

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Our Vision
Growth - Community - Local - Everyone



General Purpose Financial Statements

for the year ended 30 June 2018

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Bulloo Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Income from Continuing Operations			
Revenue			
Recurrent Revenue			
Rates, Levies and Charges	3a	4,611,720	4,453,079
Fees and Charges	3b	86,120	36,820
Rental Income	3c	316,583	291,831
Interest and Investment Revenue	3d	296,777	265,683
Sales Revenue	3e	3,172,321	4,344,320
Other Income	3f	60,601	49,531
Grants, Subsidies, Contributions and Donations	4a	6,782,716	9,390,910
Total Recurrent Revenue		15,326,838	18,832,174
Capital Revenue			
Grants, Subsidies, Contributions and Donations	4b	8,840,828	7,103,218
Total Income (Continuing Operations)		24,167,666	25,935,392
Expenses from Continuing Operations			
Recurrent Expenses			
Employee Benefits	5	5,135,342	5,242,061
Materials and Services	6	3,944,828	5,082,922
Finance Costs	7	167,186	219,198
Depreciation and Amortisation	8	5,309,567	4,919,958
Total Recurrent Expenses		14,556,924	15,464,139
Capital Expenses	9	467,132	7,542,743
Total Expenses (Continuing Operations)		15,024,056	23,006,882
Operating Result (Continuing Operations)		9,143,610	2,928,510
Net Result		9,143,610	2,928,510
Other Comprehensive Income			
Amounts which will not be reclassified subsequently to the Net Result			
Gain/(Loss) on Revaluation and Impairment of Property, Plant and Equipment	18	(27,767,726)	-
Total Other Comprehensive Income		(27,767,726)	-
Total Comprehensive Income		(18,624,116)	2,928,510
Total Comprehensive Income - Council		(18,624,116)	2,928,510

Bulloo Shire Council

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$	2017 \$
ASSETS			
Current Assets			
Cash and Cash Equivalents	10	19,390,651	18,323,567
Trade and Other Receivables	11	524,616	1,440,657
Inventories	12	390,232	270,362
Total Current Assets		20,305,499	20,034,586
Non-Current Assets			
Trade and Other Receivables	11	717,433	914,571
Property, Plant and Equipment	13	183,091,061	202,289,096
Total Non-Current Assets		183,808,494	203,203,667
TOTAL ASSETS		204,113,993	223,238,253
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	827,564	888,450
Borrowings	16	482,786	489,181
Provisions	17	356,897	337,908
Total Current Liabilities		1,667,247	1,715,539
Non-Current Liabilities			
Borrowings	16	2,506,792	2,984,077
Provisions	17	218,743	193,311
Total Non-Current Liabilities		2,725,535	3,177,388
TOTAL LIABILITIES		4,392,782	4,892,927
Net Community Assets		199,721,211	218,345,326
COMMUNITY EQUITY			
Asset Revaluation Reserve	18	80,913,444	108,681,170
Retained Surplus/(Deficiency)	19	118,807,766	109,664,156
Total Community Equity		199,721,210	218,345,326

Statement of Changes in Equity

for the year ended 30 June 2018

	Notes	Shire Capital \$	Asset Revaluation Reserve \$	Retained Surplus \$	Other Reserves \$	Total Equity \$
2018						
Opening Balance (as per Last Year's Audited Accounts)		-	108,681,170	109,664,156	-	218,345,326
a. Net Operating Surplus for the Year		-	-	9,143,610	-	9,143,610
b. Other Comprehensive Income						
- Revaluations : Property, Plant and Equip. Asset Revaluation Rsve	18	-	(27,767,726)	-	-	(27,767,726)
Other Comprehensive Income		-	(27,767,726)	-	-	(27,767,726)
Total Comprehensive Income		-	(27,767,726)	9,143,610	-	(18,624,116)
Equity Balance as at 30 June, 2018		-	80,913,444	118,807,766	-	199,721,210
2017						
Opening Balance (as per Last Year's Audited Accounts)		96,185,000	108,681,170	4,521,314	6,029,333	215,416,817
a. Net Operating Surplus for the Year		-	-	2,928,510	-	2,928,510
Total Comprehensive Income (c&d)		-	-	2,928,510	-	2,928,510
b. Transfers to/from Shire Capital & Reserves ⁽¹⁾		(96,185,000)	-	102,214,333	(6,029,333)	-
Equity Balance as at 30 June, 2017		-	108,681,170	109,664,156	-	218,345,326

(1) Transfers from Reserves

Council's Cash and Cash Equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of Reserves.

In the 2016-2017 Financial year, Council passed a resolution to close all existing Reserves and account for these Restrictions using an internal management accounting system.

All existing Reserve balances were transferred to Retained Surplus/(Deficit) on that date.

Bulloo Shire Council

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Cash Flows from Operating Activities			
Receipts from Customers		8,202,158	8,828,321
Payments to Suppliers and Employees		(10,895,352)	(11,460,505)
		(2,693,194)	(2,632,184)
Receipts:			
Investment and Interest Revenue Received		296,777	232,361
Rental Income		335,777	291,832
Non Capital Grants and Contributions		7,213,963	9,390,910
Other		2,092,921	-
Payments:			
Borrowing Costs		(167,186)	(195,987)
Other		(22,732)	-
Net Cash - Operating Activities	22	7,056,326	7,086,932
Cash Flows from Investing Activities			
Receipts:			
Sale of Property, Plant and Equipment		175,591	330,453
Grants, Subsidies, Contributions and Donations		8,840,828	7,103,218
Payments:			
Purchase of Property, Plant and Equipment		(14,521,982)	(5,682,255)
Net Cash - Investing Activities		(5,505,563)	1,751,416
Cash Flows from Financing Activities			
Payments:			
Repayment of Borrowings		(483,680)	(673,086)
Net Cash Flow - Financing Activities		(483,680)	(673,086)
Net Increase/(Decrease) for the year		1,067,083	8,165,262
plus: Cash and Cash Equivalents - beginning		18,323,567	10,158,305
Cash and Cash Equivalents - closing	10	19,390,650	18,323,567

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies

(1.a) Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

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

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

(1.b) Constitution

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

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

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

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

This year Council has applied AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 for the first time. As a result, Council has disclosed more information to explain changes in liabilities arising from financing activities ('debt reconciliation'). This information is presented in Note 23.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective.

The standards that are expected to have a material impact upon Council's future financial statements are:

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Summary of Significant Accounting Policies (continued)

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

Effective for annual reporting periods beginning on or after 1 January 2017

- AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*
- AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*
- AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*
- AASB 9 *Financial Instruments* This replaces AASB 139 *Financial Instruments: Recognition and Measurement*.
- AASB 16 *Leases* Not expected to have a material impact as Council has no leases.

Effective for annual reporting periods beginning on or after 1 January 2018

- AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*
- AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*
- AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
- AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

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

- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*

- AASB 1059 *Service Concession Arrangements: Grantors*

- AASB 1059 *Service Concession Arrangements: Grantors* (Appendix D)

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

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

- Valuation and depreciation of Property, Plant & Equipment - Note 13 and Note 14
- Impairment of Property, Plant and Equipment - Note 14
- Provisions - Note 17
- Contingencies - Note 20.

(1.e) Rounding and Comparatives

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

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

(1.f) Taxation

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

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 2(a). Council Functions - Component Descriptions

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

FINANCE

Provides professional financial operations of the Council not specifically related to any other function. This function includes Rates & Charges, as well as Grants, Subsidies and Contributions and other financial transactions relating to all areas of council.

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 culture, educational, tourism, sport and recreational services.

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

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

WATER AND SEWERAGE

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

ASSET AND RESOURCE MANAGEMENT

This function provides the management of Councils 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 2018

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

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

Functions	Gross Program Income				Elimination of Inter-Function Activities	Total Income	Gross Program Expenses		Elimination of Inter-Function Activities	Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital				Recurring	Capital					
	Grants	Other	Grants	Other									
2017	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance	7,463,202	4,484,418	866,059	-	-	12,813,679	(166,864)	-	-	(166,864)	11,780,756	12,646,815	20,949,156
Administration	-	33,039	-	-	-	33,039	(3,418,541)	-	-	(3,418,541)	(3,385,502)	(3,385,502)	584,261
Engineering	1,686,293	4,345,386	6,058,849	-	-	12,090,528	(8,877,254)	(7,565,950)	-	(16,443,204)	(2,845,575)	(4,352,676)	165,353,194
Health and Environment	-	108,368	-	-	-	108,368	(574,315)	-	-	(574,315)	(465,947)	(465,947)	-
Community and Culture	120,662	175,732	178,310	-	-	474,704	(1,667,122)	-	-	(1,667,122)	(1,370,728)	(1,192,418)	-
Water and Sewerage	-	195,149	-	-	-	195,149	(371,668)	-	-	(371,668)	(176,519)	(176,519)	8,105,914
Asset and Resource Management	67,644	152,281	-	23,207	-	243,132	(388,375)	-	-	(388,375)	(168,450)	(145,243)	28,245,727
Total	9,337,801	9,494,373	7,103,218	23,207	-	25,958,600	(15,464,139)	(7,565,950)	-	(23,030,089)	3,368,035	2,928,510	223,238,253

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Revenue Analysis

	Notes	2018 \$	2017 \$
Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.			
(a). Rates, Levies and Charges			
Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.			
General Rates		4,497,645	4,447,708
Separate Rates		4,870	4,706
Water		117,095	112,597
Sewerage		87,247	84,705
Garbage Charges		37,054	35,436
Total rates and utility charge revenue		4,743,911	4,685,152
Less: Discounts		(129,084)	(229,898)
Less: Pensioner remissions		(3,107)	(2,175)
<u>TOTAL RATES, LEVIES AND CHARGES</u>		<u>4,611,720</u>	<u>4,453,079</u>
(b). Fees and Charges			
Fees and charges are recognised when council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.			
Other Fees and Charges		86,120	36,820
<u>TOTAL FEES AND CHARGES</u>		<u>86,120</u>	<u>36,820</u>
(c). Rental Income			
Rent from Council Houses is recognised as income on a periodic straight line basis over the lease term.			
Other Rental Income		316,583	291,831
<u>TOTAL RENTAL INCOME</u>		<u>316,583</u>	<u>291,831</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Revenue Analysis (continued)

	Notes	2018 \$	2017 \$
(d). Interest and Investment Revenue			
Interest received from Queensland Treasury Corporation (QTC) over the term of the investment.			
Interest is charged on outstanding rates at a rate of 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.			
Interest Received from Bank Accounts		287,042	254,014
Interest Received from Other Sources		1,172	2,167
Interest from Overdue Rates and Utility Charges		8,563	9,502
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>296,777</u>	<u>265,683</u>
(e). Sales Revenue			
The sale of goods is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.			
Revenue from Contracts and Recoverable Works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no Contracts in progress at the year end. The Contract work carried out is not subject to retentions.			
Sale of services			
Contract and Recoverable Works		2,895,009	4,048,952
Total Sale of Services		2,895,009	4,048,952
Sale of goods			
Aviation fuel		277,312	295,368
Total Sale of Goods		277,312	295,368
<u>TOTAL SALES REVENUE</u>		<u>3,172,321</u>	<u>4,344,320</u>
(f). Other Income			
Other Income		60,601	49,531
<u>TOTAL OTHER INCOME</u>		<u>60,601</u>	<u>49,531</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Grants, Subsidies, Contributions and Donations

	2018	2017
Notes	\$	\$

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

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

(a) Recurrent

General Purpose Grants	5,425,150	7,438,202
State Government Subsidies and Grants	111,660	253,687
Commonwealth Government Subsidies and Grants	1,245,906	1,699,021
<u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>6,782,716</u>	<u>9,390,910</u>

(b) Capital

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

Government Subsidies and Grants	8,840,828	7,103,218
<u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>8,840,828</u>	<u>7,103,218</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 5. Employee Benefits

	Notes	2018 \$	2017 \$
Wages and Salaries		3,922,328	3,912,303
Annual, Sick and Long Service Leave Entitlements		955,769	943,002
Superannuation	21	500,374	473,301
Councillors' Remuneration		315,944	313,647
		<u>5,694,415</u>	<u>5,642,253</u>
Other Employee Related Expenses		240,307	138,754
		<u>5,934,722</u>	<u>5,781,007</u>
Less: Capitalised Employee Expenses		(799,380)	(538,946)
<u>TOTAL EMPLOYEE BENEFITS</u>		<u><u>5,135,342</u></u>	<u><u>5,242,061</u></u>
Additional information:			
Total Employees at year end:			
Administration Staff		34	34
Depot and Outdoors Staff		28	37
Total full time equivalent employees		<u>62</u>	<u>71</u>
Total Elected members		<u>5</u>	<u>5</u>

Note 6. Materials and Services

Advertising and Marketing	22,744	25,496
Administration Supplies and Consumables	114,868	143,986
Audit of Annual Financial Statements by the Auditor-General of Queensland	39,913	43,329
Communications and IT	321,285	354,988
Consultants	331,576	65,074
Donations Paid	114,372	117,762
Repairs and Maintenance	2,104,058	1,444,480
Subscriptions and Registrations	7,138	6,836
Other Materials and Services	888,874	2,880,971
<u>TOTAL MATERIALS AND SERVICES</u>	<u><u>3,944,828</u></u>	<u><u>5,082,922</u></u>

Note 7. Finance Costs

Finance Costs - Queensland Treasury Corporation	147,846	180,208
Bank Charges	2,672	15,808
Impairment of Debts	16,668	23,182
<u>TOTAL FINANCE COSTS</u>	<u><u>167,186</u></u>	<u><u>219,198</u></u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Depreciation and Amortisation

	Notes	2018 \$	2017 \$
Depreciation/Amortisation of Non-Current Assets			
Buildings		709,601	642,164
Other Structures		198,002	171,824
Plant and Equipment		982,544	953,950
Office Equipment and Furniture		50,313	61,749
Roads, Drainage and Bridges Network		3,173,269	2,918,578
Water Infrastructure		128,761	120,878
Sewerage		67,077	50,815
Total Depreciation of Non-Current Assets	13	5,309,567	4,919,958
<u>TOTAL DEPRECIATION AND AMORTISATION</u>		<u>5,309,567</u>	<u>4,919,958</u>

Note 9. Capital Expenses

(a) Loss on Disposal of Non-Current Assets

Proceeds from the Disposal of Property, Plant and Equipment		175,591	152,273
Less: Book Value of Property, Plant and Equipment Disposed	13	(642,723)	(129,065)
(Gain)/Loss on disposal of Non-Current Assets		467,132	(23,207)

(b) Other Capital Expenses

Flood damaged roads written off		-	7,565,950
		-	7,565,950
<u>TOTAL CAPITAL EXPENSES</u>		<u>467,132</u>	<u>7,542,743</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Cash, Cash Equivalents and Investments

	2018	2017
Notes	\$	\$
Cash and cash equivalents include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.		
Cash and Cash Equivalents		
Cash at Bank and on Hand	5,084,909	264,660
Cash Equivalent Assets ¹		
- Deposits at Call	14,305,742	18,058,907
Total Cash and Cash Equivalents	19,390,651	18,323,567
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	19,390,651	18,323,567

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

Restricted Cash, Cash Equivalents and Investments

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

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

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

Note: These Restrictions were previously allocated to Reserves

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 AA.

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

Trust Funds

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

Council performs a custodian role in respect of Trust Fund monies amounting to \$20,788. As these funds cannot be used by Council, they are not brought into account in these financial statements.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Trade and Other Receivables

	Notes	2018 \$	2017 \$
<p>Receivables are amounts owed to Council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.</p> <p>Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.</p> <p>Because Council is empowered under the provisions of the <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.</p> <p>Loans and advances are recognised in the same way as other receivables.</p>			
Current			
Rateable Revenue and Utility Charges		68,380	78,597
Other Debtors		277,549	1,188,075
GST Recoverable		127,597	112,919
Deferred house sale payments		94,380	107,640
Total		567,906	1,487,231
less: Provision for Impairment			
Other Debtors		(43,290)	(46,574)
Total Provision for Impairment - Receivables		(43,290)	(46,574)
<u>TOTAL CURRENT TRADE AND OTHER RECEIVABLES</u>		<u>524,616</u>	<u>1,440,657</u>
Non-Current			
Deferred house sale payments		717,433	914,571
<u>TOTAL NON-CURRENT TRADE AND OTHER RECEIVABLES</u>		<u>717,433</u>	<u>914,571</u>
Movement in Provision for Impairment of Receivables			
Opening balance at 1 July		(46,574)	(23,392)
<i>Add</i>			
Additional impairments recognised		23,231	(23,182)
<i>Less</i>			
Impairment debts written off during the year		(19,947)	-
Balance at the end of the year		(43,290)	(46,574)

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Inventories

	2018	2017
Notes	\$	\$

Inventories held for distribution are:

- goods to be supplied at no or nominal charge, and
- goods to be used for the provision of services at no or nominal, charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

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

Current Inventories

(a) Inventories held for distribution

Quarry and Road Materials	29,484	28,951
Plant and Equipment Stores	360,748	241,411
<u>TOTAL CURRENT INVENTORIES</u>	<u>390,232</u>	<u>270,362</u>

Bulloo Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment

30 June 2018		Land	Buildings	Other Structures	Plant and Equipment	Office Equipment and Furniture	Roads, Drainage and Bridges Network	Water Infrastructure	Sewerage	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement Basis	Note	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Opening Gross Balance - at Cost		-	-	-	12,986,726	785,662	-	-	-	4,672,057	18,444,445
Opening Gross Balance - at Fair Value		767,700	26,452,345	5,961,200	-	-	190,341,473	7,840,567	3,121,845	-	234,485,130
Opening Gross Balance		767,700	26,452,345	5,961,200	12,986,726	785,662	190,341,473	7,840,567	3,121,845	4,672,057	252,929,575
Additions*		16,768	733,150	3,526,113	839,511	-	8,997,373	8,960	22,536	377,569	14,521,980
Disposals	9	-	-	(26,484)	(817,614)	-	-	-	-	-	(844,098)
Write-offs	9	-	-	-	(457,553)	-	3,736	-	-	-	(453,817)
Revaluation Decrements to Equity (ARR)	18	(3,768)	-	(369,018)	-	-	(24,582,277)	(201,499)	-	-	(25,156,562)
Revaluation Increments to Equity (ARR)	18	-	2,254,878	-	-	-	-	-	248,468	-	2,503,346
Work in Progress Transfers		-	458,377	509,578	34,770	-	3,631,134	-	38,199	(4,672,058)	-
Total Gross Value of Property, Plant and Equipment - at Cost		-	-	-	12,585,840	785,662	-	-	-	377,568	13,749,071
Total Gross Value of Property, Plant and Equipment - at Fair Value		780,700	29,898,750	9,601,389	-	-	178,391,439	7,648,028	3,431,048	-	229,751,353
Total Gross Value of Property, Plant and Equipment		780,700	29,898,750	9,601,389	12,585,840	785,662	178,391,439	7,648,028	3,431,048	377,568	243,500,424
Opening Accumulated Depreciation		-	10,159,617	2,384,755	6,374,655	207,083	28,619,674	2,119,472	775,223	-	50,640,479
Depreciation Expense		-	709,601	198,002	982,544	50,313	3,173,269	128,761	67,077	-	5,309,567
Disposals	9	-	-	(1,545)	(562,028)	-	-	-	-	-	(563,573)
Write-offs	9	-	-	-	(85,937)	(5,683)	-	-	-	-	(91,620)
Revaluation Decrements to Equity (ARR)	18	-	-	-	-	-	-	-	-	-	-
Revaluation Increments to Equity (ARR)	18	-	588,100	146,847	-	-	4,071,298	112,493	195,772	-	5,114,510
Total Accumulated Depreciation of Property, Plant and Equipment		-	11,457,318	2,728,059	6,709,234	251,713	35,864,241	2,360,726	1,038,072	-	60,409,362
Total Net Book Value of Property, Plant and Equipment		780,700	18,441,432	6,873,330	5,876,606	533,949	142,527,198	5,287,302	2,392,976	377,568	183,091,061
Other Information											
Range of Estimated Useful Life (years)		Not depreciated	50 - 100	15 - 45	2- 30	2 - 15	1 - 100	20 - 115	16 - 100	Not depreciated	
*Asset Additions Comprise											
Asset Renewals		-	444,899	2,490,150	839,511	-	8,997,373	8,960	-	7,005	12,787,898
Other Additions		16,768	288,251	1,035,963	-	-	-	-	22,536	370,564	1,734,082
Total Asset Additions		16,768	733,150	3,526,113	839,511	-	8,997,373	8,960	22,536	377,569	14,521,980

Bulloo Shire Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

30 June 2017		Land	Buildings	Other Structures	Plant and Equipment	Office Equipment and Furniture	Roads, Drainage and Bridges Network	Water Infrastructure	Sewerage	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement Basis	Note	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Opening Gross Balance - at Cost		-	-	-	12,486,853	785,662	-	-	-	2,024,653	15,297,168
Opening Gross Balance - at Fair Value		767,700	26,281,400	5,596,900	-	-	197,945,413	7,609,347	3,036,200	-	241,236,960
Opening Gross Balance		767,700	26,281,400	5,596,900	12,486,853	785,662	197,945,413	7,609,347	3,036,200	2,024,653	256,534,128
Additions*		-	170,945	364,300	893,875	-	1,288,865	231,220	85,645	2,647,404	5,682,254
Disposals	9	-	-	-	(394,002)	-	-	-	-	-	(394,002)
Write-offs	9	-	-	-	-	-	(8,892,805)	-	-	-	(8,892,805)
Total Gross Value of Property, Plant and Equipment - at Cost		-	-	-	12,986,726	785,662	-	-	-	4,672,057	18,444,445
Total Gross Value of Property, Plant and Equipment - at Fair Value		767,700	26,452,345	5,961,200	-	-	190,341,473	7,840,567	3,121,845	-	234,485,130
Total Gross Value of Property, Plant and Equipment		767,700	26,452,345	5,961,200	12,986,726	785,662	190,341,473	7,840,567	3,121,845	4,672,057	252,929,575
Opening Accumulated Depreciation		-	9,517,453	2,212,931	5,685,641	145,334	27,027,951	1,998,594	724,408	-	47,312,312
Depreciation Expense		-	642,164	171,824	953,950	61,749	2,918,578	120,878	50,815	-	4,919,959
Disposals	9	-	-	-	(264,936)	-	-	-	-	-	(264,936)
Write-offs	9	-	-	-	-	-	(1,326,855)	-	-	-	(1,326,855)
Total Accumulated Depreciation of Property, Plant and Equipment		-	10,159,617	2,384,755	6,374,655	207,083	28,619,674	2,119,472	775,223	-	50,640,479
Total Net Book Value of Property, Plant and Equipment		767,700	16,292,728	3,576,445	6,612,071	578,579	161,721,799	5,721,095	2,346,622	4,672,057	202,289,096
Other Information											
Range of Estimated Useful Life (years)		Not depreciated	50 - 100	15 - 45	2- 30	2 - 15	1 - 100	20 - 115	16 - 100	Not depreciated	
*Asset Additions Comprise											
Asset Renewals		-	-	364,300	-	-	1,288,865	231,220	85,645	2,647,404	4,617,434
Other Additions		-	170,945	-	893,875	-	-	-	-	-	1,064,820
Total Asset Additions		-	170,945	364,300	893,875	-	1,288,865	231,220	85,645	2,647,404	5,682,254

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

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

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

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

Acquisition of assets

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

Capital and operating expenditure

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

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

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

Valuation

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

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

Land, Buildings, Other Structures and all Infrastructure assets were revalued by an independent professional qualified valuer as at 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Property, Plant and Equipment (continued)

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

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

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

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

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

Capital work in progress

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

Depreciation

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

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

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

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

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

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

Land under roads

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

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Fair Value Measurements

(a) Valuation

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

Property, Plant and Equipment

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

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

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

The fair value of borrowings disclosed in Note 16 is provided by the Queensland Treasury Corporation (QTC) and represents the contractual discounted cash flows at balance date (Level 2).

The fair value of borrowings from QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 16.

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

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

AASB 13 requires fair value measurements to be categorised as follows

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

Valuation processes

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

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

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation

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

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

	Date of latest valuation	Fair Value Measurement using:			Total
		Level 1 Quoted prices in active mkts \$	Level 2 Significant observable inputs \$	Level 3 Significant unobservable inputs \$	
2018					
Property, Plant and Equipment					
Land	30/06/18	-	-	780,700	780,700
Buildings					
- Residential and Commercial Properties	30/06/18	-	-	7,396,753	7,396,753
- Specialised Buildings	30/06/18	-	-	11,044,679	11,044,679
Other Structures	30/06/18	-	-	6,873,330	6,873,330
Infrastructure assets:					
- Road, Drainage and Bridge Network	30/06/18	-	-	142,527,198	142,527,198
- Water	30/06/18	-	-	5,287,302	5,287,302
- Sewerage	30/06/18	-	-	2,392,976	2,392,976
Total Property, Plant and Equipment		-	-	176,302,938	176,302,938
2017					
Property, Plant and Equipment					
Land	30/06/16	-	-	767,700	767,700
Buildings					
- Residential and Commercial Properties	30/06/16	-	-	4,073,651	4,073,651
- Specialised Buildings	30/06/16	-	-	12,219,077	12,219,077
Other Structures	30/06/16	-	-	3,576,445	3,576,445
Infrastructure assets:					
- Road, Drainage and Bridge Network	30/06/15	-	-	161,722,799	161,722,799
- Water	30/06/15	-	-	5,721,095	5,721,095
- Sewerage	30/06/15	-	-	2,346,622	2,346,622
Total Property, Plant and Equipment		-	-	190,427,389	190,427,389

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

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

Infrastructure, Property, Plant and Equipment

Land (Level 3)

Land Fair Values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018.

Land has been valued 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.

There were no recorded land sales in the last two (2) financial years and therefore there was an insufficient sample size available for the valuer to determine market movements using the Level 2 approach. In this instance, due to the paucity of sales evidence within the Shire, all land has been categorised as Level 3 and the value based on rates per square meter as determined by the valuer using unobservable inputs.

Council did not revalue its land assets in the 2016-17 financial year as the potential adjustment was considered immaterial.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Buildings and other Structures (Level 3)

The Fair Value of Buildings and Other Structures was independently determined by Australis Asset Advisory Group effective 30 June 2018. 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.

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

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

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

Due to the Council's previous reporting treatment of Other Structures they were reported with group balances, Council has now split into individual assets. The life and condition having been assessed also played a part in the devaluing of them as well.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Buildings and other Structures (Level 3) (cont'd)

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.

Infrastructure Assets - Roads, Water and Sewerage

All Council infrastructure assets were fair valued using written down Current Replacement Cost (Level 3). This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Infrastructure Assets - Roads, Water and Sewerage (cont'd)

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

Infrastructure assets fair values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018.

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.

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.)

During the year there was a major devaluation of Council Roads due to several factors such as,

- the Council and the independent valuer performed inspections of road assets resulting in changes to the dimensions of roads.
- a decline in the conditions of the roads and their components.
- utilisation of recent construction data from recent works for both sealed and unsealed rural roads resulted in a decrease in unit rates used by the independent valuer.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

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 seat 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 1000 years has been adopted.

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

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

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

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

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

The asset useful lives that are adopted are shown below:

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

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.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Roads (Level 3) (cont'd)

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.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

Water and Sewerage (Level 3)

Current Replacement Costs

Water and Sewerage infrastructure assets fair values were determined by independent valuer, Australis Asset Advisory Group effective 30 June 2018.

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.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

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

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 Bulloo Shire 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 Deprecation

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

Where site inspections were conducted (i.e. for Active Assets), the assets were allocated a condition assessment rating which was used to estimate remaining useful life as tabled below

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

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

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 14. Fair Value Measurements (continued)

(a) Valuation (continued)

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

Infrastructure, Property, Plant and Equipment (continued)

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

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.

Due to the Council's previous reporting treatment of Water Assets they were reported with group balances Council has now split into individual assets and are now componentised as such better values are recorded. The life and condition having been assessed also played a part in the devaluing of them as well.

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Trade and Other Payables

	2018	2017
Notes	\$	\$

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

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

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

Current

Creditors and Accruals	300,904	349,551
Annual Leave	523,283	507,125
Other Entitlements	3,377	31,774
<u>TOTAL CURRENT TRADE AND OTHER PAYABLES</u>	<u>827,564</u>	<u>888,450</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Borrowings

	2018	2017
Notes	\$	\$

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

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

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

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

Current

Loans - Queensland Treasury Corporation	482,786	489,181
<u>TOTAL CURRENT BORROWINGS</u>	<u>482,786</u>	<u>489,181</u>

Non-current

Loans - Queensland Treasury Corporation	2,506,792	2,984,077
<u>TOTAL NON-CURRENT BORROWINGS</u>	<u>2,506,792</u>	<u>2,984,077</u>

Reconciliation of Loan Movements for the year

Loans - Queensland Treasury Corporation (QTC)

Opening Balance at Beginning of Financial Year	3,473,258	4,146,344
Principal Repayments	(483,680)	(673,086)
<u>Book value at end of financial year</u>	<u>2,989,578</u>	<u>3,473,258</u>

The QTC loan market value at the reporting date was \$3,141,907. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Loan Disclosures

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

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Provisions

	2018	2017
	\$	\$

Long Service Leave

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

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

Current

Long Service Leave	356,897	337,908
<u>TOTAL CURRENT PROVISIONS</u>	<u>356,897</u>	<u>337,908</u>

Non-current

Long Service Leave	218,743	193,311
<u>TOTAL NON-CURRENT PROVISIONS</u>	<u>218,743</u>	<u>193,311</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 18. Asset Revaluation Reserve

	Notes	2018 \$	2017 \$
<p>The Asset Revaluation Surplus comprises adjustments relating to changes in value of Property, Plant and Equipment. Net incremental changes in the carrying value of classes of Non-Current Assets since their initial recognition are accumulated in the Asset Revaluation Surplus. Increases and decreases on revaluation are offset within a class of assets.</p> <p>Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the Asset Revaluation Surplus in respect of that class. Any excess is treated as an expense.</p> <p>When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the Asset Revaluation Surplus and not transferred to Retained Surplus.</p>			
Movements in the Asset Revaluation Reserve:			
Balance at beginning of financial year		108,681,170	108,681,170
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		(3,768)	-
Buildings		1,666,778	-
Other Structures		(515,865)	-
Roads, Drainage and Bridges Network		(28,653,575)	-
Water Infrastructure		(313,992)	-
Sewerage		52,696	-
	13	(27,767,726)	-
Balance at end of financial year		<u>80,913,444</u>	<u>108,681,170</u>

Asset revaluation Reserve Analysis

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

Land	606,288	610,056
Buildings	3,908,136	2,241,358
Other Structures	2,121,871	2,637,736
Roads, Drainage and Bridges Network	72,284,997	100,938,572
Water Infrastructure	1,939,456	2,253,448
Sewerage	52,696	-
Balance at end of financial year	<u>80,913,444</u>	<u>108,681,170</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19. Retained Surplus/(Deficiency)

	Notes	2018 \$	2017 \$
Movements in the retained surplus:			
Retained Surplus/(Deficit) at Beginning of Financial Year		109,664,156	4,521,313
Net Result Attributable to Council		9,143,610	2,928,510
Transfers (to)/from Reserves:			
Sustainability Reserve		-	6,029,333
Shire Capital		-	96,185,000
Retained surplus at end of financial year		118,807,766	109,664,156

Note 20. Contingent Liabilities

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

Local Government Mutual

The Council is a member of the Local Government Mutual Liability Self-Insurance Pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the Trust Deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2017 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 \$79,064 (2017: \$73,208).

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Superannuation

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, Bulloo Shire 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 2016. The actuary indicated that "At the valuation date of 1 July 2016, the net assets of the scheme exceeded the vested benefits and the Scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the Scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these Financial Statements this investigation is still in progress.

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

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

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

There are currently 72 entities contributing to the Scheme and any changes in contribution rates would apply equally to all 72 entities. Bulloo Shire Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Superannuation (continued)

	Notes	2018 \$	2017 \$
Superannuation contributions made to the Regional Defined Benefits Fund		500,374	473,301
Total superannuation contributions paid by Council for employees	5	<u>500,374</u>	<u>473,301</u>
			2019 \$
Contributions council expects to make to the Regional Defined Benefits Fund for 2018-19.			<u>480,000</u>

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

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

	Notes	2018 \$	2017 \$
Net operating result from Income Statement		9,143,610	2,928,510
Non-cash items			
Depreciation and Amortisation		5,309,567	4,919,958
Net Losses/(Gains) on Disposal of Property, Plant & Equipment		467,132	7,542,743
Capital Grants and Contributions		(8,840,828)	(7,103,218)
		<u>(3,064,129)</u>	<u>5,359,483</u>
Changes in operating assets and liabilities:			
(Increase)/Decrease in Receivables		1,116,463	(234,820)
Increase/(Decrease) in Provision for Doubtful Debts		(3,284)	23,182
(Increase)/Decrease in Inventories		(119,870)	(11,630)
Increase/(Decrease) in Payables and Accruals		(48,647)	(1,000,839)
Increase/(Decrease) in Other Liabilities		(12,239)	(28,397)
Increase/(Decrease) in Provisions		44,421	51,443
		<u>976,844</u>	<u>(1,201,061)</u>
Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows		<u>7,056,326</u>	<u>7,086,932</u>

Note 23. Reconciliation of Liabilities arising from Finance Activities

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Events Occurring After Balance Sheet Date

Events that occur after the reporting date of 30 June 2018, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2018.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2018 and which are only indicative of conditions that arose after 30 June 2018.

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial Instruments

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

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

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

Financial Risk Management

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

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

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

Council does not enter into derivatives.

Credit Risk Exposure

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

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

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

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial Instruments (continued)

	Notes	2018 \$	2017 \$
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The following table represents the maximum exposure to Credit Risk based on the carrying amounts of financial assets at the end of the reporting period:

Financial Assets

Cash and Cash Equivalents	10	19,390,651	18,323,567
Receivables - Rates	11	68,380	78,597
Receivables - Other	11	1,173,669	2,276,631
		<u>20,632,700</u>	<u>20,678,795</u>

Other Credit Exposures

Guarantee	20	79,064	73,208
		<u>79,064</u>	<u>73,208</u>

Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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

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

	Notes	2018 \$	2017 \$
--	-------	------------	------------

Receivables

Fully Performing		382,688	1,260,205
Past due:			
- 31 to 60 days overdue		13,369	2,036
- 61 to 90 days overdue		6	4,449
- Greater than 90 days overdue		889,276	1,135,112
- Impaired		(43,290)	(46,574)
Total	11	<u>1,242,049</u>	<u>2,355,228</u>

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial Instruments (continued)

Liquidity Risk

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

Council manages its exposure to Liquidity Risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

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

	0 to 1 year \$	1 to 5 years \$	Over 5 years \$	Total Contractual Cash Flows \$	Carrying Amount \$
2018					
Trade and Other Payables	827,564	-	-	827,564	827,564
Loans - QTC	631,526	2,526,103	219,917	3,377,546	2,989,578
	<u>1,459,090</u>	<u>2,526,103</u>	<u>219,917</u>	<u>4,205,110</u>	<u>3,817,142</u>
2017					
Trade and Other Payables	888,450	-	-	888,450	888,450
Loans - QTC	631,526	2,526,103	851,443	4,009,072	3,473,258
	<u>1,519,976</u>	<u>2,526,103</u>	<u>851,443</u>	<u>4,897,522</u>	<u>4,361,708</u>

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

Bulloo Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial Instruments (continued)

Market Risk

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

Interest Rate Risk

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

The Council has access to a mix of variable and fixed rate funding options through QTC so that Interest Rate Risk exposure can be minimised.

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

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

	Net Carrying Amount \$	Net Result		Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2018					
QTC Cash Fund	14,305,742	143,057	(143,057)	143,057	(143,057)
Loans - QTC	2,989,578	-	-	-	-
Net	<u>17,295,320</u>	<u>143,057</u>	<u>(143,057)</u>	<u>143,057</u>	<u>(143,057)</u>
2017					
QTC Cash Fund	18,058,907	180,589	(180,589)	180,589	(180,589)
Loans - QTC	3,473,258	-	-	-	-
Net	<u>21,532,165</u>	<u>180,589</u>	<u>(180,589)</u>	<u>180,589</u>	<u>(180,589)</u>

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

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

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Transactions with Related Parties

(a) Other Related Parties

Transactions with Other Related Parties

	Amount of transactions during year
2018	\$
Other Related Parties	
Purchase of accommodation	27,188
Purchase of goods	106,256
Purchase of mechanical services	279,658
Purchase of goods and maintenance services	2,856,379
	<u>3,269,481</u>
2017	\$
Other Related Parties	
Purchase of accommodation	30,152
Purchase of goods	89,704
Purchase of mechanical services	380,022
Purchase of goods and maintenance services	729,707
	<u>1,229,585</u>

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

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

- 1 Council purchased materials and services from entities controlled by Key Management Personnel or other related parties. These transactions were on an arm's length basis and were in the course of normal council operations.
- 2 The fees and charges charged Key Management Personnel and their controlled entities were on an arm's length basis in accordance with the schedule of fees and charges adopted by Council.
- 3 Sales to other Related Parties in the 2017-18 year were \$22,934 (2016-17 Nil) this relates to Private Works and store purchases. 2016-17 \$36,798 sale of Property, Plant & Equipment.

Bulloo Shire Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Transactions with Related Parties (continued)

	2018	2017
	\$	\$
(b) Key Management Personnel		
Transactions with Key Management Personnel		
KMP include the Mayor, Councillors, Chief Executive Officer and some Executive Management.		
The compensation paid to Key Management Personnel for comprises:		
Short-Term Employee Benefits	1,458,735	1,597,612
Post-Employment Benefits	102,750	173,199
Long-Term Benefits	111,369	135,496
Total	1,672,854	1,906,307

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

Most entities and people that are KMP or related parties to KMP live and operate within the Bulloo Shire. 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 made on the same terms and conditions available to the public.

(d) Other

All close family members of Key Management Personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

The Council employs 68 (71 in 2017) employees of which 9 (14 in 2017) are close family members of Key Management Personnel.

Bulloo Shire Council

General Purpose Financial Statements

for the year ended 30 June 2018

Management Certificate

for the year ended 30 June 2018

These General Purpose Financial Statements have been prepared pursuant to Sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) and other prescribed requirements.

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulations 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 49, 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

25/10/18



Lew Rojahn

CHIEF EXECUTIVE OFFICER

25/10/18

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Bulloo Shire Council

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the Council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in the Bulloo Shire Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the Council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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



Carolyn Dougherty
as delegate of the Auditor-General

31 October 2018
Queensland Audit Office
Brisbane

Bulloo Shire Council

Current Year Financial Sustainability Statement for the year ended 30 June 2018

	Actual 2018	Target 2018
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Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets.

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items) ⁽¹⁾	5.02%	0 - 10%
Total Operating Revenue (excluding capital items) ⁽²⁾		

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

2. Asset Sustainability Ratio

Capital Expenditure on the Replacement of Assets (renewals) ⁽³⁾	279.38%	more than 90%
Depreciation Expense		

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

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets	-103.82%	less than 60%
Total Operating Revenue (excluding capital items) ⁽²⁾		

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

Note 1 - Basis of Preparation

The Current Year Financial Sustainability Statement is a Special Purpose Statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's Audited General Purpose Financial Statements for the year ended 30 June 2018.

Bulloo Shire Council

Current Year Financial Sustainability Statement (continued) for the year ended 30 June 2018

Measures of Financial Sustainability (continued)

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

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

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


Bulloo Shire Council

Current Year Financial Sustainability Statement for the year ended 30 June 2018


Certificate of Accuracy for the year ended 30 June 2018

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
25/10/18



Lew Rojahn
CHIEF EXECUTIVE OFFICER
25/10/18

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 for the year ended 30 June 2018 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 2018 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Bulloo Shire Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Carolyn Dougherty
as delegate of the Auditor-General

31 October 2018
Queensland Audit Office
Brisbane

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2018

	Target 2018	Actual 2018	2019	2020	2021	2022	Forecast		2025	2026	2027	2028
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Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets.

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items) ⁽¹⁾

Total Operating Revenue (excluding capital items) ⁽²⁾

0 - 10%	5.02%	0.67%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%	0.17%
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset Sustainability Ratio

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

Depreciation Expense

> 90%	279.38%	294.49%	120.17%	116.01%	113.68%	111.41%	109.21%	107.07%	105.33%	103.00%	101.03%
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets

Total Operating Revenue (excluding capital items) ⁽²⁾

< 60%	-103.82%	-86.73%	-84.63%	-82.17%	-79.77%	-77.45%	-75.19%	-73.00%	-70.88%	-68.81%	-66.81%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2018

Measures of Financial Sustainability (continued)

Bulloo Shire Council Financial Management Strategy

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

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all Councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the Executive Management and Council will be fully informed and may take corrective action as required.

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

Notes

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

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

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

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

Bulloo Shire Council

Unaudited Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the Long-Term Financial Sustainability Statement prepared as at 30 June 2018

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



Lew Rojahn
CHIEF EXECUTIVE OFFICER