

Flinders Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

Discovery • Opportunity • Lifestyle



General Purpose Financial Statements

for the year ended 30 June 2019

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Flinders Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Income			
Revenue			
<i>Recurrent Revenue</i>			
Rates, Levies and Charges	3a	4,059	3,834
Fees and Charges	3b	1,376	1,324
Rental Income		103	125
Interest and Investment Revenue		681	619
Sales Contract and Recoverable Works Revenue	3c	12,073	14,744
Other Income		513	372
Grants, Subsidies, Contributions and Donations	4a	11,024	8,088
Total Recurrent Revenue		29,829	29,106
<i>Capital Revenue</i>			
Grants, Subsidies, Contributions and Donations	4b	5,204	4,516
Total Revenue		35,033	33,622
Expenses			
<i>Recurrent Expenses</i>			
Employee Benefits	5	8,428	7,902
Materials and Services	6	14,550	13,726
Finance Costs		164	131
Depreciation	10	4,082	4,673
Total Recurrent Expenses		27,224	26,432
Capital Expenses	7	(22)	(94)
Total Expenses		27,202	26,338
Net Result		7,831	7,284
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	436	6,788
Total Other Comprehensive Income		436	6,788
Total Comprehensive Income		8,267	14,072

Flinders Shire Council

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current Assets			
Cash and Cash Equivalents	8	21,816	27,928
Trade and Other Receivables	9	3,964	3,241
Inventories		444	447
Total Current Assets		26,224	31,616
Non-Current Assets			
Trade and Other Receivables		2	2
Property, Plant and Equipment	10	211,921	198,512
Total Non-Current Assets		211,923	198,514
TOTAL ASSETS		238,147	230,130
LIABILITIES			
Current Liabilities			
Trade and Other Payables	12	2,649	2,491
Borrowings	13	267	267
Provisions	14	578	590
Total Current Liabilities		3,494	3,348
Non-Current Liabilities			
Borrowings	13	1,645	1,919
Provisions	14	480	602
Total Non-Current Liabilities		2,125	2,521
TOTAL LIABILITIES		5,619	5,869
NET COMMUNITY ASSETS		232,528	224,261
COMMUNITY EQUITY			
Asset Revaluation Surplus	15	88,523	88,087
Retained Surplus/(Deficiency)		144,005	136,174
TOTAL COMMUNITY EQUITY		232,528	224,261

Flinders Shire Council

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

	Notes	Asset Revaluation Surplus \$'000	Retained Surplus \$'000	Total Equity \$'000
2019				
Opening Balance as at 1 July 2018		88,087	136,174	224,261
a. Net Result		-	7,831	7,831
b. Other Comprehensive Income				
- Increase/(Decrease) in Asset Revaluation Surplus	15	436	-	436
Total Comprehensive Income		436	7,831	8,267
Equity Balance as at 30 June 2019		88,523	144,005	232,528
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

Flinders Shire Council

Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Cash Flows from Operating Activities			
Receipts from Customers		17,333	22,007
Payments to Suppliers and Employees		(22,986)	(21,586)
		(5,653)	421
Receipts:			
Investment and Interest Revenue Received		681	619
Rental Income		103	125
Non Capital Grants and Contributions		11,024	8,088
Payments:			
Finance Costs		(164)	(131)
Net Cash Flow - Operating Activities	20	5,991	9,122
Cash Flows from Investing Activities			
Receipts:			
Sale of Property, Plant and Equipment		797	643
Grants, Subsidies, Contributions and Donations		5,204	4,516
Payments:			
Purchase of Property, Plant and Equipment		(17,830)	(10,126)
Net Cash Flow - Investing Activities		(11,829)	(4,967)
Cash Flows from Financing Activities			
Payments:			
Repayment of Borrowings and Advances		(274)	(265)
Net Cash Flow - Financing Activities		(274)	(265)
Net Increase/(Decrease) for the year		(6,112)	3,890
plus: Cash and Cash Equivalents - beginning		27,928	24,038
CASH AND CASH EQUIVALENTS - CLOSING	8	21,816	27,928

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

1A Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 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.

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

AASB 9 Financial Instruments

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

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

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

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

differences due to changes in impairment under the new rules.

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

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

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

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

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

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. Previously, such grants were recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations. These are expected to continue being

recognised as revenue upfront assuming no change to the current grant arrangements.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

New disclosures may also be required by the new standards in respect of the Council's revenue.

Transition method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

- **AASB 16 Leases** – The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

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

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Leases in which the Council is a lessee

The Council has elected not to recognise Office Equipment leases under AASB 16 as they have been assessed as being low-value assets under the standard.

No significant impact is expected for the Council's finance leases.

Peppercorn Leases

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

Transition method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

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 or where that amount is \$ 500 or less to zero.

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

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 2019

Note 2(a). Council Functions - Component Descriptions

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

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 and 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 and Culture, Emergency Services (SES);
- Swimming Pool, Racecourse, Skate Park, Showgrounds, Community Development, Community Grants;
- Hughenden Centre for the Aged, Aged Housing, Halls and Community Centres, Museums and 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 and 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, Irrigation Project and Flinders River Water Forum.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital		Other	Recurring		Capital					
	Grants	Other	Grants	Other									
2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Our Governance	6,204	3,000	-	-	-	9,204	(5,892)	-	(5,892)	3,312	3,312	47,239	
Our Economy	-	12,919	44	-	-	12,963	(15,064)	-	(15,064)	(2,145)	(2,101)	17,255	
Our Environment	1,091	344	100	-	-	1,535	(1,532)	-	(1,532)	(97)	3	108	
Our Community	1,137	510	3,455	-	-	5,102	(4,824)	-	(4,824)	(3,177)	278	25,853	
Our Infrastructure	2,592	1,996	1,605	-	-	6,193	277	22	299	4,865	6,492	147,692	
Our Resources	-	36	-	-	-	36	(189)	-	(189)	(153)	(153)	-	
Total	11,024	18,805	5,204	-	-	35,033	(27,224)	22	(27,202)	2,605	7,831	238,147	

Functions	Gross Program Income						Total Income	Gross Program Expenses		Total Expenses	Net Result from Recurring Operations	Net Result	Total Assets
	Recurring		Capital		Other	Recurring		Capital					
	Grants	Other	Grants	Other									
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	

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Revenue Analysis

	2019	2018
	\$'000	\$'000
(a). Rates, Levies and Charges		
General Rates / Community Levy	1,830	1,957
Separate Rates	85	84
Water	1,103	894
Sewerage	869	730
Garbage Charges	197	193
Other Rates, Levies and Charges	20	19
Total Rates, Levies and Charges	4,104	3,877
Less: Pensioner remissions	(45)	(43)
TOTAL RATES, LEVIES AND CHARGES	4,059	3,834

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	8	11
Infringements	1	1
Licences and Registrations	19	17
Airport Landing Fees	42	40
Cemetery and Funeral	46	50
Private Works	61	125
Community Care Packages	288	63
Saleyards	76	54
Parks and Reserves	80	175
Caravan Park	604	618
Flinders Discovery Centre	39	33
Other Fees and Charges	112	137
TOTAL FEES AND CHARGES	1,376	1,324

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 2019

Note 3. Revenue Analysis (continued)

	2019	2018
	\$'000	\$'000
(c). Sales Revenue Contract and Recoverable Works		
Sale of Services - Contract and Recoverable Works		
Main Road Contract Revenue, Main Roads RMPC, Contract Revenue	2,939	2,846
Main Road Contract Revenue, Hann Highway 99B, Contract Revenue	7,926	8,130
Main Road Contract Revenue, Hughenden Winton 99C , Contract Revenue	530	-
Main Road Contract Revenue, Torrens Creek Aramac 5703 , Contract Revenue	73	-
Main Road Contract Revenue, Hughenden Muttaborra 5701 , Contract Revenue	12	-
Main Road Contract Revenue, Hughenden/Richmond 14C, Contract Revenue	558	17
Main Road Contract Revenue, Hughenden/Charters Towers 14B, Contract Revenue	35	3,751
Total Sale of Services	12,073	14,744
TOTAL SALES REVENUE	12,073	14,744

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	7,634	6,591
State Government Subsidies and Grants	1,117	361
Commonwealth Government Subsidies and Grants	2,269	952
Donations	4	2
Contributions	-	(6)
Other	-	188
TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	11,024	8,088

(b) Capital

State Government Subsidies and Grants	4,250	3,199
Commonwealth Government Subsidies and Grants	931	1,313
Other	23	4
TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS	5,204	4,516

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 19-20 financial year was received in June 2019, and therefore has been recognised as grant revenue at 30 June 2019 in accordance with AASB 1004.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Employee Benefits

	Notes	2019 \$'000	2018 \$'000
Wages and Salaries		6,960	6,830
Annual, Sick and Long Service Leave Entitlements		1,147	1,267
Superannuation	18	897	868
Councillors' Remuneration		424	414
Subtotal Employee Related Expenses		9,428	9,379
Other Employee Related Expenses		221	288
Subtotal Other Employee Related Expenses		9,649	9,667
Less: Capitalised Employee Expenses		(1,221)	(1,765)
TOTAL EMPLOYEE BENEFITS		8,428	7,902

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

Additional information:

Total Employees at year end:

Administration Staff	48	49
Depot and Outdoors Staff	64	61
Total full time equivalent employees	112	110
Total Elected members	7	7

Note 6. Materials and Services

Advertising and Marketing	308	362
Audit Services	49	49
Communications and IT	349	348
Community Services	3,664	3,481
Donations Paid	9	33
Recoverable Works	7,210	6,815
Road Construction	833	1,258
Special Projects	179	148
Other Materials and Services	1,949	1,232
TOTAL MATERIALS AND SERVICES	14,550	13,726

Total audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are \$ 49,000.00 (2018:\$ 48,750.00).

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Capital Expenses

	Notes	2019 \$'000	2018 \$'000
Loss on disposal of non-current assets			
Proceeds from the Disposal of Property, Plant and Equipment		797	643
Less: Book Value of Property, Plant and Equipment Disposed	10	(775)	(549)
Subtotal Loss on Disposal of Non-Current Assets		(22)	(94)
TOTAL CAPITAL EXPENSES		(22)	(94)

Note 8. Cash and Cash Equivalents

Cash and Cash Equivalents			
Cash at Bank and on Hand		2,338	642
Cash Equivalent Assets			
- Deposits at Call		16,478	24,286
- Short Term Deposits		3,000	3,000
TOTAL CASH AND CASH EQUIVALENTS		21,816	27,928

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 2019

Note 8. Cash and Cash Equivalents (continued)

Notes	2019 \$'000	2018 \$'000
Restricted Cash, Cash Equivalents and Investments		
<p>Council's Cash and Cash Equivalents are subject to a number of Internal and External Restrictions that limit amounts available for discretionary or future use. These include:</p> <p>Externally imposed Expenditure Restrictions at the reporting date relate to the following cash assets:</p>		
Unspent Government Operating Grants - Various	752	93
Unspent Government Operating Grants - Qld Community Care Services (QCCS)	15	18
Unspent Government Operating Grants - Home Care Packages	-	177
Unspent Government Operating Grants - Disability Services	2	50
Unspent Government Capital Grants - Various	468	202
Total External Restrictions	1,237	540

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 2019

Note 9. Trade and Other Receivables

	2019	2018
	\$'000	\$'000
Current		
Rateable Revenue and Utility Charges	376	451
Other Debtors	2,531	2,745
Less: Impairment of Other Debtors	(20)	(20)
Other Income Accruals	1,035	-
Prepayments	42	65
TOTAL CURRENT TRADE AND OTHER RECEIVABLES	3,964	3,241

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	3,546	2,678
Past due:		
- Less than 30 days overdue	18	57
- 31 to 60 days overdue	-	2
- 61 to 90 days overdue	-	-
- Greater than 90 days overdue	378	459
- Impaired	(20)	(20)
Total Past Due Receivables	3,922	3,176

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 2019

Note 10. Property, Plant & Equipment

	Asset Movements during the Reporting Period										as at 30/6/2019				Range of Estimated Useful Lives in Years					
	as at 30/6/2018					Asset Additions - Other	Asset Additions - Renewals	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			
	At Cost	At Fair Value	Acc. Deprec.	Carrying Value	At Cost													At Fair Value	Acc. Deprec.	Carrying Value
	\$'000	\$'000	\$'000	\$'000	\$'000													\$'000	\$'000	\$'000
Work in Progress	2,548	-	-	2,548	12,921	205	-	-	-	-	-	15,674	-	-	15,674	n/a				
Land and Land Improvements	-	6,177	-	6,177	93	-	-	-	-	-	-	-	6,270	-	6,270	n/a				
Buildings and Other Structures	-	43,057	9,427	33,630	478	150	(716)	-	-	-	-	(1)	43,684	10,141	33,542	10 to 100				
Recreation Facilities	-	4,745	337	4,408	334	-	(330)	-	-	-	-	-	5,079	666	4,413	5 to 70				
Plant and Equipment	15,883	-	8,789	7,094	495	1,981	(1,270)	(958)	(775)	-	-	16,626	-	9,102	7,524	3 to 8				
Corporate and IT	595	-	280	315	-	-	(28)	-	-	-	-	595	-	308	287	3 to 50				
Road Network	-	125,543	7,365	118,178	803	161	(938)	-	-	-	225	-	128,148	9,718	118,430	10 to 175				
Water Network	-	14,794	6,776	8,018	192	-	(217)	-	-	-	64	-	15,116	7,061	8,055	5 to 100				
Sewer Network	-	22,797	5,085	17,712	10	7	(573)	-	-	-	147	-	23,189	5,885	17,304	5 to 80				
Stormwater Drainage Network	-	481	49	432	-	-	(10)	-	-	-	-	-	481	59	422	50				
Waste / Landfill	628	-	628	-	-	-	-	-	-	-	-	628	-	628	-	5				
Total Property, Plant and Equipment	19,654	217,594	38,736	198,512	15,326	2,504	(4,082)	(1,733)	(958)	(775)	436	33,522	221,967	43,568	211,921					

	Asset Movements during the Reporting Period										as at 30/6/2018				Range of Estimated Useful Lives in Years					
	as at 30/6/2017					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			
	At Cost	At Fair Value	Acc. Deprec.	Carrying Value	At Cost													At Fair Value	Acc. Deprec.	Carrying Value
	\$'000	\$'000	\$'000	\$'000	\$'000													\$'000	\$'000	\$'000
Work in Progress	1,544	-	-	1,544	1,004	-	-	-	-	-	-	2,548	-	-	2,548	n/a				
Land and Land Improvements	-	4,843	-	4,843	-	-	-	-	-	-	1,334	-	6,177	-	6,177	n/a				
Buildings and Other Structures	-	44,432	14,630	29,802	855	908	(1,192)	-	-	-	3,009	-	43,057	9,427	33,630	10 to 100				
Recreation Facilities	-	2,027	329	1,698	2,704	71	(58)	-	-	-	-	-	4,745	337	4,408	5 to 70				
Plant and Equipment	16,135	-	8,682	7,453	286	1,143	(1,235)	(1,681)	(549)	-	-	15,883	-	8,789	7,094	3 to 8				
Corporate and IT	493	-	257	236	90	11	(22)	-	-	-	-	595	-	280	315	3 to 50				
Road Network	-	123,007	7,499	115,508	2,422	106	(1,200)	-	-	-	1,334	-	125,543	7,365	118,178	10 to 175				
Water Network	-	14,415	6,772	7,643	-	227	(316)	-	-	-	462	-	14,794	6,776	8,018	5 to 100				
Sewer Network	-	21,654	3,995	17,659	269	30	(640)	-	-	-	649	-	22,797	5,085	17,712	5 to 80				
Stormwater Drainage Network	-	481	40	441	-	-	(10)	-	-	-	-	-	481	49	432	50				
Waste / Landfill	628	-	628	-	-	-	-	-	-	-	-	628	-	628	-	5				
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					

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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 2019

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 2019

Note 11. Fair Value Measurements

(1) Recognised Fair Value Measurements

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

- 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 2019

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.

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 2019

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 2019 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 2019

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 2019. 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 2019

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 desktop review was undertaken by Council engineers as at 30 June 2019 and an indexation based on year end CPI was applied.

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 2019

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, Director Corporate and Financial Services 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 2019

Note 12. Trade and Other Payables

	Notes	2019 \$'000	2018 \$'000
Current			
Creditors and Accruals		1,472	1,549
Annual Leave		811	868
Goods Received not yet invoiced		179	88
ATO - Net GST Payable		(52)	(56)
Payments Received in Advance		74	16
Other Employee Entitlements		17	23
Other		148	3
TOTAL CURRENT TRADE AND OTHER PAYABLES		2,649	2,491

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
2019 Trade and Other Payables	1,651	-	-	1,651	1,651
2018 Trade and Other Payables	1,637	-	-	1,637	1,637

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 2019

Note 13. Borrowings

Notes	2019 \$'000	2018 \$'000
Current		
Loans - Queensland Treasury Corporation	267	267
TOTAL CURRENT BORROWINGS	267	267
Non-current		
Loans - Queensland Treasury Corporation	1,645	1,919
TOTAL NON-CURRENT BORROWINGS	1,645	1,919

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	2,186	2,451
Principal Repayments	(274)	(265)
Book value at end of financial year	1,912	2,186

\$ '000	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
2019 Loans - QTC	342	1,368	409	2,119	1,912
2018 Loans - QTC	342	1,368	751	2,461	2,186

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 2019

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 \$ 2,012,805.81

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.

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

Note 14. Provisions

	Notes	2019 \$'000	2018 \$'000
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Current

Long Service Leave		559	585
Refuse Restoration		19	5
TOTAL CURRENT PROVISIONS		578	590

Non-current

Long Service Leave		310	555
Refuse Restoration		170	47
TOTAL NON-CURRENT PROVISIONS		480	602

Details of movements in Provisions:

Class of Provision	Opening Balance as at 01/07/18	Additional Provision	Decrease due to Payments	Remeasure - ment due to Discounting	Unused Amounts Reversed	Closing Balance as at 30/06/19
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Long Service Leave	1,140	(21)	(46)	(204)	-	869
Refuse Restoration	52	137	-	-	-	189
TOTAL	1,192	116	(46)	(204)	-	1,058

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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 discount rates from the Milliman Report (Discount Rates for Australian Employee Benefit Liability Valuation) have been used to discount estimated future cashflows 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	2019 \$'000	2018 \$'000
Movements in the asset revaluation surplus:			
Balance at beginning of financial year		88,087	81,299
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		225	1,334
Water Network		64	462
Sewer Network		147	649
	10	<u>436</u>	<u>6,788</u>
Balance at end of financial year		<u>88,523</u>	<u>88,087</u>

Asset Revaluation Surplus analysis

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

Land and Land Improvements	4,368	4,368
Buildings and Other Structures	19,469	19,469
Road Network	59,407	59,182
Water Network	3,214	3,150
Sewer Network	2,065	1,918
Balance at end of financial year	88,523	88,087

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments for Expenditure

	Notes	2019 \$'000	2018 \$'000
Contractual Commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Civica Managed Network Services		165	146
Civica Licencing and Support		23	62
Other Commitments		204	314
Contract and Recoverable Works		902	594
Road Construction		994	408
Building Construction		98	64
Agricultural Development		11	65
TOTAL CONTRACTUAL COMMITMENTS		2,397	1,653

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 \$ 240,111.42.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Flinders Shire Council made 0.48% of the total contributions to the plan in the 2018-19 financial year.

	Notes	2019 \$'000	2018 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		126	139
Other superannuation contributions for employees		772	729
Total superannuation contributions paid by Council for employees	5	897	868
		2020 \$'000	

Contributions council expects to make to the Regional Defined Benefits Fund for 2019-20

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Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Trust Funds

Notes	2019 \$'000	2018 \$'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	193	203
Total Trust Funds	193	203

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

	2019 \$'000	2018 \$'000
Net operating result from Income Statement	7,831	7,284
Non-cash items:		
Depreciation	4,082	4,673
Unwinding of Discount Rates on Reinstatement Provisions	(204)	(96)
Net Losses/(Gains) on Disposal of Assets	(22)	(94)
Non Operating Cash Flows		
Capital Grants and Contributions	(5,204)	(4,516)
Changes in operating assets and liabilities:		
(Increase)/Decrease in Receivables	(723)	1,761
(Increase)/Decrease in Inventories	3	(38)
Increase/(Decrease) in Payables and Accruals	(77)	903
Increase/(Decrease) in Other Liabilities	235	(1,081)
Increase/(Decrease) in Employee Leave Entitlements	(271)	231
Increase/(Decrease) in Other Provisions	341	95
Net cash provided from/(used in) Operating Activities from the Statement of Cash Flows	5,991	9,122

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Reconciliation of Liabilities arising from Finance Activities

	As at 30-Jun-18 \$'000	Cashflows \$'000	As at 30-Jun-19 \$'000
Loans	2,186	(274)	1,912
	<u>2,186</u>	<u>(274)</u>	<u>1,912</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.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial Instruments (continued)

Financial Risk Management (continued)

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

Council does not enter into derivatives.

Credit Risk Exposure

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

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

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

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

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

As at 30 June 2019 there were no receivables outside normal payment terms and no disclosures has been made.

Liquidity Risk

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

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

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

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.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Financial Instruments (continued)

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.

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

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Transactions with Related Parties

(a) Related Parties

Transactions with Related Parties

	Details	Amount of transactions during year	Outstanding Balance (incl. Commitments)	Terms and Conditions	Provisions for Doubtful Debts on Outstanding	Doubtful Debts Expense Recognised
		\$'000	\$'000		\$'000	\$'000
2019						
Purchases	a	339	10	Normal Terms	-	-
Receivables	b	62	-	Normal Terms	-	-
Employee expenses for Close Family Members of Key Management Personnel	c	65	-		-	-
Total Transactions		466	10		-	-
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	-		-	-

- 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 123 staff of which only 1 is a close family member of key management personnel.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2019

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, Director of Engineering and Director of Corporate Services and Finance.

The compensation paid to Key Management Personnel comprises:

	2019	2018
	\$000	\$000
Short-Term Employee Benefits	1,066	875
Long-Term Benefits	9	10
Post Employment Benefits	59	47
Total Compensation Paid to KMP's	1,134	932

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 2019.

(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 2019

Management Certificate

for the year ended 30 June 2019

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the General Purpose Financial Statements, as set out on pages 2 to 37, 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: 23/10/2019



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 23/10/2019

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 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

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

Basis for opinion

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

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

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

Other information

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

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

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

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

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



Carolyn Dougherty
as delegate of the Auditor-General

28 October 2019

Queensland Audit Office
Brisbane

Flinders Shire Council

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

	Actual 2019	Target 2019
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Measures of Financial Sustainability

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

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items)	8.73%	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

Capital Expenditure on the Replacement of Assets (renewals)	11.42%	more than 90%
Depreciation Expense		

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

3. Net Financial Liabilities Ratio

Total Liabilities less Current Assets	-69.08%	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 2019.

Flinders Shire Council

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

Certificate of Accuracy for the year ended 30 June 2019

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *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: 23/10/2019



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 23/10/2019

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 (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

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

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Carolyn Dougherty
as delegate of the Auditor-General

28 October 2019

Queensland Audit Office
Brisbane

Flinders Shire Council

Long-Term Financial Sustainability Statement

prepared as at 30 June 2019

	Target 2019	Actual 2019	2020	2021	2022	2023	Forecast					
							2024	2025	2026	2027	2028	2029

Measures of Financial Sustainability

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

Performance Indicators

1. Operating Surplus Ratio

Net Result (excluding capital items)	0 - 10%	8.73%	-4.28%	3.07%	-1.72%	2.94%	3.35%	3.15%	-0.36%	0.31%	0.16%	0.88%
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%	11.42%	133.52%	115.57%	93.34%	102.19%	99.53%	110.39%	80.15%	85.91%	138.78%	132.32%
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%	-69.08%	-36.70%	-56.60%	-65.96%	-67.29%	-78.52%	-82.99%	-81.65%	-84.23%	-84.45%	-84.96%
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.

Flinders Shire Council

Long-Term Financial Sustainability Statement

Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2019

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

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Cr Jane McNamara

MAYOR

Date: 23/10/2019



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 23/10/2019