u>	<u>5</u>

Note 6. Materials and Services

Advertising and Marketing	11,222	22,744
Administration Supplies and Consumables	88,016	114,868
Audit of Annual Financial Statements by the Auditor-General of Queensland*	80,318	39,913
Communications and IT	325,103	321,285
Consultants	334,977	331,576
Donations Paid	180,629	114,372
Repairs and Maintenance	2,349,557	2,104,058
Subscriptions and Registrations	7,519	7,138
Other Materials and Services	490,697	888,874
<u>TOTAL MATERIALS AND SERVICES</u>	<u><u>3,868,038</u></u>	<u><u>3,944,828</u></u>

The audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are \$64,600 (2018:\$60,550).

Note 7. Finance Costs

Finance Costs - Queensland Treasury Corporation	126,435	147,846
Bank Charges	7,512	2,672
Impairment of Debts	31,708	16,668
<u>TOTAL FINANCE COSTS</u>	<u><u>165,655</u></u>	<u><u>167,186</u></u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 8. Depreciation and Amortisation

	Notes	2019 \$	2018 \$
Depreciation/Amortisation of Non-Current Assets			
Buildings		724,471	709,601
Other Structures		336,587	198,002
Plant and Equipment		971,674	982,544
Office Equipment and Furniture		46,023	50,313
Roads, Drainage and Bridges Network		3,209,417	3,173,269
Water Infrastructure		138,992	128,761
Sewerage		68,036	67,077
Total Depreciation of Non-Current Assets	13	5,495,200	5,309,567
<u>TOTAL DEPRECIATION AND AMORTISATION</u>		<u>5,495,200</u>	<u>5,309,567</u>

Note 9. Capital Expenses

Loss on Disposal of Non-Current Assets			
Proceeds from the Disposal of Property, Plant and Equipment		337,591	175,591
Less: Book Value of Property, Plant and Equipment Disposed	13	(986,771)	(642,723)
(Gain)/Loss on disposal of Non-Current Assets		649,180	467,132
<u>TOTAL CAPITAL EXPENSES</u>		<u>649,180</u>	<u>467,132</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Cash, Cash Equivalents and Investments

	Notes	2019 \$	2018 \$
Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.			
Cash and Cash Equivalents			
Cash at Bank and on Hand		4,076,773	5,084,909
Cash Equivalent Assets ¹			
- Deposits at Call		15,261,144	14,305,742
Total Cash and Cash Equivalents		19,337,917	19,390,651
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		19,337,917	19,390,651

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

Restricted Cash, Cash Equivalents and Investments

Council's Cash and Cash Equivalents are subject to a number of Internal and External Restrictions that limit amounts available for discretionary or future use. These include:

Externally imposed Expenditure Restrictions at the reporting date relate to the following cash assets:

Unspent Government Grants and Subsidies	1,191,620	1,022,059
Total External Restrictions	1,191,620	1,022,059
Internally imposed Expenditure Restrictions at the reporting date:		
Unspent sustainability reserve	6,541,586	6,029,333
Total Internal Restrictions	6,541,586	6,029,333
Total Unspent Restricted Cash, Cash Equivalents and Investments	7,733,206	7,051,392

Cash at bank is held in the National Australia Bank in normal business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of Aa2.

Deposits at call are held in the Queensland Treasury Corporation(QTC). QTC's current credit rating ranging between Aa1 & AAA.

Trust Funds

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.

Council performs a custodian role in respect of Trust Fund monies amounting to \$19,301. (2018: \$20,788)

As these funds cannot be used by Council, they are not brought into account in these financial statements.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Trade and Other Receivables

	Notes	2019 \$	2018 \$
<p>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.</p> <p>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.</p> <p>Because Council is empowered under the provisions of the <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.</p> <p>Loans and advances are recognised in the same way as other receivables.</p>			
Current			
Rateable Revenue and Utility Charges		43,059	68,380
Other Debtors		844,353	277,549
GST Recoverable		133,210	127,597
Deferred house sale payments		87,100	94,380
Total		<u>1,107,722</u>	<u>567,906</u>
less: Loss Allowance			
Other Debtors		(3,442)	(43,290)
Total Loss Allowance		<u>(3,442)</u>	<u>(43,290)</u>
<u>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</u>		<u><u>1,104,280</u></u>	<u><u>524,616</u></u>
Non-Current			
Deferred house sale payments		547,586	717,433
<u>TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES</u>		<u><u>547,586</u></u>	<u><u>717,433</u></u>
Movement in Loss Allowance			
Opening balance at 1 July		(43,290)	(46,574)
Adjustment on Initial Application of AASB 9		38,842	-
<i>Add</i>			
Additional impairments recognised		(31,708)	23,231
<i>Less</i>			
Impairment debts written off during the year		32,714	(19,947)
Balance at the end of the year		<u><u>(3,442)</u></u>	<u><u>(43,290)</u></u>

Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology and resulting in an opening balance adjustment of \$38,842. Further details of Council's expected credit loss assessment are contained in Note 25.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Inventories

	Notes	2019 \$	2018 \$
Inventories held for distribution are:			
- goods to be supplied at no or nominal charge, and			
- goods to be used for the provision of services at no or nominal, charge.			
These goods are valued at cost, adjusted, when applicable, for any loss of service potential.			
Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.			
Current Inventories			
Inventories held for distribution			
Quarry and Road Materials		-	29,484
Plant and Equipment Stores		414,515	360,748
<u>TOTAL CURRENT INVENTORIES</u>		<u>414,515</u>	<u>390,232</u>

Bulloo Shire Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 13. Property, Plant and Equipment

30 June 2019		Land	Buildings	Other Structures	Plant and Equipment	Office Equipment and Furniture	Roads, Drainage and Bridges Network	Water Infrastructure	Sewerage	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement Basis	Note	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Opening Gross Balance - at Cost		-	-	-	12,585,840	785,662	-	-	-	377,568	13,749,070
Opening Gross Balance - at Fair Value		780,700	29,898,750	9,601,389	-	-	178,391,439	7,648,028	3,431,048	-	229,751,354
Opening Gross Balance		780,700	29,898,750	9,601,389	12,585,840	785,662	178,391,439	7,648,028	3,431,048	377,568	243,500,424
Additions*		15,000	825,893	375,510	1,360,685	44,901	758,767	916,214	65,335	4,862,269	9,224,574
Disposals	9	-	-	-	(1,149,161)	-	-	-	-	-	(1,149,161)
Write-offs	9	-	(151,750)	(111,228)	-	(37,481)	(347,136)	(387,311)	(43,810)	-	(1,078,716)
Revaluation Decrements to Equity (ARR)	18	(168,241)	-	-	-	-	-	-	-	-	(168,241)
Revaluation Increments to Equity (ARR)	18	-	1,078,072	340,020	-	-	6,685,164	356,947	149,369	-	8,609,572
Work in Progress Transfers		-	135,443	24,417	-	-	-	7,005	-	(166,865)	-
Total Gross Value of Property, Plant and Equipment - at Cost		15,000	961,336	399,927	12,797,364	793,082	758,767	923,219	65,335	5,072,972	21,787,002
Total Gross Value of Property, Plant and Equipment - at Fair Value		612,459	30,825,072	9,830,181	-	-	184,729,467	7,617,664	3,536,607	-	237,151,450
Total Gross Value of Property, Plant and Equipment		627,459	31,786,408	10,230,108	12,797,364	793,082	185,488,234	8,540,883	3,601,942	5,072,972	258,938,452
Opening Accumulated Depreciation		-	11,457,318	2,728,059	6,709,234	251,713	35,864,241	2,360,726	1,038,072	-	60,409,363
Depreciation Expense		-	724,471	336,587	971,674	46,023	3,209,417	138,992	68,036	-	5,495,200
Disposals	9	-	-	-	(828,718)	-	-	-	-	-	(828,718)
Write-offs	9	-	(112,684)	(30,344)	-	(27,153)	(76,400)	(143,536)	(22,270)	-	(412,387)
Revaluation Increments to Equity (ARR)	18	-	431,963	108,465	-	-	1,440,441	105,777	47,136	-	2,133,782
Total Accumulated Depreciation of Property, Plant and Equipment		-	12,501,068	3,142,767	6,852,190	270,583	40,437,699	2,461,959	1,130,974	-	66,797,240
Total Net Book Value of Property, Plant and Equipment		627,459	19,285,340	7,087,341	5,945,174	522,499	145,050,535	6,078,924	2,470,968	5,072,972	192,141,212
Other Information											
Range of Estimated Useful Life (years)		Not depreciated	50 - 100	15 - 45	2- 30	2 - 15	1 - 1000	20 - 115	16 - 100	Not depreciated	
*Asset Additions Comprise											
Asset Renewals		-	252,737	61,102	1,360,685	44,901	55,364	761,718	65,335	2,534,266	5,136,108
Other Additions		15,000	573,156	314,408	-	-	703,403	154,496	-	2,328,003	4,088,466
Total Asset Additions		15,000	825,893	375,510	1,360,685	44,901	758,767	916,214	65,335	4,862,269	9,224,574

Bulloo Shire Council

Notes to the Financial Statements
for the year ended 30 June 2019

Note 13. Property, Plant and Equipment (continued)

30 June 2018		Land	Buildings	Other Structures	Plant and Equipment	Office Equipment and Furniture	Roads, Drainage and Bridges Network	Water Infrastructure	Sewerage	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement Basis	Note	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Opening Gross Balance - at Cost		-	-	-	12,986,726	785,662	-	-	-	4,672,057	18,444,445
Opening Gross Balance - at Fair Value		767,700	26,452,345	5,961,200	-	-	190,341,473	7,840,567	3,121,845	-	234,485,130
Opening Gross Balance		767,700	26,452,345	5,961,200	12,986,726	785,662	190,341,473	7,840,567	3,121,845	4,672,057	252,929,575
Additions*		16,768	733,150	3,526,113	839,511	-	8,997,373	8,960	22,536	377,569	14,521,980
Disposals	9	-	-	(26,484)	(817,614)	-	-	-	-	-	(844,098)
Write-offs	9	-	-	-	(457,553)	-	3,736	-	-	-	(453,817)
Revaluation Decrements to Equity (ARR)	18	(3,768)	-	(369,018)	-	-	(24,582,277)	(201,499)	-	-	(25,156,562)
Revaluation Increments to Equity (ARR)	18	-	2,254,878	-	-	-	-	-	248,468	-	2,503,346
Work in Progress Transfers		-	458,377	509,578	34,770	-	3,631,134	-	38,199	(4,672,058)	-
Total Gross Value of Property, Plant and Equipment - at Cost		-	-	-	12,585,840	785,662	-	-	-	377,568	13,749,070
Total Gross Value of Property, Plant and Equipment - at Fair Value		780,700	29,898,750	9,601,389	-	-	178,391,439	7,648,028	3,431,048	-	229,751,354
Total Gross Value of Property, Plant and Equipment		780,700	29,898,750	9,601,389	12,585,840	785,662	178,391,439	7,648,028	3,431,048	377,568	243,500,424
Opening Accumulated Depreciation		-	10,159,617	2,384,755	6,374,655	207,083	28,619,674	2,119,472	775,223	-	50,640,479
Depreciation Expense		-	709,601	198,002	982,544	50,313	3,173,269	128,761	67,077	-	5,309,568
Disposals	9	-	-	(1,545)	(562,028)	-	-	-	-	-	(563,573)
Write-offs	9	-	-	-	(85,937)	(5,683)	-	-	-	-	(91,620)
Revaluation Increments to Equity (ARR)	18	-	588,100	146,847	-	-	4,071,298	112,493	195,772	-	5,114,510
Total Accumulated Depreciation of Property, Plant and Equipment		-	11,457,318	2,728,059	6,709,234	251,713	35,864,241	2,360,726	1,038,072	-	60,409,363
Total Net Book Value of Property, Plant and Equipment		780,700	18,441,432	6,873,330	5,876,606	533,949	142,527,198	5,287,302	2,392,976	377,568	183,091,061
Other Information											
Range of Estimated Useful Life (years)		Not depreciated	50 - 100	15 - 45	2 - 30	2 - 15	1 - 100	20 - 115	16 - 100	Not depreciated	
*Asset Additions Comprise											
Asset Renewals		-	444,899	2,490,150	839,511	-	8,997,373	8,960	-	7,005	12,787,898
Other Additions		16,768	288,251	1,035,963	-	-	-	-	22,536	370,564	1,734,082
Total Asset Additions		16,768	733,150	3,526,113	839,511	-	8,997,373	8,960	22,536	377,569	14,521,980

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Property, Plant and Equipment (continued)

Each class of Property, Plant and Equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment and infrastructure assets with a total value of less than \$5,000, and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of Property, Plant and Equipment are capitalised.

The classes of Property, Plant and Equipment recognised by the Council are:

- Land
- Buildings
- Other structures
- Plant and equipment
- Office furniture and equipment
- Roads, drainage and bridges network
- Water infrastructure
- Sewerage infrastructure
- Work in progress

Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition including freight, architect's fees and engineering design fees and all other establishment costs.

Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from Work in Progress to the appropriate Property, Plant and Equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the asset are expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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

Valuation

Land and Improvements, Buildings, and all Infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. Plant and Equipment, Office Furniture and Equipment and Work in Progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging either an independent professionally qualified valuer or internally professionally qualified staff to determine the fair value for each class of Property, Plant and Equipment assets at least once every 3 to 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessment of the condition of the assets at the date of inspection.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Property, Plant and Equipment (continued)

In the intervening years, Council has assessed fair value of all infrastructure assets, by applying an appropriate cost index as provided by an independent valuer or sourcing them via Government sites (Desktop valuation). With respect to the valuation of the land and improvements and buildings in the intervening years, if the change in values is considered likely to be material, management engages either independent professionally qualified valuers or qualified staff to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 14.

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, of the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Capital work in progress

The cost of Property, Plant and Equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

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.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other Property, Plant and Equipment assets is calculated on a straight-line basis so as to write off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the component replaced written off. The new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Property, Plant and Equipment (continued)

Depreciation (continued)

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 on a regular basis and adjusted, where necessary, to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14.

Land under roads

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements

(a) Valuation

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

Property, Plant and Equipment

- Land
- Buildings
- Other structures
- Road, drainage and bridge network
- Water Infrastructure
- Sewerage Infrastructure

AASB 13 requires fair value measurements to be categorised as follows

- 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)

Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as Level 1, and no assets which meet the criteria for categorisation as Level 2.

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

Borrowing

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred.

The fair value of borrowings from 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 (Level 2). The market value of debt is provided by QTC and is disclosed in Note 16.

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

Trade Receivable and Payables

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

Valuation processes

The Council engages external, independent and qualified valuers to determine the fair value of land, buildings and other structure assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

The following table categorises fair value measurements at Level 3 in accordance with AASB 13.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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.

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts \$	Level 2 Significant observable inputs \$	Level 3 Significant unobservable inputs \$	
2019					
Property, Plant and Equipment					
Land	30/06/19	-	-	627,459	627,459
Buildings					
- Residential and Commercial Properties	30/06/19	-	-	7,634,525	7,634,525
- Specialised Buildings	30/06/19	-	-	11,650,815	11,650,815
Other Structures	30/06/19	-	-	7,087,341	7,087,341
Infrastructure assets:					
- Road, Drainage and Bridge Network	30/06/19	-	-	145,050,535	145,050,535
- Water	30/06/19	-	-	6,078,924	6,078,924
- Sewerage	30/06/19	-	-	2,470,968	2,470,968
Total Property, Plant and Equipment		-	-	180,600,567	180,600,567
2018					
Property, Plant and Equipment					
Land	30/06/18	-	-	780,700	780,700
Buildings					
- Residential and Commercial Properties	30/06/18	-	-	7,396,753	7,396,753
- Specialised Buildings	30/06/18	-	-	11,044,679	11,044,679
Other Structures	30/06/18	-	-	6,873,330	6,873,330
Infrastructure assets:					
- Road, Drainage and Bridge Network	30/06/18	-	-	142,527,198	142,527,198
- Water	30/06/18	-	-	5,287,302	5,287,302
- Sewerage	30/06/18	-	-	2,392,976	2,392,976
Total Property, Plant and Equipment		-	-	176,302,938	176,302,938

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values

The Fair Valuation techniques Council has employed while utilising Level 3 inputs are as follows:

Infrastructure, Property, Plant and Equipment

Land (Level 3)

Land Fair Values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018 and a desktop valuation as at 30 June 2019 by Australis Asset Advisory Group.

Where an observable market for Council land assets could be identified, Fair Value was measured by way of a Market Approach (Level 2), utilising sale prices of comparable properties after adjusting for differences in key attributes of the property. Where a significant adjustment was required between the sale prices of comparable properties, Fair Value was measured by way of a Market Approach (Level 3).

Land has been valued by the independent valuer using valuation techniques that maximise the use of observable data and under the principles of Highest and Best Use. The valuer has utilised the market approach method when assessing land taking into account any adjustments factors that may be applicable.

Observable inputs used by the valuer were registered sales transactions of land within the Shire (Level 2) with adjustments made for differences in key attributes between the land subject to valuation and the land recently sold.

Where there were significant differences in key attributes between the land subject to valuation and the land recently sold, the valuations methodology is considered a Level 3 on the Fair value hierarchy.

Under the level 3 approach, unobservable inputs such as reference to discussions with real estate agents, statistical data from reputable published sources and sales history of other land types were utilised.

When undertaking the valuation for the year ended 30 June 2018, the valuer determined that there was no recorded land sales in the previous two (2) financial years and therefore there was an insufficient sample size available for the valuer to determine market movements using the Level 2 approach. In this instance, due to the paucity of sales evidence within the Shire, all land was categorised as Level 3 and the value based on rates per square meter as determined by the valuer using unobservable inputs.

When undertaking the desktop valuation for the 2019 year the valuer considered the 3 recent sales in the shire and the other market indices to determine the valuation indices to be applied to land.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Buildings and other Structures (Level 3)

The Fair Value of Buildings and Other Structures was independently valued by Australis Asset Advisory Group effective 30 June 2018 and a desktop valuation as at 2019 by Australis Asset Advisory Group. Where an observable market for Council assets can be identified, Fair Value is measured by way of a Market Approach (Level 2), utilising sale prices of comparable properties after adjusting for differences in key attributes of the property.

When undertaking the valuation review, the valuer considered the available market data and due to the thinly traded nature of the Bulloo Shire property market, no Buildings were assessed on a Market Approach. This included residential housing. It was observed that in the current Financial Year, there has only been two residential dwelling sold in Thargomindah, being both brought by Bulloo Shire Council. In the 2016-17 Financial Year, there were only three dwelling sales, with one being a low value purchase by Bulloo Shire Council. For this reason, it was determined by the Valuer that there is not an 'active and liquid' market and therefore no reliable data to support a Market Approach for property in the Shire.

As the Buildings and Other Structures did not meet the criteria for a market approach, Fair Value was measured on the basis of a Cost Approach (Level 3). Under this methodology the gross replacement cost was assessed on the basis that it reflected a modern equivalent asset with similar service potential.

Under the Cost approach, the asset's Fair Value is the result of the gross current value less accumulated depreciation, to reflect the consumed or expired service potential of the asset. The most significant inputs into the valuation were the rate per square metre (to arrive at the Gross Replacement Cost) and a condition score reflecting the remaining useful life of the asset. Building and Other Structures assets were assessed under this approach.

In determining the level of accumulated depreciation for assets under Cost Approach, as the first step an Economic Useful Life (EUL) was provided to each asset on a componentised basis. As a second step, the condition score, which has direct influence on the Remaining Useful life (RUL) of the asset was assessed and applied to each asset. The RUL takes into consideration the assets physical characteristics, age, recent repairs or capital works, as well as factors such as functionality, capability, utilisation and obsolescence. Estimates of expired service potential and remaining useful lives were determined on a straight-line basis and where required, assets were disaggregated into significant components which exhibit different useful lives.

There are no residual values on Council's Building and Other Structures assets.

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.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Infrastructure Assets - Roads, Water and Sewerage

All Council infrastructure assets were fair valued using written down Current Replacement Cost (Level 3). 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 CRC was determined using methods relevant to the asset class as described under individual asset categories below.

Infrastructure assets fair values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018 and a desktop valuation as at 2019 by Australis Asset Advisory Group.

Accumulated depreciation of Infrastructure Assets was calculated using the same approach as buildings.

Roads (Level 3)

Current replacement costs

Current replacement costs are calculated by reference to asset linear and area specifications, production rates, estimated labour and material inputs, services costs, and overhead allocations based on existing supplier contract rates or list and Council rates.

The replacement cost of road assets have been determined by considering:

- Actual construction cost
- Written or verbal quotes / estimates of current market prices
- Modified market prices of a different asset similar in type, use and condition

Specifically replacement cost values are determined by utilising unit costs for specific asset categories and components, these unit rate costs were calculated based on:

- Current market costs of labour, plant and materials
- Estimated production rates for plant and labour

Soil types, availability of pavement and surfacing materials and other local factors are considered in determining unit rates.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

Two core asset classes are defined for road assets:

1. Road Segment Assets (those assets comprising the road right of way / carriageway)
2. Structural Assets (culverts and other drainage, etc.)

Road Segment Assets are categorised into four components including:

1. Formation (earthworks, earth drainage and network assets (guide posts))
2. Pavement for gravelled roads and under bitumen surfaced roads
3. Surfacing (sprayed bituminous seal or asphalt)
4. Kerb & channel

Accumulated Depreciation

All road asset components are considered to depreciate linearly with time (straight line depreciation). In most cases the actual installation or construction date of assets are known by Council. However, for some assets, it has been necessary to estimate the age based on its current condition and useful life.

The formation component of road segments consists of a number of main elements including:

1. Clearing, ground surface treatment and earthworks
2. Earth drainage (table drains, inverts, diversion drains. etc)
3. Formed Carriageway

It is Council's policy that formation for gravelled and sealed roads depreciates linearly until replacement. At replacement, it is assumed that all earthworks related to the formation component require full replacement.

All works to retain formation assets is considered maintenance by Council. However, as formation may become obsolete or full reconstruction may be required, a useful life of 1,000 years has been adopted.

The pavement component of a road segment consists of a gravel-running course on unsealed roads and floodways or a structural gravel layer on bitumen or concrete roads and floodways.

Council's policy for pavement on gravelled and sealed roads is that they depreciate linearly over the life of the asset until replacement is required.

The useful life of the lower layer is adjusted to be a multiple of the upper layer, which have shorter lives. The asset useful life for lower layer is 60-80 years and upper layer is 15 years.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

Bitumen seals generally consist of two (2) coats of bitumen and two (2) coats of aggregate. For the purpose of this valuation, a componentisation system is incorporated, which consists of separating the bitumen seal into two (2) components. The lower layer is considered to have a longer life than the upper layer. Typically, the upper layer of bitumen and aggregate is resealed between 7 to 15 years depending on traffic volumes, aggregate characteristics, and environment. It is assumed in this valuation that Council's road are resealed every fifteen (15) years and every four (4) resealing cycle a full replacement of the pavement structure will be required.

These assumptions are in conjunction with Council's Road Management Strategy until better, reliable and more accurate deterioration curves on an asset-by-asset basis are obtained or/and becomes available.

The asset useful lives that are adopted are shown below:

		Years
Seal	Sealed Lower	60 -100
Seal	Sealed Upper	15
Seal/Unsealed/Formed		INF
Unsealed		20
Kerb & Channel		60
Footpaths		60
Grids		60
Bridges		60-90
Culverts		15-80
Floodways		90
Formation		1,000

A useful life of 90 years is adopted for concrete floodways, which are based on typical values given by the Local Government and Municipal Knowledge Base website and Local Government Association of Queensland (LGAQ) Submission to the Australian Accounting Standards Board (AASB). The current installed concrete floodways in the Shire are relatively new (not greater than 30 years). Therefore, at this point in time it is not possible to determine with a high level of certainty whether the proposed useful life value is or is not appropriate to be implemented by the Council.

Structure assets consist of cross-road drainage installations including box and pipe culverts, gravel, bitumen, concrete floodways and single and double grids. The size and type of drainage structure have been considered and unit replacement costs determined.

All structure assets are considered to depreciate linearly for the length of their useful lives and will be completely replaced with no cost recovery at replacement.

Consistent with roads it has been assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Construction estimates were determined on a similar basis to roads.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

Condition rating (useful life)

Rating	Description of condition		
1	0%	Excellent	Asset as "new" and only planned maintenance required.
2	25%	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset. Minor maintenance required plus planned maintenance.
3	50%	Fair	Asset is reliable and operates as intended, but its appearance and structural integrity are questionable and significant maintenance is required.
4	75%	Poor	Asset still operates but does not meet intended duty or does not appear sound and significant renewal / upgrade is required.
5	100%	Unserviceable	Asset is not functioning / needs immediate attention.

Water and Sewerage (Level 3)

Current Replacement Costs

Water and Sewerage infrastructure assets fair values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018 and a desktop valuation as at 2019 by Australis Asset Advisory Group.

Water and Sewer assets have been assessed utilising valuation techniques that maximise the use of observable data where possible. Typically, the methodology applied will be determined based on the AASB13 Input Decision tree. Standard valuation principles dictate that a cost approach method (generally incremental Greenfield) is a suitable primary methodology when assessing infrastructure that has no active market nor has directly applicable income.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Water and Sewerage (Level 3) (continued)

Characterisation of assets

The assets to be valued were initially checked for completeness of data and classified into asset systems based on functional characteristics:

- Water Mains
- Water Passive
- Water Active
- Sewer Mains
- Sewer Points
- Sewer Active

These categories were further refined with the adoption of sub-systems and assets and components, this hierarchy is predominantly applicable to active assets and is based on a functional asset breakdown. This functional classification was then used to verify the existing componentisation and allowed the identification of additional components to be added.

Componentisation was expanded to include components of a varying consumption pattern or aid in asset identification and asset management practises.

Active Assets included Pump Stations, Bores, Ponds and Reservoirs. Passive Assets include pipework. These Active Assets were componentised dependant on size, capacity, site conditions and other factors judged relevant by the Valuer. This componentisation was reviewed by Council Staff and where possible matched to their asset management requirements. Gravity Sewer mains were the only Passive Asset componentised into long and short life components to allow for accurate modelling of pipe relining, this split was varied based on depth and diameter based on brownfield relining costs.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

(2) Valuation techniques used to derive Level 3 Fair Values (continued)

Infrastructure, Property, Plant and Equipment (continued)

Water and Sewerage (Level 3) (Cont'd)

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 rating which was used to estimate remaining useful life as tabled below

Rating	Description of condition		
1	0%	Excellent	Asset as "new" and only planned maintenance required.
2	25%	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset. Minor maintenance required plus planned maintenance.
3	50%	Fair	Asset is reliable and operates as intended, but its appearance and structural integrity are questionable and significant maintenance is required.
4	75%	Poor	Asset still operates but does not meet intended duty or does not appear sound and significant renewal / upgrade is required.
5	100%	Unserviceable	Asset is not functioning/ needs immediate attention.

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.

For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life and the pipe fair value was based on age.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Trade and Other Payables

	2019	2018
Notes	\$	\$

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as wages and salaries, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.

Current

Creditors and Accruals	505,184	300,904
Annual Leave	459,566	523,283
Other Employee Entitlements	15,301	3,377
<u>TOTAL CURRENT TRADE AND OTHER PAYABLES</u>	<u>980,051</u>	<u>827,564</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Borrowings

	2019	2018
Notes	\$	\$

Borrowings are initially recognised at cost value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly in arrears.

All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2023 to 15 June 2024. There have been no defaults or breaches of the loan agreement during the period.

Council adopts an Annual Debt Policy that sets out Council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Current

Loans - Queensland Treasury Corporation	528,429	482,786
<u>TOTAL CURRENT BORROWINGS</u>	<u>528,429</u>	<u>482,786</u>

Non-current

Loans - Queensland Treasury Corporation	1,956,058	2,506,792
<u>TOTAL NON-CURRENT BORROWINGS</u>	<u>1,956,058</u>	<u>2,506,792</u>

Reconciliation of Loan Movements for the year

Loans - Queensland Treasury Corporation (QTC)

Opening Balance at Beginning of Financial Year	2,989,578	3,473,258
Principal Repayments	(505,091)	(483,680)
<u>Book value at end of financial year</u>	<u>2,484,487</u>	<u>2,989,578</u>

The QTC loan market value at the reporting date was \$2,655,722 (2018: \$3,141,907).

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.

Loan Disclosures

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government. There has been no defaults or breaches of the loan agreement during the year.

The weighed average borrowing rate for the Loans is ranges from 4.14% to 4.60%.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Provisions

	2019	2018
	\$	\$
Long Service Leave		
<p>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.</p> <p>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.</p>		
Current		
Long Service Leave	549,855	356,897
<u>TOTAL CURRENT PROVISIONS</u>	<u>549,855</u>	<u>356,897</u>
Non-current		
Long Service Leave	98,763	218,743
<u>TOTAL NON-CURRENT PROVISIONS</u>	<u>98,763</u>	<u>218,743</u>
Long Service Leave		
Balance at Beginning of Financial Year	575,640	531,219
Additional Provision	109,948	94,650
Decrease due to Payments	(36,970)	(50,229)
Balance at End of Financial Year	<u>648,618</u>	<u>575,640</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Asset Revaluation Reserve

	Notes	2019 \$	2018 \$
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The Asset Revaluation Surplus comprises adjustments relating to changes in value of Property, Plant and Equipment. Net incremental changes in the carrying value of classes of Non-Current Assets since their initial recognition are accumulated in the Asset Revaluation Surplus. Increases and decreases on revaluation are offset within a class of assets.

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

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

Movements in the Asset Revaluation Reserve:

Balance at beginning of financial year		80,913,444	108,681,170
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		(168,241)	(3,768)
Buildings		646,109	1,666,778
Other Structures		231,555	(515,865)
Roads, Drainage and Bridges Network		5,244,723	(28,653,575)
Water Infrastructure		251,170	(313,992)
Sewerage		102,233	52,696
	13	6,307,549	(27,767,726)
Balance at end of financial year		<u>87,220,993</u>	<u>80,913,444</u>

Asset revaluation Reserve Analysis

The closing balance of the Asset Revaluation Reserve comprises the following asset categories:

Land	438,047	606,288
Buildings	4,554,245	3,908,136
Other Structures	2,353,426	2,121,871
Roads, Drainage and Bridges Network	77,529,720	72,284,997
Water Infrastructure	2,190,626	1,939,456
Sewerage	154,929	52,696
Balance at end of financial year	<u>87,220,993</u>	<u>80,913,444</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 19. Retained Surplus/(Deficiency)

	Notes	2019 \$	2018 \$
Movements in the retained surplus:			
Retained Surplus/(Deficit) at Beginning of Financial Year		118,807,766	109,664,156
Net Result Attributable to Council		3,364,753	9,143,610
Other Movements:			
Adjustment on Initial Application of AASB 9		38,842	-
Retained surplus at end of financial year		<u>122,211,361</u>	<u>118,807,766</u>

Note 20. 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 2018 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 \$85,424 (2018: \$79,064).

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Superannuation

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 9.5% or 12% for each permanent employee who is a Defined Benefit member. This rate is set in accordance with the LGIASuper 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.

Technically, Council can be liable to the Scheme for a portion of another Local Governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper Trust Deed changes to Council's obligations will only be made on the advice of an actuary.

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.

Another actuarial investigation is being conducted as at 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. Bulloo Shire Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 21. Superannuation (continued)

	Notes	2019 \$	2018 \$
Superannuation contributions made to the Regional Defined Benefits Fund		491,664	500,374
Total superannuation contributions paid by Council for employees	5	491,664	500,374
			2020 \$
Contributions council expects to make to the Regional Defined Benefits Fund for 2019-20.			500,000

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Reconciliation of Net Result for the year to Net Cash Inflow/(Outflow) from Operating Activities

	Notes	2019 \$	2018 \$
Net operating result from Statement of Comprehensive Income		3,364,753	9,143,610
Non-cash items			
Depreciation and Amortisation		5,495,200	5,309,567
Net Losses/(Gains) on Disposal of Property, Plant & Equipment		649,180	467,132
Capital Grants and Contributions		(3,436,272)	(8,840,828)
		<u>2,708,108</u>	<u>(3,064,129)</u>
Changes in operating assets and liabilities:			
(Increase)/Decrease in Trade and other Receivables		(369,969)	1,116,463
Increase/(Decrease) in Provision for Impairment		(1,006)	(3,284)
(Increase)/Decrease in Inventories		(24,283)	(119,870)
Increase/(Decrease) in Trade and other Payables		204,280	(48,647)
Increase/(Decrease) in Borrowing		(51,793)	(12,239)
Increase/(Decrease) in Provisions		72,978	44,421
		<u>(169,794)</u>	<u>976,844</u>
Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows		<u>5,903,067</u>	<u>7,056,325</u>

Note 23. Reconciliation of Liabilities arising from Finance Activities

	As at 30-Jun-18 \$	Cashflows \$	Non-Cash Changes \$	As at 30-Jun-19 \$
Loans - Queensland Treasury Corporation (QTC)	<u>2,989,578</u>	<u>(505,091)</u>	-	2,484,487
	<u>2,989,578</u>	<u>(505,091)</u>	-	<u>2,484,487</u>
	As at 30-Jun-17 \$	Cashflows \$	Non-Cash Changes \$	As at 30-Jun-18 \$
Loans - Queensland Treasury Corporation (QTC)	<u>3,473,258</u>	<u>(483,680)</u>	-	2,989,578
	<u>3,473,258</u>	<u>(483,680)</u>	-	<u>2,989,578</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 24. Events Occurring After Balance Date

Events that occurred after the reporting date of 30 June 2019, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the appropriate "authorised for issue" date relating to these General Purpose Financial Statements.

Events that occur after the Reporting Date represent one of two types:

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2019.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2019 and which are only indicative of conditions that arose after 30 June 2019.

Council is unaware of any material or significant "non adjusting events" that should be disclosed.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial Instruments

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

- (i) interest rate risk,
- (ii) credit risk,
- (iii) market risk and
- (iv) liquidity 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

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 interest rate, 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.

The Council's audit committee oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk managements framework in relation to the risks faced by the Council. The Council's audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

Council does not enter into derivatives.

Credit Risk Exposure

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 Cash at Banks 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 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 the Council.

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial Instruments (continued)

	Notes	2019 \$	2018 \$
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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:

Financial Assets

Cash and Cash Equivalents	10	19,337,917	19,390,651
Receivables - Rates	11	43,059	68,380
Receivables - Other	11	1,608,807	1,173,669
		<u>20,989,783</u>	<u>20,632,700</u>

Other Credit Exposures

Guarantee	20	85,424	79,064
		<u>85,424</u>	<u>79,064</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.

Trade and Other Receivables

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

Council has little or no credit risk in relation to amounts owing under the deferred house sale arrangement. If the house purchaser defaults on the arrangement Council can terminate the arrangement and retains ownership of the House and Land.

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

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

The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2019, the exposure to credit risk for trade receivables by type of counterparty was as follows:

	2019 \$	2018 \$
Rates	43,059	68,380
GST Recoverable	133,210	127,597
Trade Debtors & accruals	840,911	234,259
Deferred House Sales payments	634,686	811,813
Total	<u><u>1,651,866</u></u>	<u><u>1,242,049</u></u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 25. Financial Instruments (continued)

	2019 Not credit- impaired \$	2019 Credit- impaired \$	2018 \$
A summary of the Council's exposure to credit risk for trade receivables is as follows:			
Not Past Due	962,772	-	382,688
Past Due 31-60 Days	644	-	13,369
Past Due 61-90 Days	3,901	-	6
More than 90 Days	687,991	-	889,276
	1,655,308	-	1,285,339
Loss Allowance	(3,442)	-	(43,290)
Total	1,651,866	-	1,242,049

Expected credit loss assessment as at 1 July 2018 and 30 June 2019

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and expected losses for trade receivables from individual customers as at 30 June 2019:

	2019 Weighted- average loss rate %	2019 Gross carrying amount \$	2019 Loss allowance \$	2019 Credit- impaired (Y/N)
Not Past Due	0.00%	962,772	-	No
Past Due 31-60 Days	0.01%	644	-	No
Past Due 61-90 Days	0.05%	3,901	2	No
More than 90 Days	0.50%	687,991	3,440	No
Total		1,655,308	3,442	

Loss rates are based on actual credit loss experience over the past ten years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

The movement in the allowance for impairment in respect of trade receivable during the year was \$1,009.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial Instruments (continued)

Liquidity Risk

Liquidity Risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to Liquidity Risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

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.

The following table sets out the Liquidity Risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year \$	1 to 5 years \$	Over 5 years \$	Total Contractual Cash Flows \$	Carrying Amount \$
2019					
Trade and Other Payables	980,051	-	-	980,051	980,051
Loans - QTC	631,526	2,114,495	-	2,746,021	2,484,487
	<u>1,611,577</u>	<u>2,114,495</u>	<u>-</u>	<u>3,726,072</u>	<u>3,464,538</u>
2018					
Trade and Other Payables	827,564	-	-	827,564	827,564
Loans - QTC	631,526	2,526,103	219,917	3,377,546	2,989,578
	<u>1,459,090</u>	<u>2,526,103</u>	<u>219,917</u>	<u>4,205,110</u>	<u>3,817,142</u>

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. Financial Instruments (continued)

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

The Council is exposed to Interest Rate Risk through investments and borrowings with Queensland Treasury and other financial institutions.

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

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

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 \$	Net Result		Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2019					
QTC Cash Fund	15,261,145	152,611	(152,611)	152,611	(152,611)
Loans - QTC	2,484,487	-	-	-	-
Net	<u>17,745,632</u>	<u>152,611</u>	<u>(152,611)</u>	<u>152,611</u>	<u>(152,611)</u>
2018					
QTC Cash Fund	14,305,742	143,057	(143,057)	143,057	(143,057)
Loans - QTC	2,989,578	-	-	-	-
Net	<u>17,295,320</u>	<u>143,057</u>	<u>(143,057)</u>	<u>143,057</u>	<u>(143,057)</u>

In relation to the QTC loans held by the Council, the following has been applied:

QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 26. Transactions with Related Parties

(a) Other Related Parties

Transactions with Other Related Parties

	Amount of transactions during year
2019	\$
Purchase of accommodation	40,533
Purchase of Buildings	300,000
Purchase of goods	116,255
Purchase of mechanical services	357,297
Purchase of goods and maintenance services	<u>2,037,824</u>
	<u>2,851,909</u>
2018	\$
Purchase of accommodation	27,188
Purchase of goods	106,256
Purchase of mechanical services	279,658
Purchase of goods and maintenance services	<u>2,856,379</u>
	<u>3,269,481</u>

Other related parties include the close family members of Key Management Personnel (KMP) and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependant of a KMP or their spouse.

Details of transactions between Council and other related parties are disclosed above.

Council purchased materials and services from entities controlled by Key Management Personnel or other
1 related parties. These transactions were on an arm's length basis and were in the course of normal Council operations.

Sales to other Related Parties in the 2018-19 year were \$13,886 (2017-18: \$22,934) this relates to Private Works and
2 store purchases. The fees and charges charged to Key Management Personnel and their controlled entities were on an arm's length basis in accordance with the schedule of fees and charges adopted by Council.

3 As at 30 June 2019 the amount of \$184 (2018:\$0) was owing to Council from related parties

4 As at 30 June 2019 the amount of \$135,650 (2017-18: \$53,482) was owing by Council to related parties.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2019

Note 26. Transactions with Related Parties (continued)

	2019	2018
	\$	\$

(b) Key Management Personnel

Transactions with Key Management Personnel

KMP include the Mayor, Councillors, Chief Executive Officer and some Executive Management.

The compensation paid to Key Management Personnel for comprises:

Short-Term Employee Benefits	1,311,572	1,314,991
Post-Employment Benefits	108,497	102,750
Long-Term Benefits	18,004	15,572
Total	1,438,073	1,433,313

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

Most entities and people that are related parties to Council live and operate within the Bulloo Shire. Therefore on a regular basis ordinary citizen transactions occur between Council and it's related parties.

Some examples include:

- Payment of rates
- Use of the swimming pool & other recreation facilities
- Dog Registration
- Borrowing Books from the Council library

Council has not included these types of transactions in its disclosures, where they were made on the same terms and conditions available to the public.

(d) Other

The Council employs 69 (68 in 2018) employees of which 5 (4 in 2018) are close family members of Key Management Personnel. Total remuneration paid to these close family members was \$332,314 (2018: \$234,317).

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.

Bulloo Shire Council

General Purpose 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 Regulations) 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 Regulations 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 2 to 50, 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.



John Ferguson

MAYOR

8.10.2019



Lew Rojahn

CHIEF EXECUTIVE OFFICER

8.10.2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Bulloo Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Bulloo 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 its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 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 Bulloo 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 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

10 October 2019

Queensland Audit Office
Brisbane

Bulloo Shire Council

Current Year Financial Sustainability Statement for the year ended 30 June 2019

	Actual 2019	Target 2019
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Measures of Financial Sustainability

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

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items) ⁽¹⁾	3.64%	0 - 10%
Total Operating Revenue (excluding capital items) ⁽²⁾		

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset Sustainability Ratio

Capital Expenditure on the Replacement of Assets (renewals) ⁽³⁾	83.32%	more than 90%
Depreciation Expense		

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets	-105.56%	less than 60%
Total Operating Revenue (excluding capital items) ⁽²⁾		

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

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.

Bulloo Shire Council

Current Year Financial Sustainability Statement (continued) for the year ended 30 June 2019

Measures of Financial Sustainability (continued)

- (1) Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions, Donations and Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties (refer to Note 5 for exclusions), and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration and Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.
- (2) Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations and Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties (refer to Note 4 for exclusions).
- (3) Asset Renewals are defined as costs associated with renewing or replacing an asset in order to maintain existing service level capacity.

These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.

Bulloo Shire Council

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 *Local Government Regulation 2012* (the Regulation).

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



John Ferguson

MAYOR

8.10.2019



Lew Rojahn

CHIEF EXECUTIVE OFFICER

8.10.2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Bulloo Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Bulloo 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 Bulloo 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 Bulloo 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

10 October 2019

Queensland Audit Office
Brisbane

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2019

	Target 2019	Actual 2019	2020	2021	2022	2023	Forecast		2026	2027	2028	2029
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Measures of Financial Sustainability

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

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items) ⁽¹⁾

Total Operating Revenue (excluding capital items) ⁽²⁾

0 - 10%	3.64%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset Sustainability Ratio

Capital Expenditure on the Replacement of Assets (renewals) ⁽³⁾

Depreciation Expense

> 90%	83.32%	182.95%	121.15%	118.71%	116.34%	114.04%	111.81%	109.99%	107.56%	105.50%	102.43%
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets

Total Operating Revenue (excluding capital items) ⁽²⁾

< 60%	-105.56%	-83.49%	-77.22%	-78.03%	-77.11%	-76.43%	-75.26%	-75.93%	-75.83%	-75.91%	-72.63%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2019

Measures of Financial Sustainability (continued)

Bulloo Shire Council Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its Financial Management Strategy is prudent and that its Long-Term Financial Forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

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 key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three 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.

The table above summarises how we performed against set targets for the seven key financial performance indicators established in our financial strategy. In summary, we achieved or bettered six of the financial targets, performing strongly in our ability to generate cash from day-to-day operations, meeting all financial commitments in the financial year, and keeping debt to conservative and manageable levels. This was achieved while maintaining community services and making ongoing investment in community infrastructure. Our operating result in this period was adversely affected by the impacts of Water Reform and this issue is outlined in more detail in the coming pages.

Notes

(1) Includes only Recurrent Revenue and Recurrent Expenditure disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions, Donations and Subsidies received for capital acquisitions, Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties (refer to Note 9 for exclusions), and any Capital Expenditure such as Write Off of Assets, movements in Provisions for Restoration and Rehabilitation and Revaluation Decrements that hit the Statement of Comprehensive Income.

(2) Includes only Recurrent Revenue disclosed in the Income Statement. Excludes Capital Revenue Grants, Contributions Donations and Subsidies received for capital acquisitions. Also excludes any Capital Income items such as Profit from the Sale of: Property, Plant and Equipment, Financial Assets, Real Estate and Investment Properties (refer to Note 3 for exclusions).

(3) These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Community Recovery and Resilience.

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

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 pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

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



John Ferguson

MAYOR

8.10.2019



Lew Rojahn

CHIEF EXECUTIVE OFFICER

8.10.2019