

ANNUAL REPORT 2019-2020



Adoption of Report

The 2019-20 Quilpie Shire Council Annual Report was adopted by Council at the Ordinary Meeting held on Thursday 12 November 2020

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Mayor's Review

The 2020 financial year will long be remembered for one thing – a world pandemic called Covid-19. It has had a massive effect on Australia's and the world's economy and been responsible for hundreds of thousands of deaths internationally. It has impacted on the Quilpie Shire but, at the time of writing, has had for less influence than in most other areas around the globe. In fact, Australia, generally, has weathered the storm remarkably well. It is undeniable, however, that it will change the way the world operates in the future which will create challenges but also provide significant opportunity.

Despite the pandemic restraints the Quilpie Shire has had one of the more positive years we have had for some time. The partial break in the season experienced by some of the shire in 2018-19 has now extended over most of the shire with modest general rain seen over the late summer and autumn. "General" rain has been almost completely absent from the shire for many years and this year has reminded us of the benefits that come when the whole shire gets decent rain. The livestock trucking companies, a critical business sector in our shire, have had a particularly busy 2020 as cattle are moved in and out of the western channel country which is experiencing its second good flood season in a row.

The same rains that brought an improved season to our rural sector has also created significant "Flood Damage" to our shire roads and created an opportunity for council to source enough funds to have our road construction contractors ably employed for the first time for some years. Council road crews are also fully committed with a large capital works and road maintenance program. When we have our council crews, our private earthmoving contractors, our trucking companies and our rural sector all busy at once there is a real buzz around the community, in particular the business community.

Our resource industry is not as buoyant, as a crash in the world oil price, exacerbated by the pandemic, has really impacted on their profitability and level of activity. Many of our resource companies are long term operators in our shire and should survive but these are challenging times.

Likewise the tourism and hospitality sector has experienced a difficult year so far in 2020 due to the pandemic causing a total shutdown of all hospitality

and tourism businesses in April and May. The earlier than expected lifting of this shutdown in June has given some semblance of hope that the tourist season can be recovered at some level.

The last half of 2019 saw a positive period, however, with tourism numbers starting to reflect the substantial investment by council in recent years. Proactively working to increase tourism is essentially about creating investment opportunity and profitability in the private sector and in the last few years the Quilpie Shire has seen significant investment in the hospitality and tourism sector. This has been in new developments, i.e. The Lake, Mobile Homestead, Adavale's Elegant Emu, and established businesses, with renovations and management changes revitalising the Quilpie Café and Roadhouse, the Heritage Inn, the Toompine Hotel and the Eromanga Café, Motel and Caravan Park.

These new and revitalised enterprises complement perfectly our existing suite of excellent established businesses that have been providing great service to the Quilpie Shire community for many years and this certainly bodes well for the future.

Despite the turbulent times the council has had another good year, building on our excellent financial position while continuing to provide responsible asset management and a high level of service to our community. The quadrennial local government election were held in March and only resulted in one change to the Council and this, coupled with a very stable senior staff cohort, has ensured minimal disruption and a steady-as-she-goes culture continuing through our workforce.

I would like to congratulate all our staff on another excellent year. Ably led by our CEO, Dave Burges, and his senior colleagues the council workforce have, once again, nurtured the Quilpie Shire community through another progressive and stable year albeit with a backdrop of national and international turbulence!

When the dust of this pandemic year finally settles, I feel the Quilpie Shire will be in as good a position as possible to prosper and grow through the coming years.

Kind Regards,

Stuart Mackenzie, **Mayor**

Chief Executive Officer's Report

The 2019 -20 financial year was one of the most extraordinary in world history with the COVID 19 Virus which has changed lives and changed the world in many ways. Quilpie Shire was certainly not immune to the world's events but being an isolated town meant that we were able to avoid the health consequences, it did though have a major impact on the social well-being of the shire and economy. However, the council will continue to work with residents to guide the community through the pandemic.

In terms of our financial position Council commenced the year in a sound financial position with a cash position of \$24.6M and a forecast end of financial year cash position of \$20.5M.

A forecast budget deficit of \$1.71M ended up being a surplus of \$107 T resulting in an actual end of 2019/20 financial year cash position of \$23.9M.

This result will help anchor Council's sound financial position into the future although the figures are again distorted by the pre-payment of various grants with the corresponding expenditure scheduled for the 2020/21 year.

Council undertook a range of significant projects over the year The reconstruction of the John Waugh Park football field which was opened by NRL Legend Jonathon Thurston as well as

- The construction of a concrete footpath in Chipu street adjacent to John Waugh Park
- Construction and sealing of 13 km of the Quilpie Adavale Red Road
- Renewal of all water mains in Pegler Street
- Construction of a multi-Purpose sports court in Eromanga.
- Repairs to the road network from the 2019 and 2020 flood events which were funded by the Queensland Reconstruction Authority
- Significant renewals of heavy plant in Council's fleet
- Commencement of construction of the Eromanga Natural History Museum Stage 2 building works
- Construction of site works for Rick's Memorial
- Widening and sealing of crests on Coonaberry Creek Road

The overall outcome for Council was an increase in community equity (assets) from \$230M to \$263M and the combined impact of these projects cannot be

underestimated in terms of the economic stimulus and progress of the Shire.

In terms of asset management, Council was able to complete the network condition assessment of sealed and unsealed roads, together with an assessment of water and sewerage assets. This data and associated mapping allows Council to plan replacement and upgrade works to an optimal life span, thus ensuring best value for money. Council will be continuing the process of revaluing its assets with building and structures being undertaken this financial year.

Council allocated \$500,000 from the Drought Communities Program Extension to subsidise further exclusion fencing within the Quilpie Shire. Subsidy of \$2,500 per kilometre was provided to ten properties within Quilpie Shire, assisting with construction of 248km of exclusion fencing. \$900,000 secured under the Communities Combatting Pest and Weed During Drought Program subsidised approximately 390km of exclusion fencing. \$100,000 also secured under the Communities Combatting Pest and Weed During Drought Program treated pest weed infestations covering approximately 102000 acres.

Of overall operating revenues of \$18.7M, approximately 77% of this (\$14.7M) was from various grants and subsidies. Council has committed significant energy to sourcing external funds and will continue to do so into the future.

Tourism and economic development continue to be a priority for Council and we are making steady progress in this regard. External funding of over \$6M has been sourced from State and Federal Governments for Stage 2A of the Eromanga Natural History Museum. This project will be delivered completed in November 2020. Planning for the new night show experience was underway and will be completed by December 2020. The new economic development and tourism development strategy "Outback Horizon 2024 A Roadmap for Promoting Prosperity " was adopted in June 2020

Council continued to support a significant training and development program for staff throughout the year. Once again a large number of staff completed a variety of Certificate and Diploma level courses and I congratulate them on their efforts to achieve these qualifications. Council has also continued to maintain

a very high standard of workplace health and safety with minimal lost time injuries.

While employee turnover continues to remain a challenge for most rural and remote Councils, staff numbers remained stable throughout the year and the annual staff survey indicates that most staff are engaged, productive and find it fulfilling to work for Council and our community.

Under the strong stewardship of Mayor Mackenzie and the elected members Quilpie shire will continue to punch above its weight in terms of service delivery to the community. The staff also need to be congratulated for their ongoing commitment and support to the council and the community.

Regards

Tim Rose

Acting CEO

Councillors

Quilpie Shire Council comprises five (5) councillors including the Mayor.



Mayor - Cr Stuart Mackenzie



*Deputy Mayor - Cr Jenny Hewson
Portfolios – Health and Community Services*



*Cr Roger Volz
Portfolios – Arts, Culture and Tourism*



*Cr Bob Hall (until 12 April 2020)
Portfolios – Business Development
and Indigenous Affairs*



*Cr Bruce Paulsen
Portfolios – Sport, Recreation and
Youth*



*Cr Lyn Barnes (elected 12 April 2020)
Portfolio – Business Development*

Council Meetings

Ordinary Meetings of the Quilpie Shire Council are generally held on the second Friday of each month in the Quilpie Shire Boardroom, commencing at 9:30am.

The dates and times of meetings other than special meetings are fixed in accordance with the Local Government Act and Regulations.

The Chief Executive Officer must call a special meeting if:

- There is a prior Council resolution specifying that the meeting will be held;
- The Chief Executive Officer has identified an urgent matter that needs to be decided before the next scheduled Ordinary Council meeting; or
- A written request has been received by the Chief Executive Officer which has been signed by the Mayor and two other Councillors and states a particular matter(s) to be discussed.

All meetings are open to the public, unless Council resolves, under Section 274 of the Local Government Regulation 2012, that the meeting be closed whilst discussion takes place “in confidence” regarding specific issues such as staff, legal, contractual or industrial proceedings.

Councillor Remuneration

Section 247 of the Local Government Regulation 2012 requires councils to pay each elected representative as per the annual schedule determined by the *Local Government Remuneration and Discipline Tribunal* unless by resolution they resolve to adopt a lesser amount.

Councillor remuneration for the 2019 - 2020 financial year is shown in the following table:

Councillor	Gross Payment	Superannuation	Total Remuneration
Cr Stuart Mackenzie	\$106,100.00	\$10,079.52	\$116,179.52
Cr Jenny Hewson	\$61,211.04	\$5815.08	\$67,026.12
Cr Bob Hall	\$39,786.75	\$3779.73	\$43,566.48
Cr Bruce Paulsen	\$53,049.00	\$5039.64	\$58,088.64
Cr Roger Volz	\$53,049.00	\$5039.64	\$58,088.64
Cr Lyn Barnes	13,262.25	\$839.94	\$14,102.19

Other expenses relating to Councillor meetings and conferences is not included.

Councillor Meeting Attendances

	Ordinary Meeting	Special Meeting	Workshop	Other	Total
Cr Stuart Mackenzie	11	3	11	67	92
Cr Jenny Hewson	11	4	10	25	50
Cr Bruce Paulsen	11	4	9	11	35
Cr Bob Hall	9	3	4	15	31
Cr Roger Volz	11	4	13	27	55
Cr Lyn Barnes	2	1	7	12	22

Councillor Expenses Reimbursement Policy

In accordance with section 250(1) of the Local Government Regulation 2012, Council is required to have a Councillor Expenses Reimbursement Policy. The Policy was reviewed in April 2020 and the amended changes were adopted at the May Ordinary Meeting of Council.

Resolution No: (06-05-20)

Moved by: Cr Jenny Hewson

Seconded by: Cr Lyn Barnes

That Council review the following policies and note that no changes are necessary:

F.01 Audit Committee Policy;

F.02 Internal Audit Policy;

G.03 Administrative Action Complaints Policy;

G.06 Councillor Recognition of Service Policy;

G.09 Entertainment and Hospitality Policy; and

G.10 Advertising Spending Policy.

That Council review the following policies and adopt the amended policy as documented at the workshop held on Friday 24 April 2020:

G.05 Councillor Expenses Reimbursement Policy; and

G.08 Acceptable Requests Guidelines Policy.

5/0

Expenses Reimbursement

Under the expenses reimbursement policy, the following payments were made:

Cr Stuart Mackenzie	Nil	-
Cr Jenny Hewson	Nil	-
Cr Roger Volz	Nil	-
Cr Bruce Paulsen	Nil	-
Cr Bob Hall	Travel	\$384.09
Cr Lyn Barnes	Nil	-

Other Meeting Expenses

Other expenses relating to the conduct of Council meetings and conferences totalled \$26,667.50.

Facilities Provided to Councillors

Each Councillor is issued with an iPad and internet access for the purpose of conducting local government business. Councillors also have access to a Council vehicle for approved work purposes.

Councillor Complaints, Orders and Recommendations

In accordance with section 186 of the Local Government Regulation 2012 the following information is provided in relation to Councillor complaints, orders and recommendations:

Orders made under section 150I(2) of the Local Government Act	Nil
Orders made under section 150AH(1) of the Local Government Act	Nil
Decisions, orders and recommendations made under section 150AR(1) of the Local Government Act	Nil
Complaints referred to the assessor under section 150P(2) of the Local Government Act	Nil
Matters, mentioned in section 150P(3) of the Local Government Act, notified to the Crime and Corruption Commission	Nil
Notices given under section 150R(2) of the Local Government Act	Nil
Notices given under section 150S(2) of the Local Government Act	Nil
Decisions made under section 150W(a), (b) and (d) of the Local Government Act	Nil
Referral notices accompanied by a recommendation mentioned in section 150AC(3)(a) of the Local Government Act	Nil
Occasions information was given under section 150AF(4)(a) of the Local Government Act	Nil
Occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the Local Government for the local government, the suspected inappropriate conduct of a councillor	Nil
Applications heard by the conduct tribunal about the alleged misconduct of a councillor.	Nil

Overseas Travel

During the 2019-2020 financial year no Councillor or Council employee travelled overseas in an official capacity.

Administrative Action Complaints

The complaints management process is established with the following objectives:

- The fair, efficient and consistent treatment of complaints about decisions and other administrative actions of the Council;
- A complaints management process that is easy to understand and is readily accessible to all;
- Detection and rectification, where appropriate, of administrative errors;
- Identification of areas for improvement in the Council's administrative practices;
- Increase in awareness of the complaints management process for the Council's staff and the community;
- Enhancement of the community's confidence in the complaints management process and the reputation of the Council as being accountable and transparent;
- Building the capacity of staff to effectively manage complaints in an environment of continuous improvement;
- Complaints will be acknowledged and resolved in a timely manner;
- Council will manage complaints confidentially and ensure that complainants do not suffer any form of reprisal for making a complaint; and
- Council will abide by the principles of natural justice and procedural fairness when dealing with complaints.

Council's implementation of its Complaints Management Process and Assessment

Council is committed to dealing with administrative action complaints fairly and reviewed and adopted the current policy on 08 June 2020. Council's Complaints Management policy and process is available on Council's website and at the Administration office.

Number of Administrative Complaints made, resolved by Council, not resolved by Council and complaints not resolved in the previous year.

Number of administrative action complaints made to Council	12
Number of administrative action complaints resolved by Council (under complaints management process)	12
Number of administrative action complaints not resolved by Council (under complaints management process)	Nil
Number of administrative action complaints not resolved by Council in the previous year	Nil

Registers

Council is required to keep and make available for public inspection certain documents. These documents are available from the Quilpie Shire Council Office and include:

- Investment Register
- Register of Local Planning Policies
- Register of Delegations of Authority Council to CEO
- Register of Delegations of Authority by the CEO to employee / contractor
- Register of Policies
- Register of Roads
- Contract Register
- Register of Legal Documents
- Register of Fees and Charges
- Building Application Register
- Development Application Register
- Cemetery Register
- Register of Interest of Councillors
- Register of Disclosure of Electoral Gifts and Loans
- Local Laws and Subordinate Local Laws Register
- Register of Preferred Suppliers
- Register of Burials
- Register of Lands
- Register of Related Parties Disclosures

Non-Current Physical Assets

Council made no resolution in accordance with section 206(2) of the Local Government Regulation 2012 in the 2019-20 financial year. The following amounts for each different type of non-current asset below which the value of an asset of the same type will be treated as an expense (the recognition threshold) remain as:

Type of Assets	Value
Furniture and Fittings	\$ 5,000.00
Plant and Equipment	\$ 5,000.00
Buildings and other structures	\$ 10,000.00
Infrastructure assets	\$ 10,000.00
Land	\$ 1.00

These amounts are disclosed in Note 11(a) of the financial statements.

Invitations for Changes to Tenders

During the 2019-2020 financial year there was no instances where tenderers were invited to change their tenders.

Rating Concessions

In accordance with Sections 119 and 120 of the Local Government Regulation 2012 Council offers a concession of 50% up to \$450 on rates and utility charges (excluding the State Fire Levy) to recipients of Aged, Disability and Widows Pensions and holders of Veteran Affairs cards in accordance with Council's Pensioner Rate Concession Policy.

Grants to Community Organisations

During the 2019-2020 financial year Council provided the following grants or in-kind support under its Community Assistance Policy:

Community Group	Activity / Event	Amount Paid	Comments
The Lake	Installation of gird on the Black Road	\$4,082.30	<i>In-kind only</i>
Mulga Mates Quilpie	ATO Tax Debt	\$28,773.78	
Nockatunga Toompine Polocrosse	Running of event	\$2,000.00	
Quilpie Sporting Clays Club	Fencing Materials	\$2,500.00	
Quilpie Sporting Clays Club	Surveying Costs	\$11,522.00	<i>In-kind only</i>
Quilpie Legends Swim Club	2020 Australia Day Prizes	\$1,000.00	
Quilpie Cultural Society	Arts Development Officer	\$2,800.00	
Channel Country Ladies Day	Catering	\$990.00	
All about Aquatics/Eromanga	Under 5's Swimming Lessons Eromanga	\$396.00	
Outback Gondwana Foundation	Financial Assistance Exceptional Hardship	\$55,000.00	
Quilpie Polocrosse Club	Get Playing Again	\$2,000.00	

Discretionary Funds

Councillors do not have any discretionary funds.

Internal Audit

Council engaged the services of O'Regan and Partners to perform the internal audit activities for the 2019-2020 financial year. The internal auditor works with management to identify and implement recommended improvements to Council's operations, systems and processes and ensure compliance with adopted procedures.

In accordance with section 190(h) of the Local Government Regulation 2012, the internal audit report for 2019-2020 is presented as follows:

During the year internal audit activities concentrated largely around dealing with plant hire rates calculation methodology allowable by the Queensland Reconstruction Authority (QRA) for the undertaking of flood damage repairs and restoration with Council utilising its own plant fleet and workforce.

All Western Queensland Councils had found it financially unattractive to undertake flood damage work controlled by the QRA due to the restrictive methodology used to calculate allowable plant hire rates for Councils undertaking such work. As a result, Councils had little choice other than to utilise outside contractors for such work as Council was only required to test the market before awarding tenders/jobs etc.

Internal audit attended a number of meetings during the year with the QRA CEO and senior technical staff along with Council engineers and some CEOs where the case was put to change the methodology adopted to calculate allowable plant hire rates.

These submissions and discussions resulted in a change in methodology being adopted. When the new plant rate calculations were undertaken it became significantly more financially favourable for Council to undertake flood damage restoration work using its own plant and workforce.

Internal audit then undertook a recalculation of plant hire rates for the major plant items in the Council fleet using the new approved calculation methodology. These calculations were presented to the CEO in a detailed report which then formed the basis of QRA considerations in subsequent flood damage plant rates for Council.

As part of this exercise it became apparent that in order to optimise allowable hourly plant hire rates, major plant would need to be subject to revaluation in order to bring market values, useful lives and residual values into line with prudent replacement policy and in line with those adopted by the Institute of Public Works Engineers Australia (IPWEA).

Whilst discussions have been undertaken with Council engineers and works staff this exercise has still to be completed at the date of this report and will be finalised at the upcoming next internal audit site visit.

Internal audit attended all audit committee meetings held during the year either on site or by teleconference.

Remuneration – Senior Management

During the 2019-2020 financial year Quilpie Shire Council had four (4) senior management positions.

- 1 senior management employee with a total remuneration package in the range of \$200,000 – under \$300,000 per annum; and
- 3 senior management employees with a total remuneration package in the range of \$100,000 to under \$200,000 per annum.

In accordance with section 201 (1) of the Local Government Act 2009, the total of all remuneration packages payable to senior management in 2018-19 was \$597,780.58 (plus private use of vehicle and rental subsidies totalling a nominal value of \$97,580).

Beneficial Enterprises

Council did not conduct any beneficial enterprises during the 2019-20 financial year.

Business Activities

Council did not conduct any **significant business activities** as defined in section 19 of the Local Government Regulation 2012. Council is involved in a wide range of business activities that involve 'trading goods and services' as defined by the Local Government Act 2009. In 2019-20 these included:

- Plumbing services;
- Minor housing maintenance (State Government properties);
- Accommodation services;
- Water and sewerage supply services;
- Waste and regulated waste management services;
- Provision of museums and art gallery;
- Facility, venue and equipment hire;
- Provision of sporting facilities;
- Land borne amusement equipment hire;
- Bus hire;
- Airport maintenance;
- Administrative services such as photocopying;
- Building certification activities;
- Visitor information services and sales;
- Library services including internet and computer access; and
- Road contracting services.

Public Sector Ethics Act 1994

Council adopted a revised Code of Conduct in April 2019. The Code reflects and incorporates the four (4) public service ethics principles:

- integrity and impartiality
- promoting the public good
- commitment to the system of government
- accountability and transparency

Education and training with respect to the ethics principles and the Code of Conduct has been provided progressively to Council staff during the year, both in targeted sessions and as part of the induction process for all new employees. In addition, toolbox talks also reinforce Code of Conduct principles on a regular basis.

As part of Council's governance processes, all policies, procedures and practices have regard to the ethics obligations of public officials and Council's Code of Conduct. All employees are encouraged to act in ways which give commitment to a high standard of ethics and which ensures the highest standards of public administration. The same principles have been applied by Council in the review and preparation of Corporate and Operational Plans, and compliance with the Code of Conduct is assessed through the performance management process, with reasonable management action taken where there is a suspected breach.

Assessment of Performance in Corporate and Operational Plans

In accordance with section 190(1)(a) of the Local Government Regulation 2012 the annual report must contain an assessment by the Chief Executive Officer of the local government's progress towards implementing its 5-year Corporate Plan and annual Operational Plan.

Council is required to adopt a Corporate Plan to guide Council's decision making. This document establishes the framework and identifies goals, objectives and strategies to be pursued by Council to meet the aspirations and needs of the community. The plan is developed in consultation with the community and can be revised at any time during the life of the plan to ensure council is following its strategic direction. Council reviewed and adopted the revised Corporate Plan in May 2019.

The Operational Plan is prepared annually and outlines Council's work program for the next financial year including costs and completion timelines. This document is subject to quarterly reviews and must be consistent with the Council's Corporate Plan. In accordance with legislative requirements, Council reviewed the operational plan on four occasions relevant to the financial period and on each occasion Council considered an assessment of its progress in the implementation of the operational plan as being satisfactory. Council receives a written assessment of the implementation of the operational plan at the end of each quarter, with the final review of the 2019-2020 Operational Plan undertaken in July 2020.

The Queensland Government's Local Government Grants and Subsidies Program supports Councils to meet the needs of their community by providing funding for the delivery of priority capital infrastructure projects.

Under the 2019-2021 funding round, Council was fortunate to secure funding to put down a new bore in Quilpie under the Quilpie Water Supply Upgrade Program. The total cost of the project was \$1,248,500, with the Queensland Government contributing \$749,100 of this cost.

Community Financial Report

The Community Financial Report is a 'plain English' summary of Council's Financial Statements prepared in accordance with Section 179 of the *Local Government Regulation 2012*.

2019/20 SNAPSHOT

Key highlights of the 2019/20 financial year include:

- Eromanga Natural History Museum Stage 2A;
- Extraordinary pest animal and pest weed control measures under Communities Combating Pests and Weeds Impact During Drought program;
- Local road repairs under the Disaster Funding Recovery Arrangements;
- Upgrades to the Quilpie Adavale (Red) Road under the Transport Infrastructure Development Scheme;
- Controlled road maintenance under Department of Transport & Main Roads State and annual Roads Maintenance Performance; and
- New Bore and Water main replacements.

COUNCIL'S END OF YEAR FINANCIAL STATEMENTS

What you will find in the Financial Statements

The Audited Financial Statements of Council set out the financial performance, financial position, cash flows and the net wealth of Council for the financial year ended 30 June 2020.

About the Management Certificate

The Financial Statements must be certified by both the Mayor and the Chief Executive Officer as "presenting fairly" the Council's financial results for the year and are required to be adopted by Council - ensuring both responsibility for, and ownership of, the Financial Statements by management and elected representatives.

About the Financial Statements

The Financial Statements incorporate four (4) "primary" financial statements and accompanying notes:

Statement of Comprehensive Income

A summary of Council's financial performance for the year, listing both regular income, expenses and other comprehensive income which records items such as changes in the fair values of Council's assets and investments.

Balance Sheet

A 30 June snapshot of Council's Financial Position including its assets and liabilities.

Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

Notes to the Financial Statements

Provides greater detail to the line numbers of the four (4) "primary" financial statements.

About the Auditor's Report

Council's Financial Statements are required to be audited by the Queensland Audit Office. The audit of many Queensland Councils is contracted to audit firms that specialise in Local Government. The Auditor provides an audit report which gives an opinion on whether the Financial Statements present fairly the Council's financial performance and position.

Where to find a complete version of Council's 2019/2020 Financial Statements?

A complete version of Council's Financial Statements for the 12 months to 30 June 2020 can be found on our website, www.quilpie.qld.gov.au (About Council / Corporate Documents / Annual Budget and Financial Documents), or at Council's administration office at 50 Brolga Street Quilpie during business hours.

AN OVERVIEW OF THIS YEAR'S FINANCIAL RESULT AND FINANCIAL POSITION

Council's Statement of Comprehensive Income (Profit & Loss) for 2019/20

Council's headline "profit/loss" result for the 2019-2020 year was a \$104,409 surplus, meaning Council came in much better than was budgeted. The net profit result is largely due to the impact of adopting AASB 15/1058 at 01 July 2019 an adjustment increased \$1,081,377 relate to recognition of contract assets and contract liabilities for revenue streams in 2018-19.

Council's Result

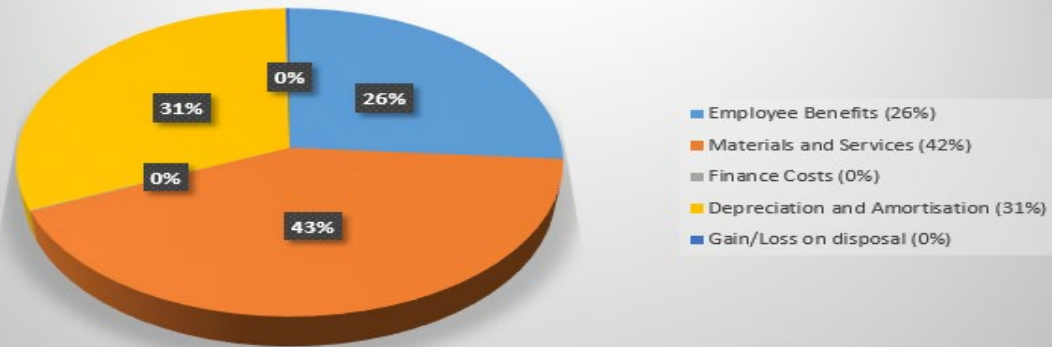
\$'000	Actual 2020	Budget 2020	Actual 2019
Expenditure	23,114	25,439	15,873
Revenue (including gain / loss on disposals)	18,729	18,161	16,723
Net Result before Capital Grants and Contributions	-4,385	-7,278	850
Capital Grants and Contributions	4,489	5,571	3,641
Net Result	104	-1,707	4,491

The budgeted (amended) "profit/loss" for 2019/20 was a deficit of \$(1,707,845) – meaning Council came in much better than was budgeted. The main reasons relating to this difference between the actual result and the budgeted performance was due the implementation of the new accounting standards, as a result Council recognised adjustment outline in Note 21 to the financial statements.

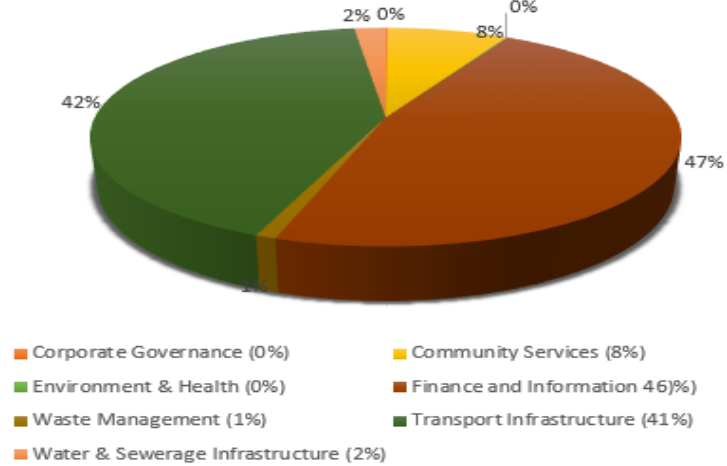
Overall Council and management believe the financial result for 2019 - 2020 to be satisfactory.

The following charts summarise where Council's revenue and expense came from:

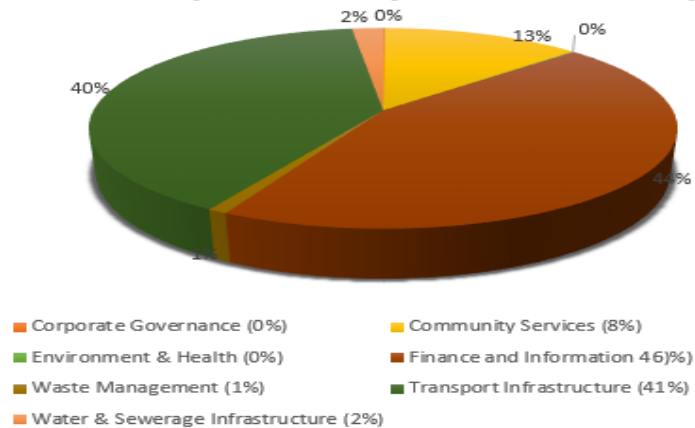
Council's Total Expenditure (by type) 2019-2020



Total Expenditure by Function/Activity



Total Expenditure by Function/Activity



Councils Statement of Financial Position (Balance Sheet) for 2019 -2020

Council's Net Wealth

The Balance Sheet "bottom line" discloses the Net Community Equity of Council, which represents its wealth as measured by a dollar value of its assets less liabilities.

Council's Wealth

\$'000	Actual 2020	Actual 2019
The major items that make up Council's wealth include the following assets		
Available Cash and Investments	\$23,234	\$26,645
Cash & Investments "restricted" for future funding purposes	\$694	\$1,181
Receivable	\$711	\$1,487
Other current assets	\$649	\$369
Infrastructure, Property, Plant & Equipment:		
- Land and Improvements	\$2,565	\$2,414
- Buildings	\$31,441	\$29,401
- Plant and Equipment	\$5,966	\$5,054
- Road, Drainage and Bridge Network	\$183,912	\$152,221
- Water	\$8,965	\$8,449
- Sewerage	\$5,489	\$4,813
- Other Infrastructure Assets	\$2,092	\$2,382
- Furniture and Fittings	\$330	\$344
- Liabilities	-\$3,042	-\$1,396
Net Community Equity	\$263,075	\$229,961

Council's Capital Expenditure for 2019-2020

Council's Capital Expenditure by Asset Class was as follows:

Furniture & Fittings	\$ 8,000.00
Buildings	\$ 1,093,950.00
Plant	\$ 1,518,408.00
Roads	\$ 623,998.00
Sewers	\$ 84,314.00
Water	\$ 1,181,305.00
Land	\$ 124,839.00
Other Assets	\$ 1,086,295.00

Council's major projects for 2019 - 2020 included the following:

- The reconstruction of the John Waugh Park football field which was opened by NRL Legend Jonathon Thurston;
- The construction of a concrete footpath in Chipu street adjacent to John Waugh Park
- Construction and sealing of 13 km of the Quilpie Adavale Red Road
- Renewal of all water mains in Pegler Street;
- Construction of a multi-Purpose sports court in Eromanga;
- Repairs to the road network from the 2019 and 2020 flood events which were funded by the Queensland Reconstruction Authority;
- Significant renewals of heavy plant in Council's fleet;
- Commencement of construction of the Eromanga Natural History Museum Stage 2 building works;
- Construction of site works for Rick's Memorial;
- Widening and sealing of crests on Coonaberry Creek Road;
- New town water supply in Quilpie;
- Eromanga Natural History Museum Stage 2A.

These works are funded from \$4,489,177 of capital income contained within the operating budget and depreciation.

Council's Key Financial Figures - A Snapshot

A summary of some key financial figures over the past 5 years lets you see some overall trends.

Financial Performance Figures (\$'000)	2020	2019	2018	2017	2016	Average
Inflows:						
Rates, Levies & Charges	5,075	4,877	4,675	4,624	4,548	3,745
Fees & Charges	72	62	110	48	38	52
Rental Income	286	282	302	301	353	248
Interest Received	366	475	433	265	309	296
Sales Revenue	2,810	3,652	4,387	4,344	2,170	2,911
Other Income	0	0	0	159	35	39
Grants, Subsidies, Contribution & Donations						
- Capital & Recurrent Revenue	14,668	11,016	9,653	15,290	18,224	10,837
Total Income from Continuing Operations	23,277	20,364	19,560	25,031	25,677	18,126
Outflows:						
Gain / loss on disposal of PP&E	-58	27	213	-197	371	83
New Loan Borrowings & Advances	0	0	0	0	0	0
Employee Benefits	6,064	4,946	5,824	5,324	5,444	4,380
Materials & Services	9,793	4,969	6,175	6,259	11,803	5,841
Finance Costs	21	20	20	6	5	10
Depreciation	7,235	5,938	5,699	5,670	4,850	4,431

Financial Performance Figures (\$'000)	2020	2019	2018	2017	2016	Average
Total Expenses from Continuing Operations	23,113	15,873	17,718	17,259	22,102	14,590
Total Cash purchases of PP&E	8,950	6,246	5,585	7,375	10,179	5,877
Total Loan Repayments (including finance leases)	0	0	0	0	0	0
Operating Surplus/(Deficit) (excluding Capital Income and Expenditure)	-4,327	823	-1,430	2,666	-245	363
Current Assets	25,288	26,502	22,128	20,243	13,645	16,504
Current Liabilities	2,607	1,396	1,351	1,743	1,664	1,231
Net Community Assets	263,075	229,961	216,607	198,864	187,574	166,601
Cash and Cash Equivalents	23,928	24,645	19,554	16,304	12,517	14,604
Total Borrowings Outstanding (Loans, advances and finance leases excluding any overdraft)	0	0	0	0	0	0
Total Value of PP&E	294,189	275,863	266,708	233,715	227,637	200,785
Total Accumulated Depreciation	61,908	75,973	72,399	57,469	56,394	52,447
Indicative Remaining Useful Life (as a % of GBV)	79%	72%	73%	75%	75%	1

Source: Published audited financial statements of Council (current year and prior year annual financial statements).

FINANCIAL SUSTAINABILITY MEASURES

The Financial Sustainability of Councils is now a cornerstone of the *Local Government Act 2009* and a core responsibility of individual Councils across Queensland. Financial Sustainability is defined as when a **"Local Government is able to maintain its financial capital and infrastructure capital over the long term"** [source: Local Government Act 2009 section 102(2)].

The Financial Sustainability Indicators (in accordance with the *Local Government Regulation 2012*) that Council must publish are as follows:

Operating Surplus Ratio

This is calculated as the **Net Result divided by Total Operating Revenue**.

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

Asset Sustainability Ratio

This is calculated as the **Capital Expenditure on the Replacement of Assets (Renewals) divided by Depreciation Expense**.

This is an approximation of the extent to which the infrastructure assets managed by the local government are being replaced as these reach the end of their useful lives.

Depreciation expense represents an estimate of the extent to which the infrastructure assets have been

consumed in a period.

Capital expenditure on renewals (replacing assets that the local government already has) is an indicator of the extent to which the infrastructure assets are being replaced.

This ratio indicates whether a local government is renewing or replacing existing non-financial assets at the same rate that its overall stock of assets is wearing out.

Net Financial Liabilities Ratio

Calculated as **Total Liabilities less Current Assets divided by Total Operating Revenue**, this is an indicator of the extent to which the net financial liabilities of a local government can be serviced by its operating revenues. Council has reported a negative ratio as we do not have any borrowings.

Financial Sustainability Indicators

	Operating Surplus Ratio	Asset Sustainability Ratio	Net Financial Liabilities Ratio
Target	0-10%	>90%	<60%
Actual 2017*	13%	71%	-93%
Actual 2018	-9%	36%	-130.70%
Actual 2019	-5%	20%	-150.00%
Actual 2020	-23%	26%	-118.00%

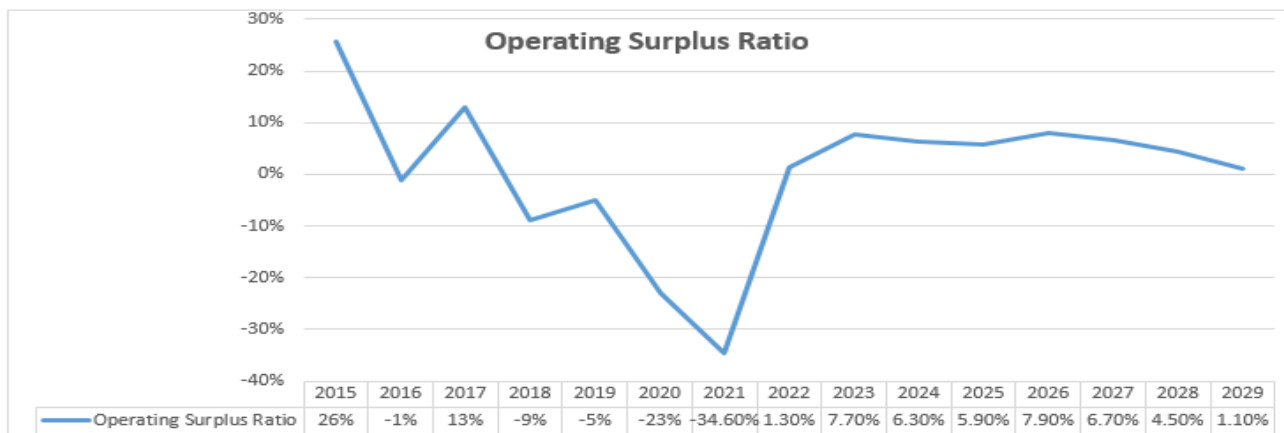
Long Term Financial Plan Projections

Year 2, 2021	-34.60%	49.70%	-87.70%
Year 3, 2022	1.30%	90.20%	96.80%
Year 4, 2023	7.70%	9.90%	-101.10%
Year 5, 2024	6.30%	70.10%	-101.40%
Year 6, 2025	5.90%	79.80%	-97.20%
Year 7, 2026	7.90%	34.10%	-105.00%
Year 8, 2027	6.70%	56.90%	-111.10%
Year 9, 2028	4.50%	55.70%	-119.50%
Year 10, 2029	1.10%	36.80%	-131.80%

- Council aims to have a positive Operating Surplus Ratio every year but occasionally this is not possible due to the timing of receipts. In the 2019/20 financial year this was mostly attributable to the prepayment of grants.
- The asset sustainability ratio should, ideally, be more than 90%. Council, together with all rural and remote councils, have difficulty in meeting the ratio target when there is a community need to construct new assets such as the All-Sports Centre and airport terminal building.
- The liabilities ratio will continue to rise in the negatives until 2025 when Council plans to borrow for Sewer treatment plant replacement works when the ratio will decline slightly although it should remain

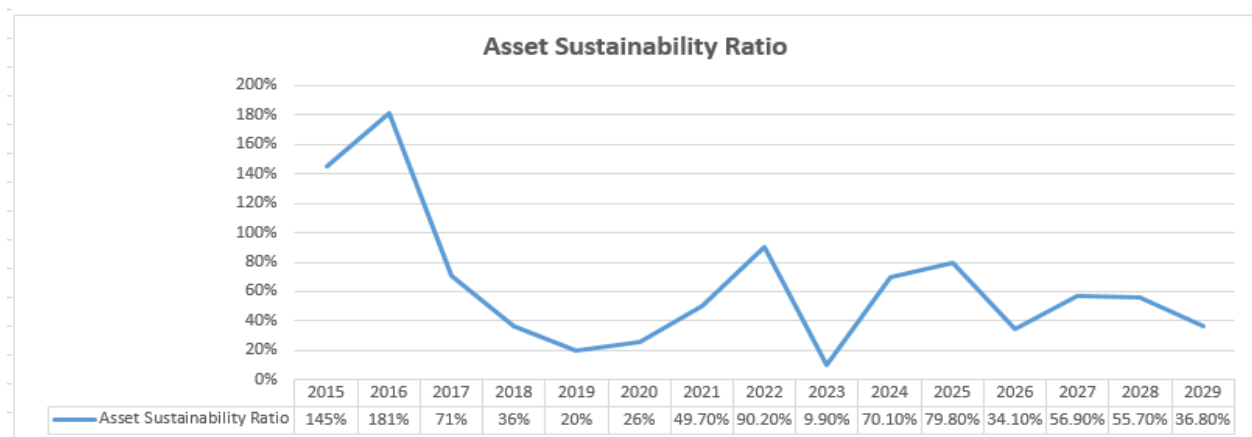
negative.

- *Ratios were not calculated until 2014/2015.



Operating Surplus Ratio

The large surplus in 2014-15 was largely a result of an advance payment for flood damage while the related expenditure was recorded in 2015-16. The substantial negative result for 2020/21 is heavily influenced by extraordinary prepayment of approximately ½ of the Financial Assistance Grant (FAG), Disaster Recovery Funding Arrangement 2020, and Communities Combating Pest and Weed Program.



Asset Sustainability Ratio

The capital expenditure in 2015-16 was high due to works on Kyabra Road and the new depot.



Net Financial Liabilities Ratio

In 2024-2028 Council is planning to borrow for sewerage treatment plant works but even then the liability ratio will remain very much in negative territory.

Questions & Answers relating to Council's Financial Statements & Financial Position

Q. *Nearly one quarter of the expenses is depreciation. What is this and why is it so much?*

A. Depreciation is the recognition of the consumption of assets (wear and tear). It is calculated on the cost of replacing those assets and that figure is constantly rising (inflation).

Q. *Why doesn't Council recognise the receipt for flood damage in the same year as it is expensed?*

A. Basic book-keeping in an accrual environment requires that, as much as is possible, revenues and expenditures should be matched. Councils however, are grouped as "not-for-profits" along with charities and the like. Currently Australian accounting standards, in particular AASB 1004, require that we recognise grants (which is what the receipt for flood damage is) when they are received regardless of when the money was spent. There is an amendment coming which will allow Council to better match revenue and expense in the future.

Q. *Given the current low interest environment why doesn't Council have any borrowings?*

A. Even in a low interest environment there is a cost to borrowings. Council does not need to borrow at this stage but the situation is constantly monitored.



Financial Statement for year ended 30 June 2020

Quilpie Shire Council

Financial statements

For the year ended 30 June 2020

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Quilpie Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2020

		Council	
		2020	2019
	Note	\$	\$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	5,074,769	4,876,800
Fees and charges		72,387	61,805
Rental income		285,742	282,489
Interest received		365,993	474,824
Sales revenue	3(b)	2,809,588	3,652,401
Grants, subsidies, contributions and donations	4(a)	10,178,543	7,347,645
Total recurrent revenue		<u>18,787,022</u>	<u>16,695,964</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(6,063,945)	(4,945,655)
Materials and services	6	(9,793,215)	(4,969,179)
Finance costs		(21,329)	(19,776)
Depreciation and amortisation	10	(7,235,164)	(5,938,288)
		<u>(23,113,653)</u>	<u>(15,872,898)</u>
Net recurrent income		<u>(4,326,631)</u>	<u>823,066</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	4,489,177	3,641,230
Total capital revenue		<u>4,489,177</u>	<u>3,641,230</u>
Gain/loss on disposal of PPE	7	(58,137)	26,610
Net capital income		<u>4,431,040</u>	<u>3,667,840</u>
Net result		104,409	4,490,906
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	16	34,091,456	8,862,625
Total comprehensive income for the year		<u><u>34,195,865</u></u>	<u><u>13,353,531</u></u>

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

Quilpie Shire Council
Statement of Financial Position
as at 30 June 2020

		Council	
	Note	2020	2019
		\$	\$
Current assets			
Cash and cash equivalents	8	23,927,799	24,645,339
Receivables	9	711,470	1,487,146
Inventories		531,597	369,267
Contract assets	12(a)	117,418	-
Total current assets		<u>25,288,284</u>	<u>26,501,752</u>
Non-current assets			
Receivables	9	70,581	50,424
Property, plant and equipment	10	240,759,190	204,804,658
Total non-current assets		<u>240,829,771</u>	<u>204,855,082</u>
Total assets		<u>266,118,055</u>	<u>231,356,834</u>
Current liabilities			
Payables	14	1,598,815	816,107
Contract liabilities	12b	421,463	-
Provisions	15	586,317	403,837
Total current liabilities		<u>2,606,595</u>	<u>1,219,944</u>
Non-current liabilities			
Provisions	15	435,965	175,883
Total non-current liabilities		<u>435,965</u>	<u>175,883</u>
Total liabilities		<u>3,042,560</u>	<u>1,395,827</u>
Net community assets		<u>263,075,495</u>	<u>229,961,007</u>
Community equity			
Asset revaluation surplus	16	160,334,761	126,243,305
Retained surplus/(deficiency)		102,740,734	103,717,702
Total community equity		<u>263,075,495</u>	<u>229,961,007</u>

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

Quilpie Shire Council
Statement of Changes in Equity
For the year ended 30 June 2020

Council

		Asset revaluation surplus	Retained Surplus	Total
	Note	\$	\$	\$
Balance as at 1 July 2019		126,243,305	103,717,702	229,961,007
Adjustment on initial application of AASB 15 / AASB 1058	21	-	(1,081,377)	(1,081,377)
Restated balance at 1 July 2019		126,243,305	102,636,325	228,879,630
Net operating surplus		-	104,409	104,409
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	16	34,091,456	-	34,091,456
Total comprehensive income for the year		34,091,456	104,409	34,195,865
Balance as at 30 June 2020		160,334,761	102,740,734	263,075,495
Balance as at 1 July 2018 (restated)		117,380,680	99,226,796	216,607,476
Net operating surplus		-	4,490,906	4,490,906
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	16	8,862,625	-	8,862,625
Restated balances		8,862,625	-	8,862,625
Total comprehensive income for the year		8,862,625	4,490,906	13,353,531
Balance as at 30 June 2019		126,243,305	103,717,702	229,961,007

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

Quilpie Shire Council
Statement of Cash Flows
For the year ended 30 June 2020

		Council	
	Note	2020	2019
		\$	\$
Cash flows from operating activities			
Receipts from customers		8,624,053	9,286,387
Payments to suppliers and employees		(14,541,554)	(9,867,420)
		(5,917,501)	(581,033)
Interest received		365,993	474,824
Rental income		285,742	282,489
Non capital grants and contributions	4(a)	9,200,970	7,347,645
Net cash inflow (outflow) from operating activities	20	<u>3,935,204</u>	<u>7,523,925</u>
Cash flows from investing activities			
Payments for property, plant and equipment (including work in progress)	10	(8,950,248)	(6,245,600)
Net movement in loans and advances		(20,157)	3,750
Proceeds from sale of property plant and equipment	7	127,732	168,309
Grants, subsidies, contributions and donations	4(b)	4,189,929	3,641,230
Net cash inflow (outflow) from financing activities		<u>(4,652,744)</u>	<u>(2,432,311)</u>
Net increase/(decrease) in cash and cash equivalents held		<u>(717,540)</u>	<u>5,091,614</u>
Cash and cash equivalents at the beginning of the financial year		24,645,339	19,553,725
Cash and cash equivalents at end of the financial year	8	<u><u>23,927,799</u></u>	<u><u>24,645,339</u></u>

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

Quilpie Shire Council

Notes to the financial statements

For the year ended 30 June 2020

1 Significant accounting policies

1.A Basis of preparation

The Quilpie 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-profit entities.

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

1.B New and revised Accounting Standards adopted during the year

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

Refer to the change in accounting policy note 21 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of NFP Entities* and AASB 16 *Leases*.

1.C Standards issued by the AASB not yet effective

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

1.D Estimates and judgements

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

Valuation and depreciation of property, plant and equipment (Note 11)

Provisions (Note 15)

1.E Rounding and comparatives

The financial statements are in Australian dollars that have been rounded to the nearest \$1.

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

1.F Taxation

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

2. Analysis of Results by Function

2(a) Components of council functions

The activities relating to the Council's components reported on in Note 2(b) are as follows :

Corporate governance

The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This function includes strategic and operational planning, risk management, legal and administrative support. The Mayor, Councillors and Chief Executive Officer are included in corporate governance.

Finance and information

Finance and information provides professional finance and information services across all of council. This function includes internal audit, budget support, financial accounting, taxation and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Community services

The goal of community services is to ensure Quilpie Shire is a healthy, vibrant, contemporary and connected community. Community services provides well managed and maintained community facilities, and ensures the effective delivery of cultural, health, welfare, environmental and recreational services.

This function includes:

- Libraries
- Entertainment venues
- Public health services
- Sporting venues
- Planning and development

Environmental Health Services

The objective of Environmental Health Services is to ensure that the community's environment is protected and maintained to acceptable levels.

Engineering and Works

The objective of the engineering and works program is to ensure the community is serviced by a high quality, appropriate and effective road network. The function provides and maintains transport infrastructure, including the maintenance and provision of the drainage network.

Waste management

The goal of this function is to protect and support the community and natural environment by sustainably managing refuse. The function provides refuse collection and disposal services.

Water infrastructure

The goal of this program is to support a healthy, safe community through sustainable water services. This function includes all activities relating to water reticulation, treatment and plumbing.

Sewerage infrastructure

This function's objective is to protect and support the health of the community by sustainably managing sewerage infrastructure.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

Analysis of results by function
Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2020

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets				
	Recurrent		Capital			Recurrent	Capital								
	Grants	Other	Grants	Other											
												\$	\$	\$	\$
Corporate governance	27,000	260	-	-	27,260	920,593	-	920,593	(893,333)		-				
Finance and information	5,266,288	4,835,765	-	-	10,102,053	1,532,214	-	1,532,214	8,569,839	8,569,839	56,599,690				
Community services	1,269,891	298,504	1,396,426	-	2,964,821	2,685,783	-	2,685,783	(1,117,388)	279,038					
Environment & Health Services	-	20,936	-	-	20,936	1,640,269	-	1,640,269	(1,619,333)	(1,619,333)					
Engineering & Works	3,615,364	2,791,509	2,655,054	(58,137)	9,003,790	15,540,592	-	15,540,592	(9,133,719)	(6,536,802)	201,131,072				
Waste management	-	206,829	-	-	206,829	102,635	-	102,635	104,194	104,194					
Water infrastructure	-	238,051	437,696	-	675,747	448,995	-	448,995	(210,944)	226,752	8,387,293				
Sewerage infrastructure	-	216,626	-	-	216,626	242,572	-	242,572	(25,946)	(25,946)					
Total Council	10,178,543	8,608,480	4,489,176	(58,137)	23,218,062	23,113,653	-	23,113,653	(4,326,630)	104,409	266,118,055				

Year ended 30 June 2019

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$							
Corporate governance	6,500	254	-	-	6,754	790,070	-	790,070	(783,316)	(783,316)	-
Finance and information	5,038,605	4,729,847	545,000	-	10,313,452	1,786,973	-	1,786,973	7,981,479	8,526,479	55,408,937
Community services	369,402	307,194	1,277,573	-	1,954,169	2,111,877	-	2,111,877	(1,435,281)	(157,708)	
Environment & Health Services	1,090,000	14,633	-	-	1,104,633	920,168	-	920,168	184,465	184,465	
Engineering & Works	843,138	3,628,099	1,628,806	26,610	6,126,653	9,786,615	-	9,786,615	(5,315,378)	(3,659,962)	167,952,590
Waste management	-	209,118	-	-	209,118	107,187	-	107,187	101,931	101,931	
Water infrastructure	-	256,000	-	-	256,000	259,146	-	259,146	(3,146)	(3,146)	3,251,497
Sewerage infrastructure	-	203,174	189,851	-	393,025	110,863	-	110,863	92,311	282,162	4,743,810
Total Council	7,347,645	9,348,319	3,641,230	26,610	20,363,804	15,872,899	-	15,872,899	823,065	4,490,906	231,356,834

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

	Council 2020		2019
	AASB 15	AASB 1058	
	\$	\$	\$
3 Revenue			
Revenue is recognised at a point of time			
(a) Rates, levies and charges			
Rates, levies and charges (excluding those related to services)			
General rates	-	4,858,118	4,660,985
Water	-	260,920	264,155
Sewerage	-	197,671	201,328
Garbage charges	-	224,679	227,761
Total rates and utility charge revenue	-	5,541,388	5,354,229
Less: Discounts	-	(454,465)	(464,234)
Less: Pensioner remissions	-	(12,154)	(13,195)
	-	5,074,769	4,876,800

(b) Sales revenue

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

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Sale of services

Contract works for Department of Transport & Main Roads	2,788,547	-	3,616,157
Other private works	21,041	-	36,244
	2,809,588	-	3,652,401

4 Grants, subsidies, contributions and donations

2020 accounting policy

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include museum, pest animal and pest weed control, local road repairs rehabilitation and upgrades, and watermain replacement. 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

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. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

		Council 2020		2019
		AASB 15	AASB 1058	
		\$	\$	\$
(a) Recurrent				
General purpose grants		431,207	6,197,661	5,317,776
State government subsidies and grants		3,520,820	-	1,898,628
Commonwealth government subsidies and grants		28,855	-	131,241
		<u>3,980,882</u>	<u>6,197,661</u>	<u>7,347,645</u>
(b) Capital				
Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets.				
State government subsidies and grants		-	3,151,692	2,963,657
Commonwealth		1,337,485	-	677,573
		<u>1,337,485</u>	<u>3,151,692</u>	<u>3,641,230</u>
5 Employee benefits			2020	2019
Total staff wages and salaries			4,274,422	3,381,711
Councillors' remuneration			384,327	342,248
Annual, sick and long service leave entitlements			797,498	774,107
Superannuation	19		570,840	549,789
			<u>6,027,087</u>	<u>5,047,855</u>
Other employee related expenses			158,297	164,250
			<u>6,185,384</u>	<u>5,212,105</u>
Less: Capitalised employee expenses			(121,439)	(266,450)
			<u>6,063,945</u>	<u>4,945,655</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.				
Total Council employees at the reporting date:			2020	2019
Elected members			5	5
Administration staff			21	23
Depot and outdoors staff			53	47
Total full time equivalent employees			<u>79</u>	<u>75</u>
6 Materials and services				
Advertising and marketing			5,898	16,372
Administration supplies and consumables			293,495	303,620
Audit of annual financial statements by the Auditor-General of Queensland			52,000	50,700
Communications and IT			197,790	206,648
Consultants/contractors - Asset Consultants			14,960	125,100
Community & Recreational Services			1,170,038	914,408
Equipment Hire			268,096	190,762
Recoverable Works			4,768,990	1,126,111
Road repair & reinstatement			1,313,564	1,085,152
Town Plan			95,360	38,779
Rural Services			1,101,559	551,675
Water Supply			185,890	137,946
Sewerage Treatment			44,897	45,443
Waste Management			280,678	176,463
			<u>9,793,215</u>	<u>4,969,179</u>
7 Capital income				
Gain/loss on disposal of non-current assets		10		
Proceed from the sale of property, plant and equipment			127,732	168,309
Less: Carrying value of property, plant and equipment disposed			(185,869)	(141,699)
Total capital income/(expenses)			<u>(58,137)</u>	<u>26,610</u>
8 Cash and cash equivalents				
Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.				
Cash at bank and on hand			5,427,460	6,464,760
Deposits at call and term deposits			18,500,339	18,180,579
Balance per Statement of Cash Flows			<u>23,927,799</u>	<u>24,645,339</u>

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

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 may include:

	2020	2019
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies		
Advance Financial Assistance Grant payment, unrestricted (\$2,566,709 - 2019) and others.	2,691,387	3,748,086
Department of Industry, Innovation and Science advance	43,200	-
Queensland Reconstruction Authority- advance	378,263	-
Department of Industry DEC000489	195,444	-
Rates and housing rental received in advance	76,277	-
Total unspent restricted cash	<u>3,384,571</u>	<u>3,748,086</u>

Cash and deposits at call are held in the National Australia Bank in normal term deposits and business cheque accounts. The bank currently has a short term credit rating of A1+ and long term rating of AA-. There is also one term deposit with Rural Bank which as a rating of A2. The balance of funds are deposited with Queensland Treasury Corporation in their cash management account at call.

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include security deposits lodged to guarantee performance and unclaimed monies (e.g. wages). The Council performs only a custodial 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 parties yet to be paid out to or

on behalf of those entities. As the Council performs only a custodial role in respect of the transactions and balances, they are neither controlled or administered by it and accordingly, are not recognised in the financial statements. They are however, disclosed in these notes for the information of financial statement users.

1,650	2,505
<u>1,650</u>	<u>2,505</u>

9 Receivables

Receivables, loans and advances 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. Terms for loans and advances are usually a maximum of five years with interest charged at non-commercial rates. Security is not normally obtained.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

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.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

Current

Rateable revenue and utility charges	545,179	411,375
Private works	-	981,593
Other debtors	20,094	49,731
Less impairment	6,390	359
Loans and advances to community organisations	6,518	3,750
Prepaid expenses	104,326	-
Accrued revenue	28,963	40,338
	<u>711,470</u>	<u>1,487,146</u>

Non-current

Loans and advances to community organisations	70,581	50,424
	<u>70,581</u>	<u>50,424</u>

Interest is charged on outstanding rates at a rate of 9.83% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other than Main Roads.

Loans relate to advances made to various sporting bodies. These loans arise from time to time and are subject to negotiated interest rates which are below market rates. The credit risk on these loans is considered low. The loans in place are at call.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

10 Property, plant and equipment

Council - 30 June 2020

Basis of measurement

Asset values

Opening gross value as at 1 July 2019

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Closing gross value as at 30 June 2020

Accumulated depreciation and impairment

Opening balance as at 1 July 2019

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2020

Total written down value as at 30 June 2020

Range of estimated useful life in years

Work in Progress

Opening Balance 1 July 2019

Expenditure in year

Transferred to asset register

Closing Balance 30 June 2020

Total PPE

Additions comprise:

Renewals

Other additions

Total additions

Note	Furniture & Fittings	Buildings and other structures	Plant & Equipment	Road, drainage and bridge network	Sewerage	Water	Land	Other assets	Total
	Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	648,086	42,847,480	9,573,719	200,083,878	7,369,857	11,473,349	2,140,529	1,726,310	275,863,208
	8,000	1,093,950	1,518,408	623,998	84,314	1,181,305	124,839	1,086,295	5,721,109
	-	-	(151,868)	-	-	-	(34,000)	-	(185,868)
16	-	(811,103)	-	13,601,544	-	-	-	-	12,790,441
	656,086	43,130,327	10,940,259	214,309,420	7,454,171	12,654,654	2,231,368	2,812,605	294,188,890

303,724	14,833,639	4,519,692	49,051,481	2,640,936	4,004,294	-	-	619,806	75,973,572
22,124	1,291,987	541,694	4,924,629	124,399	236,327	-	-	101,083	7,235,164
-	-	(7,079)	-	-	-	-	-	-	(7,079)
-	-	-	(21,301,015)	-	-	-	-	-	(21,301,015)
325,848	16,125,626	5,054,307	32,675,095	2,765,335	4,240,621	-	-	720,889	61,907,721

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330,238	27,004,701	5,885,952	181,634,325	4,688,836	8,414,033	2,231,368	2,091,716	232,281,169
2-20	10-75	2-20	5-unlimited	20-100	25-110	unlimited	2-50	

-	1,387,184	-	1,188,776	84,314	979,535	-	1,275,213	4,915,022
8,000	4,142,612	1,598,801	1,712,459	799,743	752,712	124,839	(188,918)	8,950,248
(8,000)	(1,093,950)	(1,518,408)	(623,998)	(84,314)	(1,181,305)	(124,839)	(1,086,295)	(5,721,109)
-	4,435,846	80,393	2,277,237	799,743	550,942	333,860	-	8,478,021

330,238	31,440,547	5,966,345	183,911,562	5,488,579	8,964,975	2,565,228	2,091,716	240,759,190
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\$	\$	\$	\$	\$	\$	\$	\$	\$
-	280,000	607,363	623,998	84,314	236,261	-	514,635	2,346,571
8,000	813,950	911,045	-	-	945,044	124,839	571,660	3,374,538
8,000	1,093,950	1,518,408	623,998	84,314	1,181,305	124,839	1,086,295	5,721,109

Council - 30 June 2019

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2018 (restated)

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Transfers between classes

Closing gross value as at 30 June 2019

16

Accumulated depreciation and impairment

Opening balance as at 1 July 2018 (restated)

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2019

16

Total written down value as at 30 June 2019

Range of estimated useful life in years

Work in Progress

Opening Balance 1 July 2018

Expenditure in year

Transferred to asset register

Closing Balance 30 June 2019

Total PPE (restated)

Renewals

Other additions

Total additions

Furniture & Fittings	Buildings and other structures	Plant & Equipment	Road, drainage and bridge network	Sewerage	Water	Land	Other assets	Total
Cost	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$
624,017	45,273,262	9,569,692	187,950,368	8,429,249	10,843,227	2,654,022	1,364,077	266,707,914
24,069	822,566	442,671	1,018,318	-	147,122	51,221	292,493	2,798,460
-	-	(438,644)	-	-	-	-	(25,575)	(464,219)
-	(2,767,874)	-	11,115,192	(1,059,392)	451,874	(564,714)	(354,033)	6,821,053
-	(480,474)	-	-	-	31,126	-	449,348	-
648,086	42,847,480	9,573,719	200,083,878	7,369,857	11,473,349	2,140,529	1,726,310	275,863,208
279,560	15,321,521	4,360,020	41,480,722	4,139,847	6,275,425	-	542,282	72,399,377
24,164	820,262	456,618	4,424,966	40,227	82,316	-	89,735	5,938,288
-	-	(296,946)	-	-	-	-	(25,575)	(322,521)
-	(1,275,880)	-	3,145,793	(1,539,138)	(2,358,234)	-	(14,113)	(2,041,572)
-	(32,264)	-	-	-	4,787	-	27,477	-
303,724	14,833,639	4,519,692	49,051,481	2,640,936	4,004,294	-	619,806	75,973,572
344,362	28,013,841	5,054,027	151,032,397	4,728,921	7,469,055	2,140,529	1,106,504	199,889,636
2-20	10-75	2-20	5-unlimited	20-100	25-110	unlimited	2-50	
-	229,914	-	348,854	6,774	364,860	278,857	238,624	1,467,883
24,069	1,979,836	442,671	1,858,240	77,540	761,797	(227,636)	1,329,082	6,245,599
(24,069)	(822,566)	(442,671)	(1,018,318)	-	(147,122)	(51,221)	(292,493)	(2,798,460)
-	1,387,184	-	1,188,776	84,314	979,535	-	1,275,213	4,915,022
344,362	29,401,026	5,054,027	152,221,173	4,813,235	8,448,590	2,140,529	2,381,717	204,804,658
\$	\$	\$	\$	\$	\$	\$	\$	\$
24,069	232,285	173,768	812,056	-	-	-	-	1,242,178
-	590,281	268,903	206,262	-	147,122	51,221	292,493	1,556,282
24,069	822,566	442,671	1,018,318	-	147,122	51,221	292,493	2,798,460

11 Property, plant and equipment

11 (a) Recognition

Plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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 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.

11(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 (as shown in the note 11 table above) 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 incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

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

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

11(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.

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.

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed 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.

11(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.

11(e) Valuation

(i) Valuation processes

Council's valuation policies and procedures are set by the finance committee of the executive management team which comprises the Chief Executive Officer, Director of Corporate Services, Director of Finance and Director of Engineering. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 4 years. This was conducted every 3 years but was changed to 4 years in 30 June 2019 as per Council Asset Capitalisation Procedure. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own 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. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and major plant asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are appropriate. Further details in relation to valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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 of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

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

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

There were no transfers between levels of the hierarchy during the year.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to derive fair values

Land (level 2)

Land fair values were determined by independent valuer, AssetVal effective 30 June 2019. Level 2 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. 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 this valuation approach are price per square metre. The indexation assessment has indicated an increase of 0.5% since the last valuation performed at 30 June 2019. This amount is considered immaterial and was not recorded at 30 June 2020.

Buildings (level 2 and 3)

The fair value of buildings were also determined by independent valuer, AssetVal effective 30 June 2019. Where there is a market for Council building assets, they are categorised as non-specialised buildings and fair value is derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size (level 2). The most significant inputs into this valuation approach were price per square metre.

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. A desktop assessment was conducted by Shepherd Services as at 30 June 2020 utilising suitable indexes from Australia Bureau of Statistics. The result of the indexation movement 30 June 2019 to 30 June 2020 was an average increase of 0.51% across the buildings portfolio. As the movement is less than 5%, the impact is considered to be immaterial, and management did not record indexation movement to the building assets at 30 June 2020.

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, residual value at the time the asset is considered to be no longer available for use 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.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Infrastructure assets (level 3)

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

The last full valuation of infrastructure assets was undertaken effective 30 June 2019.

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

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

Site improvements are depreciated over their useful life to the council. The useful life of cells and some other improvements extends until the site becomes available for another use as they continue to provide benefits over this period (including the monitoring period) by facilitating the safe disposal of waste.

Roads, drainage and bridges network - calculation of current replacement cost

Roads

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. All roads are managed in segments which vary in length depending upon changes in size or form. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs and services costs. For internal construction estimates, material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's Enterprise Bargaining Agreement (EBA). All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years.

The last comprehensive valuation of roads, drainage and aerodrome assets was undertaken by AssetVal at 30 June 2019.

In the 2020 financial year Council engaged independent valuers, Shepherd Services to undertake a comprehensive valuation of roads, drainage and aerodrome assets as a result of an updated asset management plan that was adopted by Council during the 2020 financial year which meant a number of the assumptions and the methodology employed by the valuation experts in the 2019 revaluation needed to be updated in line with the asset management plan and to accurately reflect the fair values of these assets following the adoption of the new asset management plan. The fair value of these assets has increased by approximately \$34m or 17% during the 2020 financial year. The increase is attributable to the following factors:

- Increase in unit rates reflective of accurate cost data developed by Council and the Valuer using actual project costs as well as benchmarking data to other appropriate Councils in the current year. This included a doubling of the roads formation unit rates following a complete road asset condition assessment performed by the valuer, offset by a reduction in the unsealed road gravel value as the 2020 asset management plan employed a gravel coverage of 30% as against the 100% coverage employed in the previous asset management plan. The sealed road pavement value increased also as a result of the more accurate and benchmarked unit rates, as well as a change in the 2020 asset plan methodology to include one coat of bitumen coverage which had not previously been factored into the asset management plan or valuation;
- Changes in useful lives of certain asset classes to align them to those of other Councils and reflective of the actual service potential of these assets based on a complete visual inspection by the valuer in the current year;
- Appropriate changes in other input factors reflective of the asset management plan and methodology adopted by Council in 2020.

A severe weather event occurred during February 2020 which caused significant damage to Council's road network. Natural disaster events such as this are common in the Quilpie Shire area and generally occur three to four times per decade. Prior to 30th June, works were undertaken to ensure all damaged roads were trafficable, the full costs of repair work will be funded by the State Government through its Disaster Recovery Funding Arrangements. Works will be completed over the two years ending 30th June 2022.

Council performed a detailed assessment of the road network impacted by the weather event in assessing its funding claim. This assessment included an examination over the road network condition. It also included quantification of planned repair work and an estimate of the capital component or loss in service potential of the road network from the weather event. Certain road network components were damaged, with all roads trafficable, and no road assets were completely destroyed which would require them to be written off at year end. Council's assessment indicates that the majority of the work to be performed is operational and repair work in nature. This includes repair of road surfaces, pot holes, grading and other remedial works that are considered to be expenditure items.

There was no material impact on the carrying value of the infrastructure, property, plant and equipment held by Council. No write down in the depreciated replacement cost of the road network has been recorded at 30 June 2020 as a result. The amount of the funded repairs Council will perform in future periods is all in the main repairs and operating expenditure.

Accumulated depreciation

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

The remaining life calculation has been determined based on either aged based approach or a condition based approach.

An aged based approach was utilised for assets in average to excellent condition. In the first 50 to 80% of the life most infrastructure assets there is often little visible distress. This makes estimating of remaining life unreliable using visual techniques and if age is known then the aged based approach is more reliable.

The condition based approach used a score from 1 (excellent condition) to 10 (Asset Failure) for the road network.

Water and Sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers. A full independent valuation was undertaken by AssetVal effective 30 June 2019 and updated by indexation as at 30 June 2020. The fair value of these assets as at 30 June 2020 was independently assessed against appropriate indexation rate provided by Shepherd Services (independent valuer). The result of the indexation movement between 30 June 2019 to June 2020 was an average of 1.5%. As the movement is less than 5%, the impact was assessed to be immaterial, and management did not record indexation movement to the water and sewer assets as at 30 June 2020.

Accumulated depreciation

In determining physical obsolescence, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment rating of 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 value.

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

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For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows :

- For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age .
- Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life .
- The relining of pipes was valued at reline rates and depreciated over the reline life (70 years). The reline fair value was based on age .

12 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 is 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 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.

	Council	
	2020 \$	2019 \$
a Contract assets	117,418	-
b Contract liabilities		
Funds received upfront to construct Council controlled assets	378,263	-
Deposits received in advance of services provided	43,200	-
	421,463	-
Current contract liabilities	421,463	-
Non-current contract liabilities	-	-
	421,463	-
c 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.

13 Leases

Council as a lessee

Council has leases in place over building and equipment. Council has applied the exception to lease accounting for leases of low-value assets and short term leases.

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as sing component.

The right-of-use asset is measured using the cost model where costs on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less and lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expenses on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

Terms and conditions of leases

Building

Council leases one building which is used for youth activity centre, the leases are between two years and contains a renewal option which is reasonable certain to be exercised at Council's discretion.

Equipment

Council leases a number of equipment, a number of assets are considered low value and short term leases and are therefore not subject to lease accounting.

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

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If the lease contains lease and non lease components the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income is recognised on a straight-line basis over the lease term.

Operating leases

Rent from investment and other property is recognised as income on a specific straight line basis over the lease term.

	Value of lease receipts	
	Next year	Year 2-5
	\$	\$
ENHM-Outback Gondwana Foundation	130	130
Alfred Rodger McKellar	261	260
Houses leased to:		
Ergon	37,856	37,180
Queensland Health	26,000	26,000
	<u>64,247</u>	<u>63,570</u>

Council makes available a house for Doctors employed by Queensland Health and two houses for Ergon. These houses are leased on commercial terms and standards REIQ contracts.

14 Payables

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

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

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

	Council 2020	2019
	\$	\$
Current		
Creditors and accruals	1,329,390	317,218
Annual leave	597,869	516,709
GST payable/(receivable)	(328,444)	(17,820)
	<u>1,598,815</u>	<u>816,107</u>

15 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.

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

Refuse dump restoration and quarry rehabilitation

A provision is made for the cost of restoring refuse dumps where it is probable in the Council will be liable, or required, to do this 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. Management estimates for Eromanga and Toompine sites will be closed in 2100 and Quilpie in 2120 and the restoration works will occur after closure. Post-closure maintenance and on-going monitoring will be carried out over the subsequent 20 years.

Quarries are situated on Council controlled land and are classified as land and improvement assets. The provision for restoration is, therefore, included in the cost and amortised over the expected useful life of the quarry. Changes in provision not arising from the passing of time are added to or deducted from the asset revaluation surplus for land. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases (if any). Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

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	Note	2020 \$	2019 \$
Current			
Long service leave		586,317	403,837
		<u>586,317</u>	<u>403,837</u>
Non-current			
Long service leave		102,105	175,883
Landfill rehabilitation		333,860	-
		<u>435,965</u>	<u>175,883</u>
Long service leave			
Balance at beginning of financial year		579,720	525,409
Long service leave entitlement arising		239,608	83,393
Long Service entitlement extinguished		(73,778)	38,887
Long Service entitlement paid		(57,128)	(67,969)
Balance at end of financial year		<u>688,422</u>	<u>579,720</u>

16 Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus. Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

	Note	Council 2020 \$	2019 \$
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		126,243,305	117,380,680
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		-	(564,714)
Buildings and other structures		(811,103)	(1,831,914)
Road, drainage and bridge network		34,902,559	7,969,399
Water and sewer		-	3,289,854
Balance at end of financial year		<u>160,334,761</u>	<u>126,243,305</u>

	Note	Council 2020 \$	2019 \$
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Land and improvements		276,686	276,686
Buildings and other structures		8,724,679	9,535,782
Road, drainage and bridge network		146,935,252	112,032,693
Water and sewer		4,398,144	4,398,144
		<u>160,334,761</u>	<u>126,243,305</u>

17 Commitments for expenditure

Contractual commitments

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

Asset management - LGGSP	12,515	-
Building and structure	2,464,897	133,310
Road infrastructure	1,255,625	131,515
Water infrastructure	14,351	1,346
	<u>3,747,388</u>	<u>266,171</u>

18 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.

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

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$120,000.

19 Superannuation

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as the valuation. "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 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 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.

		Council	
		2020	2019
		\$	
Note			
Superannuation contributions made to the Regional Defined Benefits Funds		15,167	15,366
Other superannuation contributions for employees		555,674	534,423
Total superannuation contributions paid by Council for employees:	5	570,841	549,789

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

		Council	
		2020	2019
		\$	\$
Net result		104,409	4,490,906
Non-cash items:			
Depreciation and amortisation		7,235,164	5,938,288
		7,235,164	5,938,288
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets		58,137	(26,610)
Capital grants and contributions		(4,489,177)	(3,641,230)
		(4,431,040)	(3,667,840)
Financing activities:		20,157	(3,750)
		20,157	(3,750)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		638,101	692,504
(Increase)/decrease in inventory		(162,330)	28,989
(increase)/decrease in other assets		-	-
Increase/(decrease) in payables		1,204,171	(9,483)
Increase/(decrease) in liabilities		108,702	54,311
		1,788,644	766,321
Net cash inflow from operating activities		4,717,333	7,523,926

Reconciliation of net cash inflow from operating activities to Statement of Cash Flows

21 Changes in accounting policy

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

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

The impact 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 transitions 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.

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

Opening contract balances on transition at 1 July 2019

	2019 \$
Contract liabilities	
- Under AASB 1058	1,081,377

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

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

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

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr/(Cr \$)	Adjustment Dr/(Cr \$)	Carrying amount if previous standards had been applied
Contract assets	117,418	(117,418)	-
Contract liabilities	(421,463)	(421,463)	-
Retained earnings	102,740,734	(1,081,377)	103,822,111
	102,436,689	(1,620,258)	103,822,111

Statement of comprehensive income for year ended 30 June 2020

	Carrying amount per Statement of Financial Position Dr/(Cr \$)	Adjustment Dr/(Cr \$)	Carrying amount if previous standards had been applied
Revenue operating			
Grants	3,980,882	421,463	4,402,345
Revenue capital	1,337,485	-	1,337,485
	5,318,367	421,463	5,739,830

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 ending 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.

Lease standards - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risk and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases of low-value assets).

Council use the exemption to lease accounting for short term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis. These assets are in the nature of low value office equipment (i.e. photocopier) that Council leases. There are no agreements of material value held by Council that required an adjustment on transition to the new standard.

Further, Council has elected to use the cost method for accounting for certain peppercorn leases with significantly below market-terms, payments are low value, and therefore not quantitatively material to the financial statement and had not been recognised on the Statement of Financial Position under AASB 16.

22 Coronavirus pandemic

The COVID-19 pandemic has developed rapidly in 2020, with a significant number of cases. The Council have taken a number of measures to monitor and mitigate the effects of COVID-19, such as safety and health measures for our peoples (such as social distancing and working from home) and securing the supply of materials that are essential to our operational process. The resulting impact of the virus on the operations and measures taken has no material impact in the financial statement. The Council will continue to follow the various government policies and advice and, in parallel we will do our utmost to continue our operations in the best and safest way possible without jeopardising the health of our community.

23 Events after the reporting period

There were no material adjusting or non-adjusting events after the balance date.

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24 Financial instruments and financial risk management

24(a) Financial assets and financial liabilities

3.00 The effect of initially applying AASB 9 on the Council's financial instruments is described in Note 1.D.

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

- credit risk
- liquidity risk
- market risk

Risk management framework

Quilpie Shire Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's risk committee / 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 management 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.*

Quilpie Shire 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 Quilpie Shire Council.

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

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+ to AA- based on rating agency Moody's ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

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 with a large oil and gas industry, there is also a concentration in the agricultural and mining sector.

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

	Council	
	2020	2019
	\$	\$
Property charges	26,484	9,886
Controlled organisations	662,725	1,408,657
Impairment	6,390	359
Other	133,289	68,244
Total	828,888	1,487,146

A summary of the Council's exposure to credit risk for trade receivable is as follows:

Expected credit loss assessment as at 1 July 2019 and 30 June 2020

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and expected for trade receivables from individual customers as at June 2020

	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit impaired
	\$	\$	\$	\$
Not past due	0.01%	311,128	31	No
Past due 31-60 days	0.01%	3,357	0	No
Past due 61-90 days	0.08%	0	0	No
More than 90 days	0.02%	514,403	103	No
Total		828,888	134	

Loss rates are based on actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables.

There was no impairment in respect of trade receivable movement during the year.

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

The Council is exposure to liquidity risk through its normal course of business.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

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

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	0 to 1 year	1 to 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$
2020				
Trade and other payables	1,598,815	-	1,598,815	1,598,815
	1,598,815	-	1,598,815	1,598,815
2019				
Trade and other payables	816,107	-	816,107	816,107
	816,107	-	816,107	816,107

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

Market risk

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

Interest rate risk

Quilpie Shire Council is exposed to interest rate risk through investments and borrowings with QTC *and other financial institutions*.

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

Sensitivity

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.

Calculation shows that if interest rates were to rise or fall by 1% the impact on net result and equity would be +/- \$185,000.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

25 Transactions with related parties

(a) Transactions with related parties

KMP include the Mayor, councillors, council's Chief Executive Officer, Manager Engineering Services, Manager Corporate & Community Services, Manager Financial Services and Senior Admin Officer-Governance. The compensation paid to KMP for 2019/20 comprises:

	2020	2019
	\$	\$
Short-term employee benefits	1,058,270	997,903
Post-employment benefits	98,106	70,112
Long-term benefits	201,433	166,949
Goods and Services on normal terms and conditions-maintenance		7,691
Total	1,357,809	1,242,655

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

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

Details of transactions between council and other related parties are disclosed below:

Details of Transaction	Additional information	2020	2019
		\$	\$
Employee expenses for close family members of key management personnel	(iii)	146,791	142,012
		146,791	142,012

(ii) Transaction with entities controlled by key management personnel were on an arm's length basis in accordance with the purchasing policy adopted by council. The total disclosed includes the following:

	Details of related party	\$	\$
The Mayor, Cr McKenzie is chair of the Outback Gondwana Foundation which controls the Eromanga Natural History Museum (ENHM). Any time that Council dealings with ENHM arise. Cr McKenzie declares a conflict and leaves the meeting. He is not paid for his service nor does he participate in any profitsharing.	The Mayor's wife is employed by the ENHM to run the museum. She is paid a salary which is commensurate with that which would be paid to an unrelated party.	no cost to Council	no cost to Council
Deputy Mayor, Cr Hewson, owns a retail electrical store in Quilpie.	Council purchases various household goods at commercial prices in accordance with its purchasing policy.	14,924	10,873
Cr Paulsen is part owner of a supermarket in Quilpie	Council purchases items from that store at commercial rates in accordance with its purchasing policy.	5,948	5,560
Total		20,872	16,433

(iii) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

The council employs 79 staff of which only 2 are close family members of key management personnel.

Quilpie Shire Council
Notes to the financial statements
For the year ended 30 June 2020

(a) Outstanding balances

There are no outstanding balances

(b) Loans and guarantees to/from related parties

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

(c) Commitments to/from other related parties

Council has neither made nor received any commitments with KMP or related parties

(d) Transactions with related parties that have not been disclosed

-Payment of rates

-Dog registration

-Borrowing books from a council library

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

Quilpie Shire Council
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 Regulation) and other prescribed requirements.

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 26 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.



Mayor
Name : Stuart Mackenzie

Date: 13 October 2020



Acting Chief Executive Officer
Name : Timothy John Rose

Date: 13 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Quilpie Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Quilpie 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 Acting 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 Quilpie 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.



13 October 2020

Dale Hassell
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Quilpie Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2020

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2020 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-23%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	26%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-118%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.



This example statement contains the minimum information that is required by section 178 (1) of the Local Government Regulation 2012. Councils can change the way in which this information is presented, however the operating surplus, asset sustainability and net financial liabilities ratios must all be calculated in accordance with the financial management (sustainability) guideline issued by the Department of Infrastructure, Local Government and Planning. The current-year financial sustainability statement must be given to the Auditor-General for auditing.

The current-year financial sustainability statement that is given to the auditor-general must be accompanied by a signed certificate in the form below:

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.

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Mayor Name : Stuart Mackenzie Date: 13 October 2020	Acting Chief Executive Officer Name : Timothy John Rose Date: 13 October 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Quilpie Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Quilpie 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 Acting 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 Quilpie 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 Quilpie 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

13 October 2020

Queensland Audit Office
Brisbane

Quilpie Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020

Measures of Financial Sustainability
The Council


Measure	Target	Projected for the years ended									
		Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
Operating surplus ratio	Between 0% and 10%	-23%	-34.60%	1.30%	7.70%	6.30%	5.90%	7.90%	6.70%	4.50%	1.10%
Asset sustainability ratio	greater than 90%	26%	49.70%	90.20%	9.90%	70.10%	79.80%	34.10%	56.90%	55.70%	36.80%
Net financial liabilities ratio	not greater than 60%	-118%	-87.70%	-96.80%	-101.10%	-101.40%	-97.20%	-105.00%	-111.10%	-119.50%	-131.80%


Net result divided by total operating revenue
Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.
Total liabilities less current assets divided by total operating revenue

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.


Mayor
Name : Stuart Mackenzie
Date: 13 October 2020


Acting Chief Executive Officer
Name : Timothy John Rose
Date: 13 October 2020