

Flinders Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020

Discovery • Opportunity • Lifestyle



General Purpose Financial Statements
for the year ended 30 June 2020

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Flinders Shire Council

Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3a	4,675	4,059
Fees and charges	3b	1,349	1,376
Sales revenue	3c	15,903	12,073
Grants, subsidies, contributions and donations	3d	14,930	11,024
Total recurrent revenue		36,857	28,532
Capital revenue			
Grants, subsidies, contributions and donations	3d	4,382	5,204
Total capital revenue		4,382	5,204
Other income			
Rental income		127	103
Interest received	4b	519	681
Other recurrent income	4a	621	513
Other capital income	5	60	22
Total other income		1,327	1,319
Total income		42,566	35,055
Expenses			
Recurrent expenses			
Employee benefits	6	11,126	8,428
Materials and services	7	21,859	14,550
Finance costs		178	164
Depreciation:			
- Property, plant and equipment	11	4,543	4,082
Total expenses		37,706	27,224
Net result		4,860	7,831
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus	11	921	436
Total comprehensive income for the year		5,781	8,267

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies. The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Flinders Shire Council

Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	30,917	21,816
Receivables	9	2,530	3,922
Inventories	10	583	444
Contract assets	13	765	-
Other assets		33	42
Total current assets		34,828	26,224
Non-current assets			
Receivables	9	2	2
Property, plant and equipment	11	218,371	211,921
Intangible assets	12	1,022	-
Total non-current assets		219,395	211,923
TOTAL ASSETS		254,223	238,147
LIABILITIES			
Current liabilities			
Payables	14	2,814	1,838
Contract liabilities	13	5,241	-
Borrowings	15	369	267
Provisions	16	1,596	1,389
Total current liabilities		10,020	3,494
Non-current liabilities			
Borrowings	15	2,180	1,645
Provisions	16	984	480
Total non-current liabilities		3,164	2,125
TOTAL LIABILITIES		13,184	5,619
Net community assets		241,039	232,528
COMMUNITY EQUITY			
Asset revaluation surplus		89,444	88,523
Retained surplus/(deficiency)		151,595	144,005
Total community equity		241,039	232,528

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies. The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

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

	Notes	Asset revaluation surplus \$'000	Retained surplus \$'000	Total equity \$'000
2020				
Balance as at 1 July 2019		88,523	144,005	232,528
Adjustment on initial application of AASB 15 / AASB 1058	23	-	2,730	2,730
Restated balance as at 1 July 2019		88,523	146,735	235,258
Net result		-	4,860	4,860
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	11	921	-	921
Total comprehensive income for the year		921	4,860	5,781
Balance as at 30 June 2020		89,444	151,595	241,039
2019				
Balance as at 1 July 2018		88,087	136,174	224,261
Net result		-	7,831	7,831
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	11	436	-	436
Total comprehensive income for the year		436	7,831	8,267
Balance as at 30 June 2019		88,523	144,005	232,528

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies. The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Flinders Shire Council

Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Receipts from customers		23,959	17,333
Payments to suppliers and employees		(24,242)	(22,986)
		(283)	(5,653)
Receipts:			
Interest received		519	681
Rental income		127	103
Recurrent grants and contributions		14,930	11,024
Payments:			
Borrowing costs		(178)	(164)
Net cash - operating activities	21	15,115	5,991
Cash flows from investing activities			
Receipts:			
Proceeds from sale of property, plant and equipment		484	797
Capital Grants, subsidies, contributions and donations		4,382	5,204
Payments:			
Payments for property, plant and equipment		(10,495)	(17,830)
Payments for intangible assets		(102)	-
Net cash - investing activities		(5,731)	(11,829)
Cash flows from financing activities			
Payments:			
Repayment of borrowings		(283)	(274)
Net cash - financing activities		(283)	(274)
Net increase/(decrease) for the year		9,101	(6,112)
plus: cash and cash equivalents - beginning		21,816	27,928
Cash and cash equivalents - closing	8	30,917	21,816

The above statement should be read in conjunction with the accompanying Notes and Significant Accounting Policies. The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

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

Note 1. Summary of Significant Accounting Policies

1A Basis of preparation

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

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

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

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

1B New and revised Accounting Standards adopted during the year

Flinders Shire Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue.

These new standards are AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of Not For Profit Entities. AASB 16 Leases were also adopted however, did not have an impact at the reporting date.

Refer to the change in accounting policy note 23 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-For-Profit Entities*.

1C Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date.

1D Estimates and Judgements

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

- Revenue - Note 3
- Valuation and depreciation of Property, Plant and Equipment - Note 11
- Impairment of Property, Plant and Equipment - Note 11
- Provisions - Note 16
- Contingent Liabilities - Note 19
- Financial instruments and financial assets - Note 25

1E Rounding and Comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or where that amount is \$ 500 or less to zero.

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

1F Volunteer Services

There were no volunteer services recognised as it is considered not to be material.

1G Taxation

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

1H COVID-19

COVID-19 restrictions imposed by the Federal and State Governments forced Flinders Shire Council to close certain public facilities and open spaces and also impacted on tourism operations. However, these restrictions had not severely impacted or disrupted the services and operations of the Council.

Notes to the Financial Statements

for the year ended 30 June 2020

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 2020

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

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2020											
Our Governance	5,881	3,384	-	-	9,265	(5,997)	-	(5,997)	3,268	3,268	57,651
Our Economy	51	16,864	242	-	17,157	(17,493)	-	(17,493)	(578)	(336)	17,636
Our Environment	23	302	-	-	325	(1,801)	-	(1,801)	(1,476)	(1,476)	1,195
Our Community	1,682	686	467	-	2,835	(6,227)	-	(6,227)	(3,859)	(3,392)	36,869
Our Infrastructure	7,293	1,950	3,673	60	12,976	(6,043)	-	(6,043)	3,200	6,933	140,872
Our Resources	-	8	-	-	8	(145)	-	(145)	(137)	(137)	-
Total	14,930	23,194	4,382	60	42,566	(37,706)	-	(37,706)	418	4,860	254,223

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
2019											
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	22	6,215	277	-	277	4,865	6,492	147,692
Our Resources	-	36	-	-	36	(189)	-	(189)	(153)	(153)	-
Total	11,024	18,805	5,204	22	35,055	(27,224)	-	(27,224)	2,605	7,831	238,147

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue

		AASB 15 2020 \$'000	AASB 1058 2020 \$'000
	Notes		
Revenue recognised at a point in time			
Rates, levies and charges (excluding those related to services)	3a	-	4,675
Fees and charges (excluding infringements)	3b	1,349	-
Sale of goods and services	3c	15,903	-
Grants, subsidies, donations and contributions	3d	-	9,298
		<u>17,252</u>	<u>13,973</u>
Revenue recognised over time			
Grants and subsidies	3d	5,632	-
Revenue relating to grants for assets controlled by council	3d	-	4,382
		<u>5,632</u>	<u>4,382</u>
Total revenue		<u>22,884</u>	<u>18,355</u>
		2020 \$'000	2019 \$'000
	Notes		

(a). Rates, levies and charges

2020 accounting policy

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

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy

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

General rates	2,422	1,830
Separate rates	88	85
Water	1,104	1,103
Sewerage	883	869
Garbage charges	204	197
Other rates, levies and charges	21	20
Total rates and utility charge revenue	<u>4,722</u>	<u>4,104</u>
Less: pensioner remissions	(47)	(45)
TOTAL RATES, LEVIES AND CHARGES	<u>4,675</u>	<u>4,059</u>

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

Note 3. Revenue (continued)

	2020	2019
	\$'000	\$'000

(b). Fees and charges

2020 accounting policy

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks.

There is no material obligation for Council in relation to refunds or returns.

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

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

2019 accounting policy

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

Airport landing fees	39	42
Community care packages	384	288
Saleyards	94	76
Parks and reserves	203	80
Caravan park	482	604
Other fees and charges	147	286
<u>TOTAL FEES AND CHARGES</u>	<u>1,349</u>	<u>1,376</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue (continued)

Notes	2020 \$'000	2019 \$'000
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(c). Sales revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date.

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.

The contract work carried out is not subject to retentions.

Sale of services

Main road contract revenue, Main Roads RMPC, contract revenue	3,528	2,939
Main road contract revenue, flood damage income, contract revenue	5,646	-
Main road contract revenue, Hann Highway 99B, contract revenue	5,238	7,926
Main road contract revenue, Hughenden Winton 99C, contract revenue	361	530
Main road contract revenue, Hughenden/Richmond 14C, contract revenue	873	558
Main road contract revenue, Hughenden/Charters Towers 14B, contract revenue	257	35
Main road contract revenue, Torrens Creek Aramac 5703, contract revenue	-	73
Main road contract revenue, Hughenden Muttaborra 5701, contract revenue	-	12
<u>TOTAL SALES REVENUE</u>	<u>15,903</u>	<u>12,073</u>

(d) Grants, subsidies, contributions and donations

2020 accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement made. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue (continued)

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

Grant income under AASB 1058

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

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

Capital grants

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

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

2019 accounting policy

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where the grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

Flinders Shire Council

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

Note 3. Revenue (continued)

Notes	2020 \$'000	2019 \$'000
(d) Grants, subsidies, contributions and donations (continued)		
(i) Recurrent		
State government subsidies and grants	6,200	8,751
Commonwealth government subsidies and grants	8,730	2,269
Donations	-	4
<u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>14,930</u>	<u>11,024</u>
(ii) Capital		
Capital revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets.		
State government subsidies and grants	3,392	4,250
Commonwealth government subsidies and grants	966	931
Other	24	23
<u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u>	<u>4,382</u>	<u>5,204</u>

Note 4. Interest and other income

(a). Other income

Revenue arising from other income is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided. The performance obligation relates to specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay immediately on receipt of the goods or services. There is no material obligation for Council in relation to refund or returns.

Other income	408	232
Corporate service recoveries	34	94
Insurance claim recoveries	107	99
Merchandise income	70	87
Other	2	1
<u>TOTAL OTHER INCOME</u>	<u>621</u>	<u>513</u>

(b). Interest received

Interest received from term deposits is accrued over the term of the investment.

Interest received from term deposits	487	645
Interest from overdue rates and utility charges	32	36
<u>TOTAL INTEREST RECEIVED</u>	<u>519</u>	<u>681</u>

Flinders Shire Council

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

Note 5. Capital income

	Notes	2020 \$'000	2019 \$'000
(a) Gain / loss on disposal of non-current assets			
Proceeds from the disposal of property, plant and equipment		484	797
Less: book value of property, plant and equipment disposed	11	(424)	(775)
TOTAL CAPITAL INCOME		60	22

Note 6. Employee benefits

Wages and salaries		8,400	6,960
Councillors remuneration		422	424
Annual, sick and long service leave entitlements		1,144	1,147
Superannuation	20	956	897
		10,922	9,428
Other employee related expenses		469	221
		11,391	9,649
Less: capitalised employee expenses		(265)	(1,221)
TOTAL EMPLOYEE BENEFITS		11,126	8,428

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

	2020 No.	2019 No.
Additional information:		
Total number of Council employees at the reporting date:		
Elected members	7	7
Administration staff	56	48
Depot and outdoors staff	69	64
Total full time equivalent employees	132	119

Note 7. Materials and services

	Notes	2020 \$'000	2019 \$'000
Advertising and marketing		701	308
Audit of annual financial statements by the Auditor-General of Queensland		60	49
Communications and IT		550	349
Community services		3,375	3,664
Recoverable works		7,466	7,210
Road construction		2,176	833
Flood Damage Roadworks		5,512	720
Special projects		97	179
Other materials and services		1,922	1,238
TOTAL MATERIALS AND SERVICES		21,859	14,550

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$50,300 (2019: \$49,000).

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Cash and cash equivalents

Notes	2020 \$'000	2019 \$'000
Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received but not banked at the year end, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value and bank overdrafts.		
Cash at bank and on hand	1,221	2,338
Deposits at call	26,696	16,478
Term deposits	3,000	3,000
<u>TOTAL CASH AND CASH EQUIVALENTS</u>	<u>30,917</u>	<u>21,816</u>

Restricted cash and cash equivalents

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use.

These include:

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

Unspent government operating grants - Various	3,374	752
Unspent government operating grants - Community Care & Disability Services	216	17
Unspent government capital grants - Various	2,494	468
<u>Total external restrictions</u>	<u>6,084</u>	<u>1,237</u>

Cash and deposits at call are held in the National Australia Bank in term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-.

Trust funds

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

Funds held in the trust account 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.

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 since Council has no control over the assets.

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

139	193
<u>139</u>	<u>193</u>

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Receivables

	2020	2019
Notes	\$'000	\$'000

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued. Debts are regularly assessed for collectability and allowance is made, where appropriate, 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 rate receivables.

Current

Rates and charges	501	376
Other debtors	2,049	2,531
Other income accruals	-	1,035
Total	<u>2,550</u>	<u>3,942</u>
less: Loss allowance	<u>(20)</u>	<u>(20)</u>
<u>TOTAL CURRENT RECEIVABLES</u>	<u>2,530</u>	<u>3,922</u>

Non-current

Other debtors	<u>2</u>	<u>2</u>
<u>TOTAL NON-CURRENT RECEIVABLES</u>	<u>2</u>	<u>2</u>

Note 10. Inventories

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

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Inventories (continued)

	Notes	2020 \$'000	2019 \$'000
(a) Inventories held for sale			
Miscellaneous saleable items		44	55
(b) Inventories held for distribution			
Plant and equipment stores		461	311
(c) Land purchased for development and sale			
		78	78
<u>TOTAL CURRENT INVENTORIES</u>		<u>583</u>	<u>444</u>

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

Note 11. Property, plant and equipment

30 June 2020		Work in progress	Land and land improvements	Buildings and other structures	Recreation facilities	Plant and equipment	Corporate and IT	Road network	Water network	Sewer network	Stormwater drainage network	Waste / landfill	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Measurement basis	Note	Cost	Fair value	Fair value	Fair value	At Cost	At Cost	Fair value	Fair value	Fair value	Fair value	At Cost	
Opening gross balance - at cost		15,674	-	-	-	16,626	595	-	-	-	-	628	33,522
Opening gross balance - at fair value		-	6,270	43,684	5,079	-	-	126,732	15,050	22,961	481	-	220,259
Opening gross balance		15,674	6,270	43,684	5,079	16,626	595	126,732	15,050	22,961	481	628	253,780
Transfers between asset classes		(22,877)	725	1,113	12,589	2,525	183	3,802	1,474	-	-	466	-
Disposals	5	-	-	(26)	-	(1,590)	-	-	-	-	-	-	(1,616)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)		-	-	-	-	-	-	748	-	-	98	-	846
Additions		10,497	-	-	-	-	-	-	-	-	-	-	10,497
Total gross value of property, plant and equipment - at cost		3,294	-	-	-	17,561	778	-	-	-	-	1,094	22,728
Total gross value of property, plant and equipment - at fair value		-	6,995	44,771	17,668	-	-	131,282	16,524	22,961	579	-	240,780
Total gross value of property, plant and equipment		3,294	6,995	44,771	17,668	17,561	778	131,282	16,524	22,961	579	1,094	263,508
Opening accumulated depreciation		-	-	10,141	666	9,102	308	8,302	6,993	5,659	59	629	41,860
Depreciation provided in period		-	-	742	356	1,297	37	1,011	314	718	10	58	4,543
Depreciation on Disposals	5	-	-	-	-	(1,191)	-	-	-	-	-	-	(1,191)
Revaluation increments to equity (asset revaluation surplus)		-	-	-	-	-	-	(83)	-	-	8	-	(75)
Total accumulated depreciation and impairment property, plant and equipment		-	-	10,883	1,021	9,209	345	9,230	7,307	6,377	77	687	45,137
Total net book value of property, plant and equipment		3,294	6,995	33,888	16,646	8,353	433	122,052	9,217	16,584	502	407	218,371
Other information													
Range of estimated useful life (years)		N/a	N/a	10 to 100	5 to 70	3 to 15	3 to 50	10 to 175	5 to 100	5 to 80	50	5	
*Asset additions comprise													
Asset renewals		-	-	108	21	2,054	81	3,223	371	-	-	-	5,858
Other additions		-	459	467	1,265	365	45	759	1,279	-	-	-	4,639
Total asset additions		-	459	575	1,286	2,419	126	3,982	1,650	-	-	-	10,497

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

Note 11. Property, plant and equipment

30 June 2019		Work in progress	Land and land improvements	Buildings and other structures	Recreation facilities	Plant and equipment	Corporate and IT	Road network	Water network	Sewer network	Stormwater drainage network	Waste / landfill	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Measurement basis	Note	Cost	Fair value	Fair value	Fair value	At Cost	At Cost	Fair value	Fair value	Fair value	Fair value	At Cost	
Opening gross balance - at cost		2,548	-	-	-	15,883	595	-	-	-	-	628	19,654
Opening gross balance - at fair value		-	6,177	43,057	4,745	-	-	125,543	14,794	22,797	481	-	217,594
Opening gross balance		2,548	6,177	43,057	4,745	15,883	595	125,543	14,794	22,797	481	628	237,248
Transfers between asset classes		(4,704)	93	628	334	2,476	-	964	192	17	-	-	-
Disposals	5	-	-	-	-	(1,733)	-	-	-	-	-	-	(1,733)
Revaluation increments to equity (asset revaluation surplus)		-	-	-	-	-	-	225	64	147	-	-	436
Additions		17,830	-	-	-	-	-	-	-	-	-	-	17,830
Total gross value of property, plant and equipment - at cost		15,674	-	-	-	16,626	595	-	-	-	-	628	33,522
Total gross value of property, plant and equipment - at fair value		-	6,270	43,684	5,079	-	-	126,732	15,050	22,961	481	-	220,259
Total gross value of property, plant and equipment		15,674	6,270	43,684	5,079	16,626	595	126,732	15,050	22,961	481	628	253,781
Opening accumulated depreciation		-	-	9,427	337	8,789	280	7,365	6,776	5,085	49	628	38,736
Depreciation expense		-	-	716	330	1,270	28	938	217	573	10	-	4,082
Disposals	5	-	-	-	-	(958)	-	-	-	-	-	-	(958)
Total accumulated depreciation of property, plant and equipment		-	-	10,141	666	9,102	308	8,302	6,993	5,659	59	628	41,860
Total net book value of property, plant and equipment		15,674	6,270	33,542	4,413	7,524	287	118,430	8,055	17,304	422	-	211,921
Other information													
Range of estimated useful life (years)		n/a	n/a	10 to 100	5 to 70	3 to 8	3 to 50	10 to 175	5 to 100	5 to 80	50	5	
*Asset additions comprise													
Asset renewals		205	-	150	-	1,981	-	161	-	7	-	-	2,504
Other additions		12,921	93	478	334	495	-	803	192	10	-	-	15,326
Total asset additions		13,126	93	628	334	2,476	-	964	192	17	-	-	17,830

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(a) Recognition

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

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

Land under roads

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

(b) Measurement

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

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

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

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

(c) Depreciation

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

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

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

Note 11. Property, plant and equipment (continued)

(c) Depreciation (continued)

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

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

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

Key judgements and estimates

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

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

(d) Impairment

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

(e) Valuation

Valuation Processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer, Director Corporate and Financial Services, Director of Engineering and Director of Community Services and Wellbeing. 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 11. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(e) Valuation (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.

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.

Land and land improvements (level 2)

A desktop review was performed by APV Valuers as at 30 June 2020 however no index was applied on the basis of materiality.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(e) Valuation (continued)

Valuation techniques used to derive level 2 and level 3 fair values

Land and land improvements (level 2) (continued)

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.

Buildings and other structures and recreation facilities (level 2 and level 3)

A desktop review was performed by APV Valuers as at 30 June 2020 however no index was applied on the basis of materiality.

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 buildings (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).

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

Note 11. Property, plant and equipment (continued)

(e) Valuation (continued)

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 2020 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.

	2020	2019
	\$'000	\$'000
Buildings		
Non-specialised Buildings (Level 2)	2,478	2,504
Specialised Buildings (Level 3)	31,405	31,038
Total	<u>33,883</u>	<u>33,542</u>

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(e) Valuation (continued)

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.

CRC at 30 June 2020 was determined by Council engineers by use of indexation. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(e) Valuation (continued)

Road network (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 11.

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.

Water and sewer network

A desktop review was undertaken by Council engineers as at 30 June 2020 and CRC was determined by use of indexation. Index rates were derived from reference to Rawlinson's Construction Handbook.

a. Current Replacement Cost

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

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

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

Factors taken into account in determining replacement cost included:

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Property, plant and equipment (continued)

(e) Valuation (continued)

Water and sewer network (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 lower 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.

Stormwater drainage network

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 desktop review was undertaken by Council engineers and CRC at 30 June 2020 was determined by use of indexation. Index rates were derived from reference to Rawlinson's Construction Handbook.

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.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

	2020	2019
Notes	\$'000	\$'000
Costs associated with the payment for water licences are recognised and capitalised in the period it is incurred.		
Intangible assets are as follows;		
Water Licence	1,022	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u>	<u>1,022</u>	<u>-</u>

Note 13. Contract balances

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

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

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

(a) Contract assets

Contract assets	765
<u>TOTAL CONTRACT ASSETS</u>	<u>765</u>

(b) Contract liabilities

Funds received upfront to construct capital assets	2,494
Funds received upfront for recurrent expenditure	2,747
<u>TOTAL CONTRACT LIABILITIES</u>	<u>5,241</u>

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

Funds to construct Council controlled assets	771
Deposits received in advance of services provided	304
<u>Total revenue included in the contract liability</u>	<u>1,075</u>

Significant changes in contract balances

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

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables

	2020	2019
Notes	\$'000	\$'000
Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.		
Creditors and accruals	2,867	1,472
Other employee entitlements	44	17
ATO - net GST payable/(receivable)	(217)	(52)
Payments received in advance	77	74
Goods received not yet invoiced	33	179
Other	10	148
<u>TOTAL CURRENT PAYABLES</u>	<u>2,814</u>	<u>1,838</u>

Note 15. Borrowings

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

All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 June 2024 to 15 June 2027. There have been no defaults or breaches of the loan agreement during the period.

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

Current

Loans - Queensland Treasury Corporation	267	267
Loans - other	102	-
<u>TOTAL CURRENT BORROWINGS</u>	<u>369</u>	<u>267</u>

Non-current

Loans - Queensland Treasury Corporation	1,362	1,645
Loans - other	818	-
<u>TOTAL NON-CURRENT BORROWINGS</u>	<u>2,180</u>	<u>1,645</u>

Reconciliation of loan movements for the year

Loans - Queensland Treasury Corporation		
Opening balance at beginning of financial year	1,912	2,186
Principal repayments	(283)	(274)
<u>Book value at end of financial year</u>	<u>1,629</u>	<u>1,912</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Borrowings (continued)

The QTC loan market value at the reporting date was \$1,738,238.29. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold this debt for its term, no provision is required to be made in these accounts.

Loans - other: In July 2019 Council purchased a Water Licence from the Department of Natural Resources, Mines and Energy. The Water Licence is payable overtime with final payment to be made by August 2028.

Note 16. Provisions

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date.

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

Long service leave

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

Refuse dump restoration

A provision is made for the cost of restoring refuse dumps and quarries where it is probable the Council will have an obligation to rehabilitate when the use of the facilities is complete.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

Flinders Shire Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

	Notes	2020 \$'000	2019 \$'000
Current			
Annual leave		964	811
Long service leave		572	559
Refuse restoration		60	19
<u>TOTAL CURRENT PROVISIONS</u>		<u>1,596</u>	<u>1,389</u>
Non-current			
Long service leave		385	310
Refuse restoration		599	170
<u>TOTAL NON-CURRENT PROVISIONS</u>		<u>984</u>	<u>480</u>
Details of movements in non employee provisions:			
Refuse restoration			
Balance at beginning of financial year		189	52
Additional provision		470	137
Balance at end of financial year		<u>659</u>	<u>189</u>

Note 17. Asset revaluation surplus

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments for expenditure

Notes	2020 \$'000	2019 \$'000
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(a) Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Civica managed network services	162	165
Civica licencing and support	44	23
Other commitments	192	204
Contract and recoverable works	4,219	902
Road construction	346	994
Building construction	78	98
Agricultural development	-	11
	5,041	2,397

(b) Capital commitments (exclusive of GST)

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities:

Property, plant and equipment

Road, drainage and bridge network	3,702	-
Building and Construction	307	-
Land & Land Improvements	3,064	-
Other	337	-
Total commitments	7,410	-

These expenditures are payable as follows:

Within the next year	7,410	-
Total Payable	7,410	-

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2019 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 \$264,944.34

Note 20. Superannuation - regional defined benefit fund

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIASuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to council's obligations will only be made on the advice of an actuary.

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

Note 20. Superannuation - regional defined benefit fund (continued)

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

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

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

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

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

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

	Notes	2020 \$'000	2019 \$'000
Superannuation contributions made to the Regional Defined Benefits Fund		90	126
Other superannuation contributions for employees		866	772
Total superannuation contributions paid by Council for employees	6	<u>956</u>	<u>897</u>

Notes to the Financial Statements

for the year ended 30 June 2020

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

	Notes	2020 \$'000	2019 \$'000
Net operating result from income statement		4,860	7,831
Non-cash items			
Depreciation and amortisation		4,543	4,082
Changes in accounting policy		2,730	-
		<u>7,273</u>	<u>4,082</u>
Unwinding of discount rates on reinstatement provisions		-	(204)
		<u>-</u>	<u>(204)</u>
Investing and development activities			
Net (profit)/loss on disposal of assets		(60)	(22)
Capital grants and contributions		(4,382)	(5,204)
		<u>(4,442)</u>	<u>(5,226)</u>
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		1,392	(723)
(Increase)/decrease in inventories		(139)	3
(Increase)/decrease in contract assets		(765)	-
(Increase)/decrease in other assets		9	-
Increase/(decrease) in payables		976	(77)
Increase/(decrease) in contract liabilities		5,241	-
Increase/(decrease) in employee leave entitlements		241	(271)
Increase/(decrease) in other provisions		470	341
Increase/(decrease) in other liabilities		-	235
		<u>7,425</u>	<u>(492)</u>
Net cash provided from/(used in) operating activities from the statement of cash flows		<u>15,115</u>	<u>5,991</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Reconciliation of liabilities arising from finance activities

	As at 30-Jun-19 \$'000	Cashflows \$'000	Non Cash Changes \$'000	As at 30-Jun-20 \$'000
Loans	1,912	(283)	920	2,549
	<u>1,912</u>	<u>(283)</u>	<u>920</u>	<u>2,549</u>

	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 23. Changes in accounting policy

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

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

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

Revenue standards - AASB 15 and AASB 1058

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Changes in accounting policy (continued)

Changes in accounting policy on adoption of AASB 15 and AASB 1058

	Balance at 1-Jul-19 \$'000
Opening contract balances on transition at 1 July 2019	
Contract assets	
Under AASB 15 - Flood Damage	669
Under AASB 1058	3,228
Total contract assets	<u>3,897</u>
Contract liabilities	
Under AASB 15 - Flood Damage	304
Under AASB 1058	863
Total contract liabilities	<u>1,167</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Changes in accounting policy (continued)

	Carrying amount per statement	Adjustments	Carrying amount if previous standards had been applied
	Dr / (Cr)	Dr / (Cr)	Dr / (Cr)
Notes	\$'000	\$'000	\$'000

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

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

Statement of comprehensive income for the year ended 30 June 2020

Revenue

Operating grants	14,930	2,471	17,401
Capital revenue	4,382	4,657	9,039
Net revenue	19,312	7,128	26,440

Statement of financial position at 30 June 2020

Contract assets	765	(765)	-
Contract liabilities	(5,241)	5,241	-
Trade and other payables	(2,814)	77	(2,737)
Retained earnings	(151,595)	(4,553)	(156,148)
Total community equity	(158,885)	-	(158,885)

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

Statement of cash flows for the year ended 30 June 2020

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Events after the reporting period

There were no material adjusting events after the balance date.

Note 25. Financial instruments and financial risk management

(a) Financial assets and financial liabilities

Council has exposure to the following risks arising from financial instruments; **(i)** market risk, **(ii)** credit risk, and **(iii)** liquidity risk.

Risk management framework

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.

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Financial instruments and financial risk management (continued)

Cash and cash equivalents

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

Other financial assets

Other investments are held with financial institutions, which are rated A1+ , and whilst not capital guaranteed, the likelihood of a credit failure is assessed as low.

Trade and other receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

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

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

The Council does not require collateral in respect of trade and other receivables.

The exposure to credit risk for trade receivables by type of counterparty was as follows:

	2020	2019
	\$'000	\$'000
Rates and utility charges	501	376
State and Commonwealth Government	2,004	2,415
Other	45	1,151
Total	2,550	3,942

Accounting policies

Accounting policies - receivables

Receivables are measured at amortised cost which approximates fair value at reporting date. Trade debtors are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase/contract price. Settlement of these amounts is required within 30 days from invoice date.

Accounting policies - grouping

When Council has no reasonable expectation of recovering an amount owed by a debtor, and has ceased enforcement activity, the debt is written-off by directly reducing the receivable against the loss allowance. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Financial instruments and financial risk management (continued)

Accounting policies - grouping (continued)

Accounting for impairment losses is dependent upon the individual group of receivables subject to impairment. The loss allowance for grouped receivables reflects lifetime expected credit losses (ECL) and incorporates reasonable and supportable forward-looking information. Economic changes impacting debtors, and relevant industry data form part of the impairment assessment.

Council has identified 4 distinctive groupings of its receivables: rates and charges, statutory charges, grants and other debtors.

Rates and charges: Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts and therefore the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.

Statutory charges: In some limited circumstances Council may write off impaired statutory charges, on this basis Council calculates an ECL for statutory charges (non-rates and utility charges). Although not material, disclosure is being made for the purposes of public interest and transparency.

Grants: payable by State and Commonwealth governments and their agencies. A credit enhancement exists as these payments are effectively government guaranteed and both the State and Commonwealth Governments have high credit ratings, accordingly Council determines the level of credit risk exposure to be immaterial and therefore does not record an expected credit loss for these counterparties.

Other debtors: Council identifies other debtors as receivables which are not rates and charges; statutory charges or grants.

Disclosure - credit risk exposure and impairment of receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security.

In Council's statements after reviewing macro economic conditions, Council reached the conclusion that forward looking conditions indicated no foreseeable expected deviations from historically calculated ratios, thus no forward looking adjustments were made.

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

Note 25. Financial instruments and financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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.

Exposure to liquidity risk

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits.

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

	0 to 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
2020					
Trade and other payables	2,867	-	-	2,867	2,867
Loans - QTC	342	1,246	189	1,777	1,629
Loans - other	102	409	409	920	920
	<u>3,311</u>	<u>1,655</u>	<u>598</u>	<u>5,564</u>	<u>5,416</u>
2019					
Trade and other payables	1,472	-	-	1,472	1,472
Loans - QTC	342	1,368	409	2,119	1,912
	<u>1,814</u>	<u>1,368</u>	<u>409</u>	<u>3,591</u>	<u>3,384</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Financial instruments and financial risk management (continued)

Market risk

Market risk is the risk that changes in market indices, 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.

Sensitivity

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

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

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

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

(b) Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Transactions with related parties

(a) Related parties

Transactions with related parties

		Amount of transactions during year	Outstanding balance (incl. commitments)	Terms and conditions	Provisions for doubtful debts on outstanding	Doubtful debts expense recognised
	Details	\$'000	\$'000		\$'000	\$'000
2020						
Purchases	a	225	43	Normal terms	-	-
Receivables	b	11	-	Normal terms	-	-
Employee expenses for close family members of key management personnel	c	84	-		-	-
		<u>320</u>	<u>43</u>		<u>-</u>	<u>-</u>
2019						
Purchases	a	339	10	Normal terms	-	-
Receivables	b	62	-	Normal terms	-	-
Employee expenses for close family members of key management personnel	c	65	-		-	-
		<u>466</u>	<u>10</u>		<u>-</u>	<u>-</u>

- 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 132 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 2020

Note 26. Transactions with related parties (continued)

	2020	2019
	\$000	\$000
(b) Key management personnel		
Transactions with key management personnel		
Key management personnel include the Mayor, Councillors, Chief Executive Officer, Director of Engineering, Director of Corporate and Finance Services and Director of Community Services & Wellbeing.		
The compensation paid to key management personnel comprises:		
Short-term employee benefits	957	1,066
Post-employment benefits	56	59
Long-term benefits	32	9
Total	<u>1,045</u>	<u>1,134</u>

(c) Loans and guarantees to/from related parties

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

(d) 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 2020

Management Certificate for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) and other prescribed requirements.

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 2 to 45, 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: 20 October 2020



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 20 October 2020

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 2020, 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 2020, 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 certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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 councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 2020:

- 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.



Dale Hassell
as delegate of the Auditor-General

21 October 2020

Queensland Audit Office
Brisbane

Flinders Shire Council

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

	Actual 2020	Target 2020
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Measures of financial sustainability

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

Performance indicators

1. Operating surplus ratio

<u>Net result (excluding capital items)</u>	1.10%	0 - 10%
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

<u>Capital expenditure on the replacement of assets (renewals)</u>	116.02%	more than 90%
Depreciation expense		

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

3. Net financial liabilities ratio

<u>Total liabilities less current assets</u>	-56.77%	less than 60%
Total operating revenue (excluding capital items) ⁽²⁾		

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

Note 1 - basis of preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2020.

Flinders Shire Council

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

Certificate of Accuracy for the year ended 30 June 2020

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

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



Cr Jane McNamara

MAYOR

Date: 20 October 2020



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 20 October 2020

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

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

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

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

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



Dale Hassell
as delegate of the Auditor-General

21 October 2020

Queensland Audit Office
Brisbane

Flinders Shire Council

Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	Forecast					
							2025	2026	2027	2028	2029	2030

Measures of financial sustainability

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

Performance indicators

1. Operating surplus ratio

Net result (excluding capital items)												
Total operating revenue (excluding capital items)	0 - 10%	1.10%	1.00%	0.25%	1.60%	1.38%	1.28%	1.35%	1.41%	1.49%	1.58%	1.66%

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)												
Depreciation expense	> 90%	116.02%	193.51%	190.24%	218.36%	299.69%	286.37%	190.54%	187.20%	182.04%	177.60%	176.91%

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

3. Net financial liabilities ratio

Total liabilities less current assets												
Total operating revenue (excluding capital items)	< 60%	-56.77%	-39.28%	-35.94%	-45.56%	-44.35%	-43.61%	-42.72%	-42.36%	-42.30%	-42.68%	43.24%

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

Unaudited Long-Term Financial Sustainability Statement

Certificate of Accuracy

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

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

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



Cr Jane McNamara

MAYOR

Date: 20 October 2020



Daryl Buckingham

CHIEF EXECUTIVE OFFICER

Date: 20 October 2020