

# Bulloo Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

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**Our Vision**  
**Growth - Community - Local - Everyone**



## General Purpose Financial Statements

for the year ended 30 June 2020

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Statement of Comprehensive Income  
for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3a	4,976,964	4,862,438
Fees and charges	3b	132,372	62,674
Sales revenue	3c	3,879,459	2,319,111
Grants, subsidies, contributions and donations	3d	7,571,622	7,775,691
<b>Total recurrent revenue</b>		<b>16,560,417</b>	<b>15,019,914</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	3d	3,940,063	3,436,272
<b>Total capital revenue</b>		<b>3,940,063</b>	<b>3,436,272</b>
<b>Other income</b>			
Rental income		340,923	319,221
Interest received	4b	234,662	490,958
Other income	4a	46,191	31,084
Capital income	5	44,034	-
<b>Total other income</b>		<b>665,810</b>	<b>841,263</b>
<b>Total income</b>		<b>21,166,290</b>	<b>19,297,449</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	6,016,659	5,754,623
Materials and services	7	6,693,969	3,868,038
Finance costs	8	222,172	165,655
Depreciation property, plant and equipment	13	6,143,963	5,495,200
<b>Total recurrent expenses</b>		<b>19,076,763</b>	<b>15,283,516</b>
<b>Other expenses</b>			
Capital expenses	9	202,051	649,180
<b>Total other expenses</b>		<b>202,051</b>	<b>649,180</b>
<b>Total expenses</b>		<b>19,278,814</b>	<b>15,932,696</b>
<b>Net result</b>		<b>1,887,476</b>	<b>3,364,753</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase/(decrease) in asset revaluation surplus	13	1,833,394	6,307,549
<b>Total other comprehensive income for the year</b>		<b>1,833,394</b>	<b>6,307,549</b>
<b>Total comprehensive income for the year</b>		<b>3,720,870</b>	<b>9,672,302</b>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous Standards relating to revenue and leases.

# Bulloo Shire Council

## Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	19,902,750	19,337,917
Receivables	11	643,743	1,104,280
Inventories	12	555,137	414,515
<b>Total current assets</b>		<b>21,101,630</b>	<b>20,856,712</b>
<b>Non-current assets</b>			
Receivables	11	293,253	547,586
Property, plant and equipment	13	194,342,844	192,141,212
<b>Total non-current assets</b>		<b>194,636,097</b>	<b>192,688,798</b>
<b>TOTAL ASSETS</b>		<b>215,737,727</b>	<b>213,545,510</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	15	2,019,823	520,485
Contract liabilities	14	481,936	-
Borrowings	16	-	528,429
Provisions	17	1,042,792	1,009,421
<b>Total current liabilities</b>		<b>3,544,551</b>	<b>2,058,335</b>
<b>Non-current liabilities</b>			
Borrowings	16	-	1,956,058
Provisions	17	102,572	98,763
<b>Total non-current liabilities</b>		<b>102,572</b>	<b>2,054,821</b>
<b>TOTAL LIABILITIES</b>		<b>3,647,123</b>	<b>4,113,156</b>
<b>Net community assets</b>		<b>212,090,604</b>	<b>209,432,354</b>
<b>COMMUNITY EQUITY</b>			
Asset revaluation surplus	18	89,054,387	87,220,993
Retained surplus		123,036,217	122,211,361
<b>Total community equity</b>		<b>212,090,604</b>	<b>209,432,354</b>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous Standards relating to revenue and leases.

Statement of Changes in Equity  
for the year ended 30 June 2020

	Notes	Asset revaluation surplus \$	Retained surplus \$	Total equity \$
<b>2020</b>				
<b>Balance as at 1 July 2019</b>		87,220,993	122,211,361	<b>209,432,354</b>
Adjustment on initial application of AASB 15 / AASB 1058	26	-	(1,062,620)	<b>(1,062,620)</b>
<b>Restated balance as at 1 July 2019</b>		<b>87,220,993</b>	<b>121,148,741</b>	<b>208,369,734</b>
<b>Net result</b>		-	1,887,476	<b>1,887,476</b>
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	13	1,833,394	-	<b>1,833,394</b>
<b>Other comprehensive income</b>		<b>1,833,394</b>	-	<b>1,833,394</b>
<b>Total comprehensive income for the year</b>		<b>1,833,394</b>	<b>1,887,476</b>	<b>3,720,870</b>
<b>Balance as at 30 June 2020</b>		<b>89,054,387</b>	<b>123,036,217</b>	<b>212,090,604</b>

	Notes	Asset revaluation surplus \$	Retained surplus \$	Total equity \$
<b>2019</b>				
<b>Balance as at 1 July 2018</b>		80,913,444	118,807,766	<b>199,721,210</b>
Adjustment on initial application of AASB 9		-	38,842	<b>38,842</b>
<b>Restated balance at 1 July 2018</b>		<b>80,913,444</b>	<b>118,846,608</b>	<b>199,760,052</b>
<b>Net result</b>		-	3,364,753	<b>3,364,753</b>
Other comprehensive income				
- Increase/(decrease) in asset revaluation surplus	13	6,307,549	-	<b>6,307,549</b>
<b>Other comprehensive income</b>		<b>6,307,549</b>	-	<b>6,307,549</b>
<b>Total comprehensive income for the year</b>		<b>6,307,549</b>	<b>3,364,753</b>	<b>9,672,302</b>
<b>Balance as at 30 June 2019</b>		<b>87,220,993</b>	<b>122,211,361</b>	<b>209,432,354</b>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous Standards relating to revenue and leases.

# Bulloo Shire Council

## Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		10,317,500	8,064,812
Payments to suppliers and employees		(11,891,337)	(10,530,165)
		(1,573,837)	(2,465,353)
<b><u>Receipts:</u></b>			
Interest received		234,662	490,958
Rental income		340,923	319,221
Grants, subsidies and contributions		10,931,001	11,211,963
<b><u>Payments:</u></b>			
Borrowing costs		(213,211)	(165,655)
Other		-	(51,794)
<b>Net cash - operating activities</b>	21	<u>9,719,538</u>	<u>9,339,340</u>
<b>Cash Flows from investing activities</b>			
<b><u>Receipts:</u></b>			
Proceeds from sale of property, plant and equipment		534,637	337,591
<b><u>Payments:</u></b>			
Payments for property, plant and equipment		(7,204,855)	(9,224,573)
<b>Net cash - investing activities</b>		<u>(6,670,218)</u>	<u>(8,886,982)</u>
<b>Cash flows from financing activities</b>			
<b><u>Payments:</u></b>			
Repayment of borrowings		(2,484,487)	(505,091)
<b>Net cash flow - financing activities</b>		<u>(2,484,487)</u>	<u>(505,091)</u>
<b>Net increase/(decrease) for the year</b>		<u>564,833</u>	<u>(52,733)</u>
plus: cash and cash equivalents - beginning		19,337,917	19,390,650
<b>Cash and cash equivalents - closing</b>	10	<u>19,902,750</u>	<u>19,337,917</u>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous Standards relating to revenue and leases.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 1. Summary of Significant Accounting Policies

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#### **(1.a) Basis of preparation**

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

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and investment property.

#### **(1.b) New and revised Accounting Standards adopted during the year**

Bulloo Shire Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019. The standards which had an impact on reported position, performance and cash flows were those relating to revenue. AASB 16 *Leases* also became effective, but as Council has no leases there was no impact for Council.

Refer to the change in accounting policy Note 26 for transition disclosures for AASB 15 *Revenue from Contracts with Customers* and AASB 1058 *Income of NFP Entities*.

#### **(1.c) Standards issued by the AASB not yet effective**

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

The following list identifies 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 that could be applicable to Councils.

#### **Effective for NFP annual reporting periods beginning on or after 1 January 2020**

- AASB 1059 Service Concession Arrangements: Grantors

#### **(1.d) Estimates and Judgements**

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

- Valuation and depreciation of Property, Plant & Equipment - Note 13
- Impairment of Property, Plant and Equipment - Note 13
- Provisions - Note 17
- Contingent Liabilities - Note 19
- Financial instruments and financial assets – Note 24
- Revenue - Note 3

#### **(1.e) Rounding and Comparatives**

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

#### **(1.f) Taxation**

Council 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 2(a). Council functions - component descriptions

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**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.

#### **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 2020

### Note 2(b). Council functions - analysis of results by function

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							
	\$	\$	\$	\$							
2020											
Finance	5,855,092	4,935,837	-	-	10,790,929	-	-	-	10,790,929	10,790,929	21,394,884
Administration	-	16,063	125,639	-	141,703	(3,446,556)	-	(3,446,556)	(3,430,493)	(3,304,854)	1,057,594
Engineering	1,291,055	3,817,316	3,381,918	-	8,490,289	(10,493,753)	-	(10,493,753)	(5,385,383)	(2,003,464)	184,279,346
Health and environment	228,929	84,587	76,955	-	390,470	(1,068,978)	-	(1,068,978)	(755,462)	(678,508)	-
Community and culture	135,774	286,702	187,000	-	609,476	(2,702,853)	-	(2,702,853)	(2,280,376)	(2,093,376)	-
Water and sewerage	-	226,634	168,550	-	395,184	(628,088)	-	(628,088)	(401,454)	(232,904)	9,005,903
Asset and resource management	60,772	243,432	-	44,034	348,238	(736,536)	(202,051)	(938,587)	(432,331)	(590,348)	-
Total	7,571,622	9,610,572	3,940,062	44,034	21,166,290	(19,076,763)	(202,051)	(19,278,814)	(1,894,570)	1,887,476	215,737,727

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue

		AASB 15 2020 \$	AASB 1058 2020 \$
	Notes		
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.			
<b>Revenue recognised at a point in time</b>			
Rates, levies and charges (excluding those related to services)	3a	-	4,976,964
Fees and charges (excluding infringements)	3b	129,742	-
Infringements	3b	-	2,630
Sale of goods and services	3c	3,879,459	-
Grants, subsidies, donations and contributions	3d	-	7,571,622
		<u>4,009,201</u>	<u>12,551,216</u>
<b>Revenue recognised over time</b>			
Grants and subsidies	3d	-	3,940,063
		<u>-</u>	<u>3,940,063</u>
<b>Total revenue</b>		<u>4,009,201</u>	<u>16,491,279</u>
		<b>2020 \$</b>	<b>2019 \$</b>

### (a). Rates, levies and charges

#### 2020 accounting policy

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

#### 2019 accounting policy

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

General rates	4,849,567	4,746,934
Separate rates	5,461	5,151
Water	129,095	122,255
Sewerage	95,749	90,741
Garbage charges	43,298	39,574
<b>Total rates and utility charge revenue</b>	<u>5,123,170</u>	<u>5,004,655</u>
Less: discounts	(144,515)	(141,400)
Less: pensioner remissions	(1,691)	(817)
<b>TOTAL RATES, LEVIES AND CHARGES</b>	<u><u>4,976,964</u></u>	<u><u>4,862,438</u></u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue (continued)

	2020	2019
	\$	\$

#### (b). Fees and charges

##### 2020 accounting policy

Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

##### 2019 accounting policy

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.

Building and development fees	8,983	3,006
Infringements and impounding fees	2,630	1,696
Reserve fees	8,918	2,600
Licences and registrations	3,200	2,240
Dog registration	5,873	6,895
Tourism receipts	82,187	24,028
Other fees and charges	20,581	22,209
<b>TOTAL FEES AND CHARGES</b>	<b>132,372</b>	<b>62,674</b>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue (continued)

	2020	2019
	\$	\$
<b>(c). Sales revenue</b>		
<p>Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.</p> <p>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 based on costs incurred at the reporting date. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.</p>		
<b>Sale of services</b>		
Contract and recoverable works	3,367,811	1,614,418
Private Works	89,073	331,514
Other sale of services	4,500	-
<b>Total sale of services</b>	<b>3,461,384</b>	<b>1,945,932</b>
<b>Sale of goods</b>		
Café	66,626	14,706
Aviation fuel	351,449	358,473
<b>Total sale of goods</b>	<b>418,075</b>	<b>373,179</b>
<b>TOTAL SALES REVENUE</b>	<b>3,879,459</b>	<b>2,319,111</b>

## (d). Grants, subsidies, contributions and donations

### 2020 accounting policy

#### Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include when the associated works detailed in the agreement have been completed. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 3. Revenue (continued)

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#### (d). Grants, subsidies, contributions and donations (continued)

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

##### **Grant income under AASB 1058**

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

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

##### **Capital grants**

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

##### **2019 accounting policy**

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. In 2019, Council did not have any reciprocal grants.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 3. Revenue (continued)

	2020 \$	2019 \$
(d). Grants, subsidies, contributions and donations (continued)		
(i) Recurrent		
General purpose grants	5,870,092	5,896,107
State government subsidies and grants	250,854	216,834
Commonwealth government subsidies and grants	1,450,676	1,662,750
<b>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</b>	<b>7,571,622</b>	<b>7,775,691</b>

### (ii) Capital

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

State government subsidies and grants	2,290,707	1,758,947
Commonwealth government subsidies and grants	1,649,356	1,677,325
<b>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</b>	<b>3,940,063</b>	<b>3,436,272</b>

## Note 4. Interest and other income

### (a). Other income

Recovered costs	20,774	24,798
Other	25,417	6,286
<b>TOTAL OTHER INCOME</b>	<b>46,191</b>	<b>31,084</b>

### (b). Interest received

Interest received from Queensland Treasury Corporation (QTC) is recognised as income 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	229,822	482,380
Interest received from other sources	995	1,257
Interest from overdue rates and utility charges	3,845	7,321
<b>TOTAL INTEREST RECEIVED</b>	<b>234,662</b>	<b>490,958</b>

# Bulloo Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 5. Capital income

	Notes	2020 \$	2019 \$
<b>Gain / loss on disposal of non-current assets</b>			
Proceeds from the disposal of plant and equipment		510,307	-
Less: book value of plant and equipment disposed	13	(461,221)	-
		<u>49,086</u>	<u>-</u>
Proceeds from disposal of land and improvements		24,330	-
Less: book value of land disposed	13	(29,382)	-
		<u>(5,052)</u>	<u>-</u>
<b>TOTAL CAPITAL INCOME</b>		<u><u>44,034</u></u>	<u><u>-</u></u>

### Note 6. Employee benefits

Wages and salaries		4,506,426	4,310,306
Councillor's remuneration		309,712	320,483
Annual, sick and long service leave entitlements		966,852	940,917
Superannuation	20	521,380	491,664
Training costs		44,753	81,451
Workers compensation insurance		22,935	61,493
		<u>6,372,058</u>	<u>6,206,314</u>
Other employee related expenses		81,896	108,773
		<u>6,453,954</u>	<u>6,315,087</u>
Less: capitalised employee expenses		(437,295)	(560,464)
<b>TOTAL EMPLOYEE BENEFITS</b>		<u><u>6,016,659</u></u>	<u><u>5,754,623</u></u>

Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.

#### Additional information:

Total Council employees at the reporting date:	<b>No.</b>	<b>No.</b>
Elected members	5	5
Administration staff	27	22
Depot and outdoors staff	34	32
<b>Total full time equivalent employees</b>	<u>66</u>	<u>59</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 7. Materials and services

	Notes	2020 \$	2019 \$
Advertising and marketing		12,651	11,222
Administration supplies and consumables		121,980	88,016
Audit of annual financial statements by the Auditor-General of Queensland		41,470	80,318
Communications and IT		400,102	325,103
Consultants		285,028	334,977
Donations paid		133,969	180,629
Coronavirus (COVID-19)		8,629	-
Repairs and maintenance		4,068,841	2,349,557
Subscriptions and registrations		7,545	7,519
Insurance		206,917	191,972
Other materials and services, including recoverable works		1,406,837	298,725
<b>TOTAL MATERIALS AND SERVICES</b>		<b>6,693,969</b>	<b>3,868,038</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$65,700 (2019: \$64,600).

### Note 8. Finance costs

Finance Costs - Queensland Treasury Corporation	208,723	126,435
Bank charges	4,467	7,512
Impairment of Debts	8,982	31,708
<b>TOTAL FINANCE COSTS</b>	<b>222,172</b>	<b>165,655</b>

### Note 9. Capital expenses

#### (a) Loss on disposal of non-current assets

Proceeds from the disposal of property, plant and equipment	-	337,591
Less: book value of property, plant and equipment disposed	-	(986,771)
<b>Loss on disposal of non-current assets</b>	<b>-</b>	<b>649,180</b>

#### (b) Other capital expenses

Loss on write-off of property, plant & equipment	202,051	-
	<b>202,051</b>	<b>-</b>
<b>TOTAL CAPITAL EXPENSES</b>	<b>202,051</b>	<b>649,180</b>



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Cash and cash equivalents

	2020 \$	2019 \$
Cash and cash equivalents in the statement of cash flows 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 at bank and on hand	2,089,231	4,076,773
Deposits at call	17,813,519	15,261,144
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	<b>19,902,750</b>	<b>19,337,917</b>

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.

#### Restricted cash and cash equivalents

Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use at the reporting date. These restrictions relate to the following cash assets:

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

Unspent government grants and subsidies	744,960	1,191,620
<b>Total external restrictions</b>	<b>744,960</b>	<b>1,191,620</b>

#### Trust funds held for outside parties

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 \$4,517. (2019: \$19,301). As these funds cannot be used by Council, they are not brought into account in these financial statements.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11. Receivables

	2020	2019
	\$	\$

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued. Security is not normally obtained.

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.

The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

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

#### Current

Rates and charges	24,202	43,059
Other debtors	428,448	844,353
GST recoverable	139,016	133,210
Deferred house sale payments	64,480	87,100
<b>Total</b>	<b>656,146</b>	<b>1,107,722</b>
<b>less: Provision for impairment</b>		
Other debtors	(12,403)	(3,442)
<b>Total provision for impairment - receivables</b>	<b>(12,403)</b>	<b>(3,442)</b>
<b>TOTAL CURRENT RECEIVABLES</b>	<b>643,743</b>	<b>1,104,280</b>

#### Non-current

Deferred house sale payments	293,253	547,586
<b>TOTAL NON-CURRENT RECEIVABLES</b>	<b>293,253</b>	<b>547,586</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 11. Receivables (continued)

	2020	2019
	\$	\$
<b>Movement in accumulated impairment losses is as follows:</b>		
Opening balance at 1 July	(3,442)	(43,290)
Adjustment to opening balance upon application of AASB 9	-	38,842
<i>Add</i>		
Additional impairments recognised	(8,982)	(31,708)
<i>Less</i>		
Impairment debts written off during the year	21	32,714
<b>Balance at the end of the year</b>	<b>(12,403)</b>	<b>(3,442)</b>

Refer also to Note 24 for further information about credit risk.

Interest is charged on outstanding rates (9.83% per annum from 1 July 2019, previously 11% per annum). No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

### Note 12. Inventories

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

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.

#### Inventories held for distribution

Quarry and road materials	161,722	-
Plant and equipment stores	393,415	414,515
<b>TOTAL CURRENT INVENTORIES</b>	<b>555,137</b>	<b>414,515</b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 13. Property, plant and equipment

30 June 2020		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		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
Additions - new		-	-	-	-	-	-	-	-	7,204,851	7,204,851
Disposals	5, 9	(29,379)	-	-	(1,739,419)	-	-	-	-	-	(1,768,798)
Write-offs	5, 9	-	(94,087)	(60,956)	-	-	(130,213)	(63,003)	-	-	(348,259)
Revaluation decrements to equity (ARS)		(47,278)	-	-	-	-	-	-	-	-	(47,278)
Revaluation increments to equity (ARS)		-	629,629	227,081	-	-	1,288,358	82,984	39,478	-	2,267,530
Work in progress transfers		19,940	1,446,042	644,252	1,623,969	-	4,106,465	257,271	122,404	(8,220,343)	-
Total gross value of property, plant and equipment		570,742	33,767,992	11,040,485	12,681,914	793,082	190,752,844	8,818,135	3,763,824	4,057,480	266,246,498
Opening accumulated depreciation		-	12,501,068	3,142,767	6,852,190	270,583	40,437,699	2,461,959	1,130,974	-	66,797,240
Depreciation expense		-	818,534	377,667	1,016,346	42,506	3,641,417	172,858	74,635	-	6,143,963
Disposals	5, 9	-	-	-	(1,278,195)	-	-	-	-	-	(1,278,195)
Write-offs	5, 9	-	(36,906)	(31,407)	-	-	(62,865)	(15,034)	-	-	(146,212)
Revaluation increments to equity (ARS)		-	252,371	73,270	-	-	23,549	24,888	12,780	-	386,858
Total accumulated depreciation of property, plant and equipment		-	13,535,067	3,562,297	6,590,341	313,089	44,039,800	2,644,671	1,218,389	-	71,903,654
Total net book value of property, plant and equipment		570,742	20,232,925	7,478,188	6,091,573	479,993	146,713,044	6,173,464	2,545,435	4,057,480	194,342,844
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		-	517,451	12,169	1,623,969	-	2,684,460	129,852	101,734	-	5,069,635
Other additions		19,940	325,618	632,083	-	-	1,009,486	127,419	20,670	-	2,135,216
Total asset additions		19,940	843,069	644,252	1,623,969	-	3,693,946	257,271	122,404	-	7,204,851

Notes to the Financial Statements  
for the year ended 30 June 2020

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		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 - new		15,000	573,156	314,408	-	-	703,403	154,496	-	2,328,003	4,088,466
Additions - other		-	252,737	61,102	1,360,685	44,901	55,364	761,718	65,335	2,534,266	5,136,108
Disposals	5, 9	-	-	-	(1,149,161)	-	-	-	-	-	(1,149,161)
Write-offs	5, 9	-	(151,750)	(111,228)	-	(37,481)	(347,136)	(387,311)	(43,810)	-	(1,078,716)
Revaluation decrements to equity (ARS)		(168,241)	-	-	-	-	-	-	-	-	(168,241)
Revaluation increments to equity (ARS)		-	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		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	5, 9	-	-	-	(828,718)	-	-	-	-	-	(828,718)
Write-offs	5, 9	-	(112,684)	(30,344)	-	(27,153)	(76,400)	(143,536)	(22,270)	-	(412,387)
Revaluation increments to equity (ARS)		-	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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (a) Recognition

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. 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.

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

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

#### **Land under roads**

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

#### (b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs directly attributable to bringing the asset to a location and condition capable of being used by Council.

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions or for significantly less than fair value are initially recognised at their fair value.

#### (c) Depreciation

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (c) Depreciation (continued)

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

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

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

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

#### **Key judgements and estimates**

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

#### (d) Impairment

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

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (e) Valuation

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

#### Valuation Processes

Land, 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.

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 within this note.

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.

In accordance with AASB 13 fair value measurements are categorised on the following basis:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly,

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Property, plant and equipment (continued)

### (e) Valuation (continued)

(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	
		\$	\$	\$	\$
<b>2020</b>					
<b>Property, plant and equipment</b>					
Land	30/06/20	-	-	570,742	570,742
Buildings					
- Residential and Commercial Properties	30/06/20	-	-	8,360,755	8,360,755
- Specialised Buildings	30/06/20	-	-	11,872,180	11,872,180
Other Structures	30/06/20	-	-	7,478,188	7,478,188
Infrastructure assets:					
- Road, Drainage and Bridge Network	30/06/20	-	-	146,713,044	146,713,044
- Water	30/06/20	-	-	6,173,464	6,173,464
- Sewerage	30/06/20	-	-	2,545,435	2,545,435
<b>Total property, plant and equipment</b>		<b>-</b>	<b>-</b>	<b>183,713,807</b>	<b>183,713,807</b>
<b>2019</b>					
<b>Property, plant and equipment</b>					
- Land	30/06/19	-	-	627,459	627,459
- 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
<b>Total property, plant and equipment</b>		<b>-</b>	<b>-</b>	<b>181,228,026</b>	<b>181,228,026</b>

### (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (e) Valuation (continued)

##### **(3) Valuation techniques used to derive level 2 and level 3 fair values**

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and 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 2020 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.

For the actual land valuation performed for year ended 30 June 2018 there was a lack of land sales, and therefore all land was categorised as Level 3 and the value based on rates per square meter as determined by the valuer, using unobservable inputs. The lack of land sales in the Council area continued for the year ended 30 June 2020, again impacting on the indexation formula used for the movement in land values by the valuers, Australis Asset Advisory Group.

The final index rate used by the valuers for the purpose of the land indexation report for 2020 is based on the cumulative weighted indexes of the analysis of medium trend data for land by the Real Estate Institute of Queensland, weighted with the very sparse cumulative land sales in the Council area.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (e) Valuation (continued)

#### **(3) Valuation techniques used to derive level 2 and level 3 fair values (continued)**

##### **Buildings and other structures (level 3)**

The Fair Value of Buildings and Other Structures was independently valued by Australis Asset Advisory Group effective for 30 June 2018 and a desktop valuation as at 2020 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.

Due to a lack of sales for Buildings as well as Other Structures significant professional judgement inputs were implemented by the valuers, Australis Asset Advisory Group, for the purpose of the 30 June 2020 indexation report. This involved a weighted approach of various sources if and where available. These sources include industry or sector indices, price guides and quotes from market participants which may include Producer Price Indexes, ABS Construction Materials Index, Wage Index, and Architectural, Engineering and Technical Services Index, all available from the Australian Bureau of Statistics. This is where appropriate supplemented by Building Cost Indices which is available from various sources.

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

#### Infrastructure Assets - Roads, Water and Sewerage (level 3)

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

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The 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 2020 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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

---

#### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Roads (level 3) (continued)

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

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#### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Roads (level 3) (continued)

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 roads 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.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 13. Property, plant and equipment (continued)

### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Roads (level 3) (continued)

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.

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

---

#### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### 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 2020 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.

##### **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.

###### *Accumulated Depreciation*

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 13. Property, plant and equipment (continued)

#### (e) Valuation (continued)

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

#### Water and sewerage (level 3) (continued)

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.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 14. Contract balances

	2020	2019
	\$	\$

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

#### (a) Contract liabilities

Funds received upfront to construct Council controlled assets	481,936
<b>TOTAL CONTRACT LIABILITIES</b>	<b>481,936</b>
<b>Classified as:</b>	
Current contract liabilities	481,936
<b>Total contract liabilities</b>	<b>481,936</b>

#### Revenue recognised that was included in the contract liability balance at the beginning of the year

Funds to construct Council controlled assets	1,062,620
<b>Total revenue included in the contract liability</b>	<b>1,062,620</b>

#### (b) Significant changes in contract balances

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 15. Payables

	2020	2019
	\$	\$
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.		
Creditors and accruals	1,993,740	503,004
Employee entitlements	25,258	15,301
Security bonds, deposits and retentions	825	2,180
<b>TOTAL CURRENT PAYABLES</b>	<b>2,019,823</b>	<b>520,485</b>

### Note 16. Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction cost. Thereafter, they are measured at amortised cost. Principal and interest repayments were made quarterly up to February 2020, at which stage the loans were paid in full by Council.

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. 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.

#### Current

Loans - Queensland Treasury Corporation	-	528,429
<b>TOTAL CURRENT BORROWINGS</b>	<b>-</b>	<b>528,429</b>

#### Non-current

Loans - Queensland Treasury Corporation	-	1,956,058
<b>TOTAL NON-CURRENT BORROWINGS</b>	<b>-</b>	<b>1,956,058</b>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 16. Borrowings (continued)

	2020	2019
	\$	\$
<b>Reconciliation of loan movements for the year</b>		
<b>Loans - Queensland Treasury Corporation</b>		
Opening balance at beginning of financial year	2,484,487	2,989,578
Principal repayments	(2,484,487)	(505,091)
Book value at end of financial year	-	2,484,487

The QTC loan market value at 30 June 2019 was \$ 2,655,722. This represents the value of the debt if Council repaid it at that date. As it was the intention of Council to hold the debt for its term, no provision was required to be made in these accounts.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government. There have been no defaults or breaches of the loan agreement during the 2020 or 2019 financial years.

### Note 17. Provisions

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.

Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and include related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

#### Long service leave

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

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

## Bulloo Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 17. Provisions (continued)

	2020	2019
	\$	\$
<b>Current</b>		
Annual leave	458,676	459,566
Long service leave	584,116	549,855
<b>TOTAL CURRENT PROVISIONS</b>	<b>1,042,792</b>	<b>1,009,421</b>
<b>Non-current</b>		
Long service leave	102,572	98,763
<b>TOTAL NON-CURRENT PROVISIONS</b>	<b>102,572</b>	<b>98,763</b>

#### Note 18. Asset revaluation surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

#### Note 19. Contingent liabilities

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

##### Local Government Mutual

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

As at 30 June 2020 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

##### Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$77,803, (2019: \$85,424).

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 20. Superannuation - regional defined benefit fund

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

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

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

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

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

	Notes	2020 \$	2019 \$
Superannuation contributions made to the Regional Defined Benefits Fund		12,581	12,581
Other superannuation contributions for employees		508,799	479,083
Total superannuation contributions paid by Council for employees	6	<u>521,380</u>	<u>491,664</u>

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 21. Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	2020 \$	2019 \$
Net operating result from income statement	1,887,476	3,364,753
Non-cash items		
Changes in accounting policy	(1,062,620)	-
Depreciation and amortisation	6,143,963	5,495,200
	<u>5,081,343</u>	<u>5,495,200</u>
Investing and development activities		
Net (profit)/loss on disposal of assets	(44,034)	649,180
Loss on write-off of assets	202,051	-
	<u>158,017</u>	<u>649,180</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	705,909	(369,969)
Increase/(decrease) in provision for doubtful debts	8,961	(1,006)
(Increase)/decrease in inventories	(140,622)	(24,283)
Increase/(decrease) in payables	1,499,338	152,487
Increase/(decrease) in contract liabilities	481,936	-
Increase/(decrease) in employee leave entitlements	37,180	72,978
	<u>2,592,702</u>	<u>(169,793)</u>
Net cash provided from/(used in) operating activities from the statement of cash flows	<u><u>9,719,538</u></u>	<u><u>9,339,340</u></u>

## Note 22. Reconciliation of liabilities arising from finance activities

	As at 30-Jun-19 \$	Cashflows \$	Non-cash changes \$	As at 30-Jun-20 \$
Loans	<u>2,484,487</u>	<u>(2,484,487)</u>	-	-
	<u>2,484,487</u>	<u>(2,484,487)</u>	-	-

	As at 30-Jun-18 \$	Cashflows \$	Non-cash changes \$	As at 30-Jun-19 \$
Loans	<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>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 23. Events after the reporting period

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Events that occur after the reporting date of 30 June 2020, 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.

Council is unaware of any material or significant events after the reporting date that should be disclosed.



### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 24. Financial instruments and financial risk management

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Bulloo Shire Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council.

The Council minimised its exposure to financial risk in the following ways:

- Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia.
- The Council does not invest in derivatives or other high risk investments.
- When the Council borrows, it borrows from the Queensland Treasury Corporation (QTC) unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Agreements Act 1982.

Bulloo Shire Council measures risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis
Interest rate risk	Sensitivity analysis

##### Credit Risk

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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 these debts.

The Council is exposed to credit risk through its investments with the QTC and deposits held with banks or other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with highly rated and regulated banks and whilst not capital guaranteed, the likelihood of a credit failure is remote.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security relating to the financial assets held by the Council.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Financial instruments and financial risk management (continued)

	Notes	2020 \$	2019 \$
The following table represents the Council's maximum exposure to credit risk:			
<b>Financial assets</b>			
Cash and cash equivalents	10	19,902,750	19,337,917
Receivables - rates and utility charges	11	24,202	43,059
Receivables - other	11	567,464	974,121
Other financial assets	11	357,733	634,686
<b>Total</b>		<b>20,852,149</b>	<b>20,989,783</b>

### Past, due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired (excluding cash & cash equivalents):

	2020 \$	2019 \$
Fully Performing	358,392	962,772
Past due 31-60 days	185,639	644
Past due 61-90 days	(240)	3,901
More than 90 days	405,609	687,991
<b>Total</b>	<b>949,400</b>	<b>1,655,308</b>

Refer to Note 11 for the movement in the allowance for impairment for receivables during the year.

### 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 QTC for capital works.

The Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the borrowings Note 16. There are no additional facilities or lines of credit available.

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 24. Financial instruments and financial risk management (continued)

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	2,019,823	-	-	2,019,823	2,019,823
	<u>2,019,823</u>	<u>-</u>	<u>-</u>	<u>2,019,823</u>	<u>2,019,823</u>
<b>2019</b>					
Payables	520,485	-	-	520,485	520,485
Loans - QTC	631,526	2,114,495	-	2,746,021	2,484,487
	<u>1,152,011</u>	<u>2,114,495</u>	<u>-</u>	<u>3,266,506</u>	<u>3,004,972</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.

### Interest Rate Risk

The Council is exposed to interest rate risk through its borrowings from the QTC and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing from financial institutions which provide access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

The Council does not undertake any hedging of interest rate risk.

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 25. Transactions with related parties

	2020	2019
	\$	\$

Council did not have any subsidiaries, transactions with associates or transactions with joint ventures.

### (a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Chief Executive Officer and Executive Management. The compensation paid to KMP comprises:

Short-term employee benefits	1,290,566	1,311,572
Post-employment benefits	99,928	108,497
Long-term benefits	14,871	18,004
<b>Total</b>	<b>1,405,365</b>	<b>1,438,073</b>

### (b) Transactions with other related parties

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 below.

Employee expenses for close family member of KMP (16 employees)	(i)	1,122,792	332,314
Purchases of materials and services from other related parties	(ii)	2,455,914	2,851,909
Sales of materials and services to other related parties	(iii)	61,696	13,886

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Council employed 61 full time equivalent employees (54 in 2019) of which 16 (5 in 2019) are close family members of key management personnel.

(ii) The Council purchased the following material and services from entities that are controlled by related parties of key management personnel. All purchases were at arm's length and were in the normal course of council operations:

Purchase of accommodation	19,112	40,533
Purchase of Buildings	-	300,000
Purchase of goods - Thargomindah General Store	138,690	116,255
Purchase of goods - other	1,860	-
Purchase of mechanical services - Turnouts Mechanical Services	364,522	357,297
Purchase of goods and maintenance services - Ago Vires Pty Ltd	1,777,305	2,037,624
Purchase of goods and maintenance services - other	154,425	200
	<b>2,455,914</b>	<b>2,851,909</b>

The managers/owners of Ago Vires Pty Ltd and Turnouts Mechanical Services are sons-in-law of the Mayor of Bulloo Shire Council (BSC). Both are also related parties to the Manager Corporate Services, another KMP of Council, the second being married to her, and the first being married to her sister, who is also employed by Council. The joint owner of Thargomindah General Store was a councillor to March 2020 and married to the other owner of the store.

(iii) The Council sold materials and services to entities that are controlled by related parties of key management personnel. These sales related to private works and stores issues. All sales were at arm's length and were in the normal course of Council operations.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 25. Transactions with related parties (continued)

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#### (c) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties to Council live and operate within the Bulloo Shire Council area. Therefore, on a regular basis ordinary citizen transactions occur between Council and its 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) Outstanding balances

As at 30 June 2020 the amount of \$47,490 (2019 \$135,650) was owing by Council to related parties.

### Note 26. Changes in accounting policy

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During the year ended 30 June 2020, Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of NFP Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

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

# Notes to the Financial Statements

for the year ended 30 June 2020

## Note 26. Changes in accounting policy (continued)

### Leases standard - AASB 16

Council has adopted the new leases standard from 1 July 2019.

Council does not have any leases.

There have been no changes as a result of the adoption of this new accounting standard.

### Revenue standards - AASB 15 and AASB 1058

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

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

*Changes in accounting policy on adoption of AASB 15 and AASB 1058 include the following:*

- Recognition of grant revenue within the scope of AASB 15
- Prepaid rates - now recorded as a financial liability until the beginning of the rating period
- Recognition of grant revenue for acquisition or construction of assets controlled by Council

*Opening contract balances on transition at 1 July 2019*

### Contract liabilities

Under AASB 15

Under AASB 1058

### Total contract liabilities

**Balance as at 1  
July 2019**

\$

-

1,062,620

1,062,620

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

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

*Statement of financial position at 30 June 2020*

	Carrying amount per statement of Financial Position	Adjustments	Carrying amount if previous standards had been applied
	\$	\$	\$
Contract liabilities	481,936	(481,936)	-
Retained earnings	124,353,053	481,936	124,834,989
	<u>124,834,989</u>	<u>-</u>	<u>124,834,989</u>

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 26. Changes in accounting policy (continued)

#### Statement of comprehensive income for the year ended 30 June 2020

	Balance per statement of Comprehensive Income	Adjustments	Carrying amount if previous standards had been applied
	\$	\$	\$
Revenue - capital grants	3,940,063	(580,684)	3,359,379
	<u>3,940,063</u>	<u>(580,684)</u>	<u>3,359,379</u>

The adjustments above relate to the recognition of contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

#### Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.

### Note 27. Impact of COVID-19 pandemic

The spread of novel coronavirus (COVID-19) was declared a public health emergency by the World Health Organisation on 31 January 2020 and upgraded to a global pandemic on 11 March 2020. The rapid rise of the virus saw an unprecedented global response by Governments, regulators and industry sectors. The Australian Federal Government enacted its emergency plan on 29 February 2020 which has seen the closure of Australian borders from 20 March and the release of a number of government stimulus packages to support individuals and business as the Australian economy faces significant slowdowns and uncertainties.

For the year ended 30 June 2020, COVID-19 has impacted Council specifically as follows:

From late March 2020, in response to social distancing requirements and travel restrictions enacted by the Queensland Government, Council implemented a range of temporary measures including:

- Temporary closure of community facilities such as parks, swimming pools, community halls, library, gym, playgrounds, sport grounds, various tourist attractions and caravan parks.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 27. Impact of COVID-19 pandemic (continued)

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Other Council services continued to be delivered with the implementation of social distancing and COVID-19 safe working procedures. The majority of Council services that were impacted by COVID-19 restrictions were re-opened by June 2020 in line with the Queensland Government's staged recovery, however certain Council facilities or events are yet to fully recommence. These include the use of community halls and community facilities which can be used but under strict safety protocols. Sport grounds are still closed and are only available and functional under exceptional circumstances on application.

The full impact of the COVID-19 outbreak continues to evolve at the date of this report. Council is therefore uncertain as to the full impact that the pandemic will have on its financial condition, liquidity, and future results of operations during 2020, and beyond, but current indicators for Council remains positive within this uncertain overall environment. Practical accessibility to goods and services were tested, as was psychological and emotional wellbeing of residents, but due to the geographical isolation of the region residents are used to and adapt well to most challenges.

To date Council and its residents has mostly not been financial impacted materially, and this situation should continue into the future. The biggest risk to this naturally remains the possibility of an outbreak of cases from the pandemic within the Council area boundaries.



## Bulloo Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2020

### Management Certificate

for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the 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 Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 2 to 47, 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**

9 October 2020

  
\_\_\_\_\_  
Lew Rojahn

**CHIEF EXECUTIVE OFFICER**

9 October 2020

## 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 2020 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Bulloo Shire Council for the year ended 30 June 2020 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

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

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

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

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

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

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

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

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

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



Dale Hassell  
as delegate of the Auditor-General

12 October 2020

Queensland Audit Office  
Brisbane

## Current Year Financial Sustainability Statement for the year ended 30 June 2020

	Actual 2020	Target 2020
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### Measures of financial sustainability

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

### Performance indicators

#### 1. Operating surplus ratio

<u>Net result (excluding capital items) <sup>(1)</sup></u>	-11.03%	0 - 10%
Total operating revenue (excluding capital items) <sup>(2)</sup>		

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

<u>Capital expenditure on the replacement of assets (renewals) <sup>(3)</sup></u>	67.76%	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

<u>Total liabilities less current assets</u>	-101.58%	less than 60%
Total operating revenue (excluding capital items) <sup>(2)</sup>		

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 2020.

## Current Year Financial Sustainability Statement (continued)

for the year ended 30 June 2020

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### Notes

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 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 5 for exclusions).
- <sup>(3)</sup> Asset renewals are defined as costs associated with renewing or replacing an asset in order to maintain existing service level capacity.

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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, Racing and Multicultural Affairs.

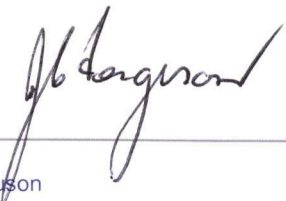
## Bulloo Shire Council

### Current Year Financial Sustainability Statement for the year ended 30 June 2020

### Certificate of Accuracy for the year ended 30 June 2020


This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this current year financial sustainability Statement has been accurately calculated.

  
\_\_\_\_\_  
John Ferguson

**MAYOR**

9 October 2020

  
\_\_\_\_\_  
Lew Rojahn

**CHIEF EXECUTIVE OFFICER**

9 October 2020

## 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 2020 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Bulloo Shire Council for the year ended 30 June 2020 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.



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

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

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

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

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

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

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

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

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

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

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

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



Dale Hassell  
as delegate of the Auditor-General

12 October 2020

Queensland Audit Office  
Brisbane

## Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	Forecast		2027	2028	2029	2030
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### Measures of financial sustainability

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

### Performance indicators

#### 1. Operating surplus ratio

Net result (excluding capital items) <sup>(1)</sup>

Total operating revenue (excluding capital items) <sup>(2)</sup>

0 - 10%	-11.03%	-7.55%	-7.14%	-5.18%	-4.62%	-2.33%	-2.81%	-1.76%	-0.77%	0.71%	1.77%
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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) <sup>(3)</sup>

Depreciation expense

> 90%	67.76%	137.97%	92.15%	92.70%	9.38%	103.24%	102.81%	104.69%	107.95%	110.74%	118.26%
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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) <sup>(2)</sup>

< 60%	-101.58%	-112.70%	-103.46%	-100.14%	-93.75%	-96.73%	-99.18%	-101.66%	-103.84%	-80.53%	-77.60%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

### Unaudited Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2020

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#### **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.

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#### Notes

- <sup>(1)</sup> 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.
- <sup>(2)</sup> 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 5 for exclusions).
- <sup>(3)</sup> Asset renewals are defined as costs associated with renewing or replacing an asset in order to maintain existing service level capacity.

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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, Racing and Multicultural Affairs.

## Bulloo Shire Council

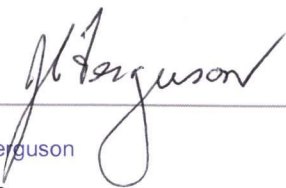
### Unaudited Long-Term Financial Sustainability Statement

#### Certificate of Accuracy

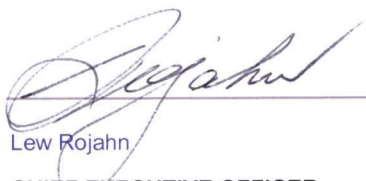
for the long-term financial sustainability statement prepared as at 30 June 2020

This long-term financial sustainability statement has been prepared pursuant to Section 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**

9 October 2020

  
\_\_\_\_\_  
Lew Rojahn  
**CHIEF EXECUTIVE OFFICER**

9 October 2020