

Flinders Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

Discovery • Opportunity • Lifestyle



General Purpose Financial Statements

for the year ended 30 June 2018

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Statement of Comprehensive Income

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Income			
Revenue			
<i>Recurrent Revenue</i>			
Rates, Levies and Charges	3a	3,834	3,605
Fees and Charges	3b	1,324	936
Rental Income		125	143
Interest and Investment Revenue		619	449
Sales Contract and Recoverable Works Revenue	3c	14,744	13,311
Other Income		372	168
Grants, Subsidies, Contributions and Donations	4a	8,088	10,965
Total Recurrent Revenue		29,106	29,577
<i>Capital Revenue</i>			
Grants, Subsidies, Contributions and Donations	4b	4,516	5,060
Total Revenue		33,622	34,637
Expenses			
<i>Recurrent Expenses</i>			
Employee Benefits	5	7,902	7,063
Materials and Services	6	13,726	10,940
Finance Costs		131	96
Depreciation	10	4,673	4,699
Total Recurrent Expenses		26,432	22,798
Capital Expenses	7	(94)	57
Total Expenses		26,338	22,855
Net Result		7,284	11,782
Other Comprehensive Income			
<i>Amounts which will not be reclassified subsequently to the Net Result</i>			
Gain/(Loss) on Revaluation of Property, Plant and Equipment	10	6,788	1,157
Total Other Comprehensive Income		6,788	1,157
Total Comprehensive Income		14,072	12,939

Statement of Financial Position

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	27,928	24,038
Trade and Other Receivables	9	3,241	5,002
Inventories		447	409
Total Current Assets		31,616	29,449
Non-Current Assets			
Trade and Other Receivables		2	2
Property, Plant and Equipment	10	198,512	186,827
Total Non-Current Assets		198,514	186,829
TOTAL ASSETS		230,130	216,278
LIABILITIES			
Current Liabilities			
Trade and Other Payables	12	2,491	2,676
Borrowings	13	267	267
Provisions	14	590	67
Total Current Liabilities		3,348	3,010
Non-Current Liabilities			
Borrowings	13	1,919	2,184
Provisions	14	602	895
Total Non-Current Liabilities		2,521	3,079
TOTAL LIABILITIES		5,869	6,089
NET COMMUNITY ASSETS		224,261	210,189
COMMUNITY EQUITY			
Asset Revaluation Surplus	15	88,087	81,299
Retained Surplus/(Deficiency)		136,174	128,890
TOTAL COMMUNITY EQUITY		224,261	210,189

Statement of Changes in Equity
for the year ended 30 June 2018

	Notes	Asset Revaluation Surplus \$'000	Retained Surplus \$'000	Total Equity \$'000
2018				
Opening Balance as at 1 July 2017		81,299	128,890	210,189
a. Net Result		-	7,284	7,284
b. Other Comprehensive Income				
- Increase/(Decrease) in Asset Revaluation Surplus	15	6,788	-	6,788
Total Comprehensive Income		6,788	7,284	14,072
Equity Balance as at 30 June 2018		88,087	136,174	224,261
2017				
Opening Balance as at 1 July 2016		80,142	117,197	197,339
a. Correction to Opening Balance		-	(89)	(89)
Revised Opening Balance (as at 1/7/16)		80,142	117,108	197,250
b. Net Result		-	11,782	11,782
c. Other Comprehensive Income				
- Increase/(Decrease) in Asset Revaluation Surplus	15	1,157	-	1,157
Total Comprehensive Income		1,157	11,782	12,939
Equity Balance as at 30 June 2017		81,299	128,890	210,189

Statement of Cash Flows

for the year ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		22,007	16,270
Payments to Suppliers and Employees		(21,586)	(19,475)
		421	(3,205)
Receipts:			
Investment and Interest Revenue Received		619	449
Rental Income		125	143
Non Capital Grants and Contributions		8,088	10,965
Payments:			
Finance Costs		(131)	(96)
Net Cash Flow - Operating Activities	20	9,122	8,256
Cash Flows from Investing Activities			
Receipts:			
Sale of Property, Plant and Equipment		643	359
Grants, Subsidies, Contributions and Donations		4,516	5,060
Payments:			
Purchase of Property, Plant and Equipment		(10,126)	(8,429)
Net Cash Flow - Investing Activities		(4,967)	(3,010)
Cash Flows from Financing Activities			
Receipts:			
Proceeds from Borrowings and Advances		-	600
Payments:			
Repayment of Borrowings and Advances		(265)	(204)
Net Cash Flow - Financing Activities		(265)	396
Net Increase/(Decrease) for the year		3,890	5,642
plus: Cash and Cash Equivalents - beginning		24,038	18,396
CASH AND CASH EQUIVALENTS - CLOSING	8	27,928	24,038

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Significant Accounting Policies

1A Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for financial assets and liabilities and certain classes of property, plant and equipment which are measured at fair value.

Recurrent/capital classification

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

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

The following transactions are classified as either “Capital Income” or Capital Expenses” depending on whether they result in accounting gains or losses:

- Disposal of non-current assets
- Discount rate adjustments to restoration provisions
- Revaluations of property, plant and equipment
- Restoration of essential public assets

All other revenue and expenses have been classified as “recurrent”

1B Statement of Compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting

Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1C Constitution

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

1D 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.

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 21.

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 an impact upon Council's future operations and financial statements are AASB 9, 15, 16.

Impact of AASB 9 on Flinders Shire Council This will be effective on 1st July 2018

This standard replaces *AASB 139: Financial Instruments Recognition and Measurement* and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Significant Accounting Policies (continued)

expects a small increase to impairment losses however, the standard is not expected to have a material impact overall.

Financial assets will either be measured at amortised cost, or fair value through Other Comprehensive Income. The amortised cost is likely to apply to rates and other receivables.

Impact of ASSB 15 on Flinders Shire Council This will be effective 1 July 2019

The standard states:

Revenue (AASB15)

- Arises from the transfer of goods or services to a customer or third party beneficiary on the customer's behalf.
- Is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring those goods or services.

In the case of Flinders Shire Council the items that may be affected are sales contracts, recoverable works revenue, grants and prepaid rates.

Flinders Shire Council has taken action to implement procedures in order for income to be measured and recognised in accordance with the standard.

Impact of AASB16 on Flinders Shire Council This will be effective on 1st July 2019.

AASB 16 eliminates the need for lessees to classify leases as either operating leases or finance leases. Leases will be 'capitalised' by recognising the present value of the future lease payments. Preparers can present leased assets in financial statements as either leased (right-of-use) assets, or together with property, plant and equipment.

Council must recognise a financial liability for their obligation to make future lease payments. The principal and interest portions of the cash payments will be separately disclosed in the Statement of Cash Flows, except that, Council is not required to recognise assets and liabilities for:

- Short-term leases of 12 months or less
- Leases of low-value assets acquired for \$5,000 or less.

Council has already taken action to commence recording all leases affected by this standard. Overall, Council is confident that the procedures and processes implemented or planned to be implemented will ensure that the requirements of the standard will be adhered to. Impact of the Standard will be minimal.

1E Estimates and judgements

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

- Valuation and depreciation of property, plant and equipment - Note 10;
- Provisions - Note 14; and
- Contingent liabilities - Note 17.

1F Revenue

Sales contracts and recoverable works revenue

Council generates revenues from services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees.

Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of the consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

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

1G Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000.

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

Flinders Shire Council

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

Note 1. Significant Accounting Policies (continued)

1H Taxation

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

Flinders 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:

OUR GOVERNANCE

We will work as a team and act with pride, accountability, transparency and integrity to deliver services to our residents. This function includes the following:

- Elected Members, Corporate Operations, Shire Office, Statutory Requirements, Disaster Management;
- Finance, Rates, Information Technology, Risk Management, Employee Housing;
- Employee Provisions, Human Resources, Workplace Health and Safety, Animal Control; and
- Engineering Technical Services, Store and Procurement, Plant, Workshop and Depot Operations.

OUR ECONOMY

We will approach all business aspects of the Shire in a manner that promotes growth and sustainability to achieve the best possible outcome. This function includes the following:

- Airports, Caravan Park, Saleyards, Cemeteries, Mitez Projects and Hann Highway Development;
- Main Roads Contracts, Private Works, Town Planning, Meatworks, Industrial Estate Development; and
- Area Promotion, Flinders Discovery Centre, Interpretive Signage, Porcupine Gorge Challenge, Tourism.

OUR ENVIRONMENT

We will provide stewardship to maintain, protect and enhance our natural environment whilst supporting new and existing industries. This function includes the following:

- Pest/Vermin Destruction and Land Management.
- Refuse Collection & Disposal, Environmental Health and Noxious Weeds Control.

OUR COMMUNITY

We will work with our community to provide an appealing lifestyle with the available resources to build a healthy, happy and caring community. This function includes the following:

- Our Library, Community Bus, Centrelink Services, Arts & Culture, Emergency Services (SES);
- Swimming Pool, Racecourse, Skate Park, Showgrounds, Community Development, Community Grants;
- Hughenden Centre for the Aged, Aged Housing, Halls & Community Centres, Museums & Cultural Centres;
- Commonwealth Home Support Program, Meals on Wheels, Disability Services, Veterans Home Care;
- Home Care Packages Level 2, Home Care Packages Level 4, Qld Community Care Services; and
- TV & Radio Services, Street Lighting, Public Conveniences, Parks, Gardens and Reserves.

OUR INFRASTRUCTURE

We will aim to continuously improve products, services and processes through sustainable management of Council's core assets. This function includes the following:

- Shire Roads, Town Streets, Stormwater Drainage, Water Services and Sewer Services.

OUR RESOURCES

This function includes the following:

- Rural Lands Stock Routes, Pest and Vermin Destruction, Irrigation Project and Flinders River Water Forum.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 2(b). Analysis of Results by Function

Income and expenses defined between recurring and capital are attributed to the following functions:

Functions	Gross Program Income						Total Income	Gross Program Expenses		Net Result from Recurring Operations	Net Result	Total Assets
	Recurring			Capital				Total Expenses				
	Grants	Other	Other	Grants	Other	Capital						
2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Our Governance	5,534	3,138	-	-	-	8,672	(5,260)	-	(5,260)	3,412	3,412	50,665
Our Economy	-	15,160	-	-	-	15,160	(16,497)	-	(16,497)	(1,337)	(1,337)	16,985
Our Environment	-	298	-	228	-	526	(971)	-	(971)	(673)	(445)	105
Our Community	1,365	369	-	525	-	2,259	(4,686)	-	(4,686)	(2,952)	(2,427)	24,236
Our Infrastructure	1,183	1,967	-	3,763	-	6,913	1,189	94	1,283	4,339	8,196	138,139
Our Resources	6	86	-	-	-	92	(207)	-	(207)	(115)	(115)	-
Total	8,088	21,018	-	4,516	-	33,622	(26,432)	94	(26,338)	2,674	7,284	230,130

Functions	Gross Program Income						Total Income	Gross Program Expenses		Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital		Total Expenses							
	Grants	Other	Grants	Other		Recurring	Capital					
2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Our Governance	7,716	1,962	-	-	-	9,678	(4,973)	-	(4,973)	4,705	4,705	45,151
Our Economy	-	14,182	104	-	-	14,286	(13,718)	-	(13,718)	464	568	18,195
Our Environment	290	275	-	-	-	565	(1,288)	-	(1,288)	(723)	(723)	99
Our Community	1,228	338	795	-	-	2,361	(4,519)	-	(4,519)	(2,953)	(2,158)	19,686
Our Infrastructure	1,710	1,853	4,161	-	-	7,724	1,953	(153)	1,800	5,516	9,524	133,147
Our Resources	21	2	-	-	-	23	(157)	-	(157)	(134)	(134)	-
Total	10,965	18,612	5,060	-	-	34,637	(22,702)	(153)	(22,855)	6,875	11,782	216,278

Flinders Shire Council

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

Note 3. Revenue Analysis

	Notes	2018 \$'000	2017 \$'000
(a). Rates, Levies and Charges			
General Rates / Community Levy		1,957	1,902
Separate Rates		84	80
Water		894	763
Sewerage		730	695
Garbage Charges		193	185
Other Rates, Levies and Charges		19	23
Total Rates, Levies and Charges		3,877	3,648
Less: Pensioner remissions		(43)	(43)
TOTAL RATES, LEVIES AND CHARGES		3,834	3,605

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

(b). Fees and Charges

Building and Development Fees	11	9
Infringements	1	2
Licences and Registrations	17	21
Airport Landing Fees	40	40
Cemetery and Funeral	50	29
Private Works	125	41
Community Care Packages	63	47
Saleyards	54	77
Parks and Reserves	175	54
Caravan Park	618	505
Flinders Discovery Centre	33	45
Other Fees and Charges	137	66
TOTAL FEES AND CHARGES	1,324	936

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

Flinders Shire Council

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

Note 3. Revenue Analysis (continued)

	Notes	2018 \$'000	2017 \$'000
(c). Sales Revenue Contract and Recoverable Works			
Sale of Services- Contract and Recoverable Works			
Main Road Contract Revenue, Main Roads RMPC, Contract Revenue		2,846	3,970
Main Road Contract Revenue, Hann Highway 99B, Contract Revenue		8,130	784
Main Road Contract Revenue, Hughenden/Richmond 14C, Contract Revenue		17	6,037
Main Road Contract Revenue, Hughenden/Charters Towers 14B, Contract Revenue		3,751	2,172
Other Sale of Services		-	348
Total Sale of Services		14,744	13,311
TOTAL SALES REVENUE		14,744	13,311

The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. The contract work carried out is not subject to retentions.

Note 4. Grants, Subsidies, Contributions and Donations

(a) Recurrent

General Purpose Grants	6,591	9,125
State Government Subsidies and Grants	361	667
Commonwealth Government Subsidies and Grants	952	1,067
Donations	2	1
Contributions	(6)	-
Other	188	105
TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	8,088	10,965

(b) Capital

State Government Subsidies and Grants	3,199	2,981
Commonwealth Government Subsidies and Grants	1,313	2,079
Other	4	-
TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	4,516	5,060

Grants and subsidies that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. External restrictions that have been placed on Council's cash and cash equivalents are disclosed in Note 8.

The first half of the Financial Assistance Grant for the 18-19 financial year was received in June 2018, and therefore has been recognised as grant revenue at 30 June 2018 in accordance with AASB 1004.

Flinders Shire Council

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

Note 5. Employee Benefits

	Notes	2018 \$'000	2017 \$'000
Wages and Salaries		6,830	6,150
Annual, Sick and Long Service Leave Entitlements		1,267	989
Superannuation	18	868	772
Councillors' Remuneration		414	398
Subtotal Employee Related Expenses		9,379	8,309
Other Employee Related Expenses		288	172
Subtotal Other Employee Related Expenses		9,667	8,481
Less: Capitalised Employee Expenses		(1,765)	(1,418)
TOTAL EMPLOYEE BENEFITS		7,902	7,063
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Additional information:			
Total Employees at year end:			
Administration Staff		49	41
Depot and Outdoors Staff		61	62
Total full time equivalent employees		110	103
Total Elected members		7	7

Note 6. Materials and Services

Advertising and Marketing	362	238
Audit Services	49	38
Communications and IT	348	340
Community Services	3,481	3,563
Donations Paid	33	49
Recoverable Works	6,815	4,843
Road Construction	1,258	1,123
Special Projects	148	123
Other Materials and Services	1,232	623
TOTAL MATERIALS AND SERVICES	13,726	10,940

Flinders Shire Council

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

Note 7. Capital Expenses

	Notes	2018 \$'000	2017 \$'000
(a) Loss on disposal of non-current assets			
Proceeds from the Disposal of Property, Plant and Equipment		643	359
Less: Book Value of Property, Plant and Equipment Disposed	10	(549)	(390)
Subtotal Loss on Disposal of Non-Current Assets		(94)	31
(b) Other capital expenses			
Loss on Write-Off of Assets		-	26
Subtotal Other Capital Expenses		-	26
TOTAL CAPITAL EXPENSES		(94)	57

Note 8. Cash and Cash Equivalents

Cash and Cash Equivalents

Cash at Bank and on Hand	642	900
Cash Equivalent Assets		
- Deposits at Call	24,286	20,138
- Short Term Deposits	3,000	3,000
TOTAL CASH AND CASH EQUIVALENTS	27,928	24,038

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

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Cash and Cash Equivalents (continued)

	2018	2017
Notes	\$'000	\$'000
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 of future use. These include:		
Externally imposed Expenditure Restrictions at the reporting date relate to the following cash assets:		
Unspent Government Operating Grants - Various	93	85
Unspent Government Operating Grants - Qld Community Care Services (QCCS)	18	18
Unspent Government Operating Grants - Extended Aged Care Packages (EACH)	177	-
Unspent Government Operating Grants - Home and Community Care Packages (HACC)	-	142
Unspent Government Operating Grants - Disability Services	50	54
Unspent Government Capital Grants - Various	202	63
Unspent Government Capital Grants - Sewerage Treatment Plant	-	106
Unspent Government Capital Grants - Riverbank Stabilisation	-	530
Total External Restrictions	540	998

Cash and short term deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A-1+ and long term rating of AA-.

Unspent government Operating Grants represent the total amount of grants held in cash not yet used. Government Capital Grants are retained as they are required to be spent on specific projects.

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. The likelihood of credit failure in respect of the above is considered remote.

Based on the carrying values at the end of the reporting period, and assuming interest rates would be held constant over the period, a reasonably possible change in interest rates (assumed to be 1%) would not have a material impact to profit or equity.

Flinders Shire Council

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

Note 9. Trade and Other Receivables

	Notes	2018 \$'000	2017 \$'000
Current			
Rateable Revenue and Utility Charges		451	389
Other Debtors		2,745	4,555
Less: Impairment of Other Debtors		(20)	(24)
Prepayments		65	82
TOTAL CURRENT TRADE AND OTHER RECEIVABLES		3,241	5,002

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price/contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectivity of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. All known bad debts were written-off at 30 June.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables, except in the instances where properties are being surrendered to Council.

Ageing of Past Due Receivables

Fully Performing	2,678	4,501
Past due:		
- Less than 30 days overdue	59	44
- 31 to 60 days overdue	2	-
- 61 to 90 days overdue	-	-
- Greater than 90 days overdue	459	399
- Impaired	(20)	(24)
Total Past Due Receivables	3,178	4,920

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.

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 grazing, there is also a concentration in the grazing sector.

Flinders Shire Council

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

Note 10. Property, Plant and Equipment

30 June 2018	as at 30/6/2017				Asset Movements during the Reporting Period						as at 30/6/2018				Range of Estimated Useful Lives in Years
	At Cost	At Fair Value	Acc. Deprec.	Carrying Value	Asset Additions - New	Asset Additions - Renewal	Depreciation Expense	Asset Disposals - GBV	Asset Disposals - Acc. Depr.	Asset Disposals - WDV (Note 7)	Revaluation Increments to Equity (ARR) WDV (Note 15)	At Cost	At Fair Value	Acc. Deprec.	Carrying Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Work in Progress	1,544	-	-	1,544	1,004	-	-	-	-	-	-	2,548	-	-	2,548
Land and Land Improvements	-	4,843	-	4,843	-	-	-	-	-	-	1,334	-	6,177	-	6,177
Buildings and Other Structures	-	44,432	14,630	29,802	855	908	(1,192)	-	-	-	3,009	-	43,057	9,427	33,630
Recreation Facilities	-	2,027	329	1,698	2,704	71	(58)	-	-	-	-	-	4,745	337	4,408
Plant and Equipment	16,135	-	8,682	7,453	286	1,143	(1,235)	(1,681)	(1,132)	(549)	-	15,883	-	8,789	7,094
Corporate and IT	493	-	257	236	90	11	(22)	-	-	-	-	595	-	280	315
Road Network	-	123,007	7,499	115,508	2,422	106	(1,200)	-	-	-	1,334	-	125,543	7,365	118,178
Water Network	-	14,415	6,772	7,643	-	227	(316)	-	-	-	462	-	14,794	6,776	8,018
Sewer Network	-	21,654	3,995	17,659	269	30	(640)	-	-	-	649	-	22,797	5,085	17,712
Stormwater Drainage Network	-	481	40	441	-	-	(10)	-	-	-	-	-	481	49	432
Waste / Landfill	628	-	628	-	-	-	-	-	-	-	-	628	-	628	-
Total Property, Plant and Equipment	18,800	210,859	42,832	186,827	7,630	2,496	(4,673)	(1,681)	(1,132)	(549)	6,788	19,654	217,594	38,736	198,512

30 June 2017	as at 30/6/2016				Asset Movements during the Reporting Period						as at 30/6/2017				Range of Estimated Useful Lives in Years
	At Cost	At Fair Value	Acc. Deprec.	Carrying Value	Asset Additions - New	Asset Additions - Renewal	Depreciation Expense	Asset Disposals - GBV	Asset Disposals - Acc. Depr.	Asset Disposals - WDV (Note 7)	Revaluation Increments to Equity (ARR) WDV (Note 15)	At Cost	At Fair Value	Acc. Deprec.	Carrying Value
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Work in Progress	1,782	-	-	1,782	(238)	-	-	-	-	-	-	1,544	-	-	1,544
Land and Land Improvements	-	4,600	-	4,600	243	-	-	-	-	-	-	-	4,843	-	4,843
Buildings and Other Structures	-	43,511	13,495	30,016	501	426	(1,141)	-	-	-	-	-	44,432	14,630	29,802
Recreation Facilities	-	1,920	277	1,643	87	-	(32)	-	-	-	-	-	2,027	329	1,698
Plant and Equipment	14,725	-	7,754	6,971	480	1,922	(1,530)	(991)	(601)	(390)	-	16,135	-	8,682	7,453
Corporate and IT	479	-	240	239	14	-	(17)	-	-	-	-	493	-	257	236
Road Network	-	118,146	7,685	110,461	824	4,049	(983)	-	-	-	1,157	-	123,007	7,499	115,508
Water Network	-	14,324	6,453	7,871	25	63	(316)	-	-	-	-	-	14,415	6,772	7,643
Sewer Network	-	21,634	3,356	18,278	25	-	(644)	-	-	-	-	-	21,654	3,995	17,659
Stormwater Drainage Network	-	474	30	444	7	-	(10)	-	-	-	-	-	481	40	441
Waste / Landfill	628	-	602	26	-	-	(26)	-	-	-	-	628	-	628	-
Total Property, Plant and Equipment	17,614	204,609	39,892	182,331	1,968	6,460	(4,699)	(991)	(601)	(390)	1,157	18,800	210,859	42,832	186,827

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. 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 displayed in Note 10.

Acquisition of Assets

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

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds recognition thresholds for the respective asset class.

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 expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of the expenditure on a given asset. For example, an 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 land Improvements, Buildings and Other Structures, Recreation Facilities, Road Network, Water Network, Sewer Network and Stormwater Drainage Network assets are measured on the revaluation basis, at fair value, in accordance with *AASB 116 Property, Plant and Equipment and AASB 13 Fair Value Measurement*. Plant and Equipment, Corporate and IT, Waste/Landfill and Work in Progress are measured at cost.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Property, Plant and Equipment (continued)

Each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years. This is achieved by either engaging an independent, professionally qualified valuer to determine the fair value for each class of property, plant and equipment or internally by Council engineers. This process involves physically sighting a representative sample of Council assets and making assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region.

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

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 believes that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 10.

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

Flinders Shire Council

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

Note 11. Fair Value Measurements

(1) Recognised Fair Value Measurements

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

Property, Plant and Equipment

- Land and Land Improvements
- Buildings and Other Structures
- Recreation Facilities
- Road Network
- Water Network
- Sewer Network
- Stormwater Drainage Network

Council does not measure any liabilities at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in the Statement of Comprehensive income. The fair value of borrowings disclosed in Note 13 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

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

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

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

Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available and minimise the use of any 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. These assets are valued using a combination of observable and unobservable inputs.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Fair Value Measurements (continued)

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

Specific valuation techniques used to value Council assets comprise:

a) Land and Land Improvements (Level 2 and Level 3)

Land and Land Improvements were subject to a comprehensive revaluation by APV Valuers, Registered Valuers at 30 June 2018. In their methodology APV Valuers determined that an analysis of available market evidence indicated that the direct comparison approach to the land valuations was the most appropriate method.

Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted for use under current zoning rules or contaminated sites. Any instances or possibilities of contamination have been disregarded with this valuation. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into the valuation approach are the price per square metre.

Land that is utilised for footpath or access restriction purposes, land that is a volumetric title, or due to its general characteristics land that had no observable active market, has now been assessed as Level 3. For assets valued under Level 3 Land and Land Improvements the unobservable input was deemed to be the rate per square metre applied to the asset.

Council infrastructure assets were fair valued using current replacement costs based on historic costs adjusted by indexation from appropriate building authoritative publications. Council first determined the gross costs 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.

Reserve lands that are not of a commercial nature do not have a value for the purpose of the Flinders Shire Council's Financial Statements.

Land under infrastructure and reserve land does not have a value for the purpose of the Flinders Shire Council's Financial Statements.

b) Buildings and Other Structures (other) and Recreation Facilities (Level 3)

A comprehensive independent revaluation was performed at 30 June 2018 by APV Valuers, Registered Valuers.

There is no current market for Council's buildings (other) and recreation facilities as these are held to provide essential services to the community. Accordingly the fair value of all building (other) and recreation facilities assets are measured at written down current replacement cost. The valuation of the buildings, structural improvements and site services includes those items which form part of the building services installation. The value was derived from reference to the costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's Construction Handbook and APV's Valuers' internal market research and costings.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives, allowance has been made for the typical asset life cycle and renewal treatments of each component, and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence. The estimates of useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (Level 3).

Flinders Shire Council

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

Note 11. Fair Value Measurements (continued)

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

c) Residential Rental Property (Level 2)

Council obtained an independent valuation at 30 June 2018. The valuation was undertaken by APV Valuers, Registered Valuers. At 30 June 2018 recent property sales did not indicate a significant change in market value of Residential Rental Properties, as such, no adjustment has been made to fair value.

Council's rental properties are all residential properties in areas with sales of comparable properties. Therefore they were valued using the sales comparison approach. Sales prices of comparable residential properties in close proximity are adjusted for key attributes such as property size (Level 2). The most significant input into this approach is price per square metre of land, price per square metre of house living areas and number of bedrooms.

Accumulated depreciation on Level 2 residential properties is determined using the same method as Level 3 Buildings and Other Structures by disaggregating assets into significant components exhibiting different useful lives, and taking into consideration asset life cycles, renewal treatments and asset condition.

d) Infrastructure Assets (Level 3)

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

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

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

The written down current replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Fair Value Measurements (continued)

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

(i) Road Network

The road network was valued by Council engineers, at 30 June 2018. CRC was developed from plant and wages hourly rates, Council on-costs, Queensland Reconstruction Authority restoration submissions and construction works contracts.

Index rates were derived from reference to Rawlinson's Construction Handbook.

a. Current Replacement Cost

Council categorises its road infrastructure by five (5) road types:

- A) Rural Major Street
- B) Rural Minor Road
- C) Urban Access Street
- D) Urban Major Street
- E) Urban Minor Street

Council's road infrastructure assets include:

- 1) Roads (formation, pavement, surfacing)
- 2) Signage - type and location
- 3) Kerb and Channel and Medians - type and location
- 4) Culverts - type and location
- 5) Floodways
- 6) Footpaths
- 7) Other Road Furniture
- 8) Airport

Council has taken into consideration the terrain and environment in which each road is located. Flinders Shire Council has two classes of terrain, level (L) and rolling (R). Council also has two general types of soil, non-reactive and reactive. Each of the roads in Flinders Shire has been classified into four (4) classes:

- 1) LDR - Level, dry reactive soil;
- 2) LDNR - Level, dry non-reactive soil;
- 3) RoDR - Rolling, dry, reactive soil; and
- 4) RoDNR - Rolling, dry non-reactive soil.

Work breakdown cost structures (WBS) have been developed for replacement of each asset type based on their material type, terrain and environmental conditions. The unit rates used within each WBS have been developed using recent and relevant local data and construction work contracts from Council and independent sources.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Fair Value Measurements (continued)

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

b. Accumulated Depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Useful lives are disclosed in Note 10.

Condition ratings were between 1 and 5 with 1 being excellent condition and 5 very poor condition. The higher the condition rating the lower the fair value.

(ii) Water and Sewer Network

A comprehensive revaluation was undertaken by Council engineers at 30 June 2018 using current costs as available and historic costs index through reference to Rawlinson's Construction Handbook.

a. Current Replacement Cost

CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Council Engineer's cost models were derived from the following sources:

- schedule rates for construction of asset or similar asset;
- recent contract and tender data;

Factors taken into account in determining replacement cost included:

Development factors - The area in which development takes place (eg rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).

Soil factors - The types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).

Depth factors - The depth of the trench (e.g. trenching above 1.5m requires shoring/trench cage which increases costs and slows production).

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Fair Value Measurements (continued)

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

b. Accumulated Depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were performed (ie for on the ground assets), provision was made to adjust remaining useful lives based on condition and performance.

Assets were allocated a condition assessment rating between 1 and 5 which was used to estimate remaining useful life. 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating the higher the fair values.

Where site inspections were not performed (ie for in the ground assets), provision was made to adjust remaining useful lives based on performance and planned maintenance records.

(iii) Stormwater Drainage

a. Current Replacement Cost

CRC was calculated based on expected replacement costs. In all cases assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life. Similar to roads, drainage assets are in segments with pits, pipes and channels being major components. A full revaluation was conducted at 30 June 2018 by council engineers based on estimated costs and using approved indices to arrive at current costs.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across stormwater assets. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to sewerage.

b. Accumulated Depreciation

In determining the level of accumulated depreciation stormwater drainage assets were disaggregated into significant components which exhibited different useful lives.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

(3) Valuation Process

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer, Finance Manager and Director of Engineering. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is set out in Note 10. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

Flinders Shire Council

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

Note 12. Trade and Other Payables

	Notes	2018 \$'000	2017 \$'000
Current			
Creditors and Accruals		1,549	653
Annual Leave		868	922
Goods Received not yet invoiced		88	145
ATO - Net GST Payable		(56)	355
Payments Received in Advance		16	27
Other Employee Entitlements		23	201
Other		3	373
TOTAL CURRENT TRADE AND OTHER PAYABLES		2,491	2,676

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

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:

\$ '000	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
2018 Trade and Other Payables	1,637	-	-	1,637	1,637
2017 Trade and Other Payables	798	-	-	798	798

Wages and Salaries

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

Annual Leave

A liability for annual leave is recognised. Amounts are calculated on current wage and salary levels and include related employee costs. This Liability represents an accrued expense.

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

Flinders Shire Council

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

Note 13. Borrowings

	Notes	2018 \$'000	2017 \$'000
Current			
Loans - Queensland Treasury Corporation		267	267
TOTAL CURRENT BORROWINGS		267	267
Non-current			
Loans - Queensland Treasury Corporation		1,919	2,184
TOTAL NON-CURRENT BORROWINGS		1,919	2,184

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

All borrowing costs are expensed in the period in which they are incurred.

Reconciliation of Loan Movements for the year

Loans - Queensland Treasury Corporation

Opening Balance at Beginning of Financial Year	2,451	2,055
Loans Raised	-	600
Principal Repayments	(265)	(204)
Book value at end of financial year	2,186	2,451

\$ '000	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
2018 Loans - QTC	342	1,368	751	2,461	2,186
2017 Loans - QTC	341	1,368	1,093	2,802	2,451

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.

Based on the carrying values at the end of the reporting period, and assuming interest rates would be held constant over the period, a reasonably possible change in interest rates (assumed to be 1%) would not have a material impact on profit or equity.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Borrowings (continued)

Loan Disclosures

The fair value of borrowings with QTC is based on the market value of debt outstanding. The QTC loan market value at the reporting date was \$ 2,218,455.83

This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

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

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2024 to 15 June 2027.

There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.

Note 14. Provisions

	Notes	2018 \$'000	2017 \$'000
Current			
Long Service Leave		585	64
Refuse Restoration		5	3
TOTAL CURRENT PROVISIONS		590	67

Non-current

Long Service Leave		555	845
Refuse Restoration		47	50
TOTAL NON-CURRENT PROVISIONS		602	895

Details of movements in Provisions:

Class of Provision	Opening Balance as at 01/07/17	Additional Provision	Decrease due to Payments	Remeasure - ment due to Discounting	Unused Amounts Reversed	Closing Balance as at 30/06/18
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Long Service Leave	909	363	(36)	(96)	-	1,140
Refuse Restoration	53	(1)	-	-	-	52
TOTAL	962	362	(36)	(96)	-	1,192

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Provisions (continued)

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using the 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 the present value. The interest rates attaching to the Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Long Service leave due and payable at balance date has been treated as a current provision. All other long service leave liabilities have been treated as non current provisions.

Note 15. Asset Revaluation Surplus

	Notes	2018 \$'000	2017 \$'000
Movements in the asset revaluation surplus:			
Balance at beginning of financial year		81,299	80,142
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land and Land Improvements		1,334	-
Buildings and Other Structures		3,009	-
Road Network		1,334	1,157
Water Network		462	-
Sewer Network		649	-
	10	6,788	1,157
Balance at end of financial year		<u>88,087</u>	<u>81,299</u>

Asset Revaluation Surplus analysis

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

Land and Land Improvements	4,368	3,034
Buildings and Other Structures	19,469	16,461
Road Network	59,182	57,847
Water Network	3,150	2,688
Sewer Network	1,918	1,269
Balance at end of financial year	88,087	81,299

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for Expenditure

	Notes	2018 \$'000	2017 \$'000
Contractual Commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Civica Managed Network Services		146	146
Civica Licencing and Support		62	60
Other Commitments		314	70
Contract and Recoverable Works		594	883
Road Construction		408	75
Building Construction		64	159
Agricultural Development		65	-
TOTAL CONTRACTUAL COMMITMENTS		1,653	1,393

Note 17. Contingent Liabilities

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

Local Government Mutual

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

As at 30 June 2018 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$ 224,439

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. 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 Flinders 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 obligation will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." 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. Flinders Shire Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

	Notes	2018 \$'000	2017 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		139	141
Other superannuation contributions for employees		729	631
Total superannuation contributions paid by Council for employees	5	868	772

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Trust Funds

	Notes	2018 \$'000	2017 \$'000
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		203	80
Security Deposits		-	1
Total Trust Funds		203	81

Funds held in the trust account on behalf of outside parties include those funds for prepaid funeral deposits, security deposits lodged to guarantee performance, housing bonds, key deposits and monies from Community Groups that no longer operate to be spent on specific projects. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only.

Note 20. Reconciliation of Net Operating Result for the Year to net cash flows from operating activities

	Notes	2018 \$'000	2017 \$'000
Net operating result from Income Statement		7,284	11,782
Non-cash items:			
Depreciation		4,673	4,699
Unwinding of Discount Rates on Reinstatement Provisions		(96)	(145)
Net Losses/(Gains) on Disposal of Assets		(94)	31
Non Operating Cash Flows			
Loss on Write-Off of Assets		-	26
Capital Grants and Contributions		(4,516)	(5,060)
Equity Adjustment		-	(89)
Changes in operating assets and liabilities:			
(Increase)/Decrease in Receivables		1,761	(2,293)
(Increase)/Decrease in Inventories		(38)	(7)
Increase/(Decrease) in Payables and Accruals		903	(1,533)
Increase/(Decrease) in Other Liabilities		(1,081)	749
Increase/(Decrease) in Employee Leave Entitlements		231	(49)
Increase/(Decrease) in Other Provisions		95	145
Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows		9,122	8,256

Flinders Shire Council

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

Note 21. Reconciliation of Liabilities arising from Finance Activities

	As at 30-Jun-17 \$'000	Cashflows \$'000	Non-Cash Changes (New Leases) \$'000	As at 30-Jun-18 \$'000
Loans	2,451	(265)	-	2,186
	<u>2,451</u>	<u>(265)</u>	<u>-</u>	<u>2,186</u>

Note 22. Events Occurring After the Reporting Period

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

Note 23. Financial Instruments

Council has exposure to interest rate risk, credit risk (refer to Notes 8 and 9), and liquidity risk that should be disclosed.

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 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.

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.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Financial Instruments (continued)

Liquidity Risk (continued)

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 13.

The tables presented in Note 12 and Note 13 set out the liquidity risk in relation to financial liabilities held by the Council. They represent the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements.

Financial Assets and Financial Liabilities

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

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

Financial Assets

- Cash and cash equivalents (Note 8); and
- Receivables - measured at amortised cost (Note 9).

Financial Liabilities

- Payables - measured at amortised cost (Note 12); and
- Borrowings - measured at amortised cost (Note 13).

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

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.

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.

Flinders Shire Council

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

Note 24. Transactions with Related Parties

(a) Related Parties

Transactions with Related Parties

		Amount of transactions during year	Outstanding Balance (incl. Commitments)	Terms and Conditions	Provisions for Doubtful Debts on Outstanding	Doubtful Debts Expense Recognised
	Details	\$'000	\$'000		\$'000	\$'000
2018						
Purchases	a	382	-	Normal Terms	-	-
Receivables	b	115	-	Normal Terms	-	-
Employee expenses for Close Family Members of Key Management Personnel	c	68				
Total Transactions		564	-		-	-
2017						
Purchases	a	156	44	Normal Terms	-	-
Receivables	b	27	-	Normal Terms	-	-
Employee expenses for Close Family Members of Key Management Personnel	c	65				
Total Transactions		248	44		-	-

- a** Purchases of materials and services from entities controlled by key management personnel.
- b** Receivables from key management personnel and entities controlled by key management personnel.
- c** All close Family members of key management personnel were employed through an arm length process.
They are paid in accordance with the award for the job they perform.
The Council employs 110 staff of which only 1 is a close family member of key management personnel.

The Flinders River Roping Association Inc. were successful in obtaining a Community Small Grant during the year for \$1,384 for the upgrade of the community area. The FRRA Inc and proposed works are located at 3 Hann Highway, Hughenden. That property is owned by Councillor Kim Middleton and his wife Jacqueline.

Council sought advice on this arrangement and as a result the FRRA were required to enter into a three year lease with the owners JR and KI Middleton with a specific clause stating *"In the event that the Flinders River Roping Association ceases operation, any equipment and assets acquired by them during their enterprise is to be disposed of by public auction"*.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 24. Transactions with Related Parties (continued)

(b) Key Management Personnel (KMP)

Transactions with Key Management Personnel

Key management personnel include the Mayor, Councillors, Chief Executive Officer and Director of Engineering.

The compensation paid to Key Management Personnel comprises:

	2018 \$000	2017 \$000
Short-Term Employee Benefits	875	764
Long-Term Benefits	10	29
Post Employment Benefits	47	37
Total Compensation Paid to KMP's	932	830

Detailed remuneration schedules are included in the annual report.

(c) Outstanding Balances

There were no outstanding receivables from KMP's or related parties at 30 June 2018.

(d) Loans and Guarantees to/from Related Parties

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

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

Most of the entities and people that are related parties of Council live and operate within the Flinders 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
- Dog registrations
- Borrowing books from the library

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

Several key management personnel are also executives on local sporting and leisure clubs. During the year Council has made sponsorships and donations to numerous clubs and organisations. Sponsorships to these organisations have been assessed and we believe these transactions were made under normal terms and conditions, therefore no disclosure has been made.

Flinders 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 Regulation) and other prescribed requirements.

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 36, 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.



Cr Jane McNamara

MAYOR

Date: 12/10/2018



Graham King

CHIEF EXECUTIVE OFFICER

Date: 12/10/2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Flinders Shire Council

Report on the audit of the financial report

Opinion

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

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

Report on other legal and regulatory requirements

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

16 October 2018

Queensland Audit Office
Brisbane

Flinders 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

<u>Net Result (excluding capital items)</u>	9.19%	0 - 10%
Total Operating Revenue (excluding capital items)		

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

2. Asset Sustainability Ratio

<u>Capital Expenditure on the Replacement of Assets (renewals)</u>	39.29%	more than 90%
Depreciation Expense		

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

3. Net Financial Liabilities Ratio

<u>Total Liabilities less Current Assets</u>	-88.46%	less than 60%
Total Operating Revenue (excluding capital items)		

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.

Flinders 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.



Cr Jane McNamara

MAYOR

Date: 12/10/2018



Graham King

CHIEF EXECUTIVE OFFICER

Date: 12/10/2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Flinders Shire Council

Report on the Current Year Financial Sustainability Statement

Opinion

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

16 October 2018

Queensland Audit Office
Brisbane

Flinders Shire Council

Long-Term Financial Sustainability Statement

prepared as at 30 June 2018

	Target 2018	Actual 2018	2019	2020	2021	2022	Forecast					
							2023	2024	2025	2026	2027	2028

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)	0 - 10%	9.19%	0.20%	0.70%	0.70%	1.40%	0.90%	6.40%	7.40%	8.40%	8.40%	10.80%
Total Operating Revenue (excluding capital items)												

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)	> 90%	39.29%	126.80%	93.70%	71.40%	72.70%	65.30%	74.10%	69.80%	71.40%	60.40%	63.80%
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	< 60%	-88.46%	-61.80%	-70.10%	-72.10%	-77.20%	-82.90%	-91.00%	-101.10%	-111.60%	-124.40%	-136.50%
Total Operating Revenue (excluding capital items)												

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

Flinders 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.

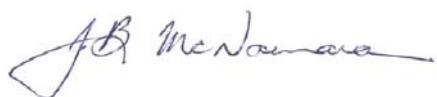
Long-Term Financial Sustainability Statement

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.



Cr Jane McNamara

MAYOR

Date: 12/10/2018



Graham King

CHIEF EXECUTIVE OFFICER

Date: 12/10/2018