



# Financial Statements

**2020-21**

## McKinlay Shire Council Financial statements

For the year ended 30 June 2021

### Table of contents

	Page
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the financial statements	
1 Information about these financial statements	5
2 Analysis of results by function	6
3 Revenue	8
4 Interest and other income	10
5 Capital income	10
6 Employee benefits	10
7 Materials and services	11
8 Cash and cash equivalents	11
9 Receivables	12
10 Inventories	13
11 Non-current assets held for sale	13
12 Property, plant & equipment	14
13 Contract balances	19
14 Leases	19
15 Payables	19
16 Provisions	20
17 Asset revaluation surplus	21
18 Commitments for expenditure	21
19 Contingent liabilities	22
20 Events after the reporting period	22
21 Superannuation	23
22 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities	24
23 Financial instruments and financial risk management	26
24 National Competition Policy	27
25 Transactions with related parties	27
Management Certificate	29
Independent Auditor's Report (General Purpose Financial Statements)	
Current Year Financial Sustainability Statement	
Certificate of Accuracy - for the Current Year Financial Sustainability Statement	
Independent Auditor's Report (Current Year Financial Sustainability Statement)	
Unaudited Long Term Financial Sustainability Statement	
Certificate of Accuracy - for the Long Term Financial Sustainability Statement	

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Statement of Comprehensive Income For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3(a)	3,152,571	3,104,116
Fees and charges	3(b)	1,300,735	961,267
Sales revenue	3(c)	7,580,764	2,475,988
Grants, subsidies, contributions and donations	3(d)	6,059,739	6,580,024
<b>Total recurrent revenue</b>		<u>18,093,809</u>	<u>13,121,395</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	3(d)	26,984,463	25,792,184
<b>Total capital revenue</b>		<u>26,984,463</u>	<u>25,792,184</u>
Interest received	4	98,926	271,470
Other income		286,163	392,632
Other capital income	5	-	84,408
<b>Total income</b>		<u>45,463,361</u>	<u>39,662,089</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(4,818,976)	(5,018,658)
Materials and services	7	(8,147,538)	(5,875,586)
Finance costs		(27,763)	(25,333)
Depreciation and amortisation	12	(5,387,120)	(5,092,970)
		<u>(18,381,397)</u>	<u>(16,012,547)</u>
<b>Capital expenses</b>			
Write-off of flood damaged roads	12	-	(4,558,089)
<b>Total expenses</b>		<u>(18,381,397)</u>	<u>(20,570,636)</u>
<b>Net result</b>		<u>27,081,964</u>	<u>19,091,453</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase in asset revaluation surplus	17	470,380	1,182,908
<b>Total other comprehensive income for the year</b>		<u>470,380</u>	<u>1,182,908</u>
<b>Total comprehensive income for the year</b>		<u>27,552,344</u>	<u>20,274,361</u>

The above statement should be read in conjunction with the accompanying notes and accounting policies.

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Statement of Financial Position as at 30 June 2021

	Note	2021 \$	2020 \$
<b>Current assets</b>			
Cash and cash equivalents	8	17,733,602	18,835,421
Receivables	9	2,253,911	1,497,615
Inventories	10	118,940	114,335
Contract assets	13 (a)	3,904,568	4,605,500
Other assets		93,405	83,726
		<u>24,104,426</u>	<u>25,136,597</u>
Non current assets held for resale	11	<u>87,500</u>	<u>107,500</u>
<b>Total current assets</b>		<u><u>24,191,926</u></u>	<u><u>25,244,097</u></u>
<b>Non-current assets</b>			
Property, plant and equipment	12	250,898,124	228,512,512
<b>Total non-current assets</b>		<u>250,898,124</u>	<u>228,512,512</u>
<b>Total assets</b>		<u><u>275,090,050</u></u>	<u><u>253,756,609</u></u>
<b>Current liabilities</b>			
Payables	15	2,721,496	3,343,619
Contract liabilities	13	1,757,504	7,485,079
Provisions	(b)	890,854	756,825
<b>Total current liabilities</b>	16	<u>5,369,854</u>	<u>11,585,523</u>
<b>Non-current liabilities</b>			
Provisions	16	268,932	272,166
<b>Total non-current liabilities</b>		<u>268,932</u>	<u>272,166</u>
<b>Total liabilities</b>		<u><u>5,638,786</u></u>	<u><u>11,857,689</u></u>
<b>Net community assets</b>		<u><u>269,451,264</u></u>	<u><u>241,898,920</u></u>
<b>Community equity</b>			
Asset revaluation surplus	17	79,973,715	79,503,335
Retained Surplus		189,477,549	162,395,585
<b>Total community equity</b>		<u><u>269,451,264</u></u>	<u><u>241,898,920</u></u>

*The above statement should be read in conjunction with the accompanying notes and accounting policies.*

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Statement of Changes in Equity For the year ended 30 June 2021

	Asset revaluation surplus \$	Retained Surplus \$	Total \$
<b>Balance as at 1 July 2020</b>	79,503,335	162,395,585	241,898,920
Net result			
Other comprehensive income for the year	-	27,081,964	27,081,964
Increase in asset revaluation surplus	470,380	-	470,380
<b>Total comprehensive income for the year</b>	<b>470,380</b>	<b>27,081,964</b>	<b>27,552,344</b>
<b>Balance as at 30 June 2021</b>	<b>79,503,335</b>	<b>189,477,549</b>	<b>269,451,264</b>
<b>Balance as at 1 July 2019</b>	78,320,427	114,78,684	223,103,111
Adjustment on initial application of AASB 15 / AASB 1058	-	(1,478,552)	(1,478,552)
Restated balance at 1 July 2019	78,320,427	143,304,132	221,624,559
Net result			
Other comprehensive income for the year			
Increase in asset revaluation surplus	1,182,908	-	1,182,908
<b>Total comprehensive income for the year</b>	<b>1,182,908</b>	<b>19,091,453</b>	<b>20,274,361</b>
<b>Balance as at 30 June 2020</b>	<b>79,503,335</b>	<b>162,395,585</b>	<b>241,898,920</b>

The above statement should be read in conjunction with the accompanying notes and accounting policies.

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Statement of Cash Flows For the year ended 30 June 2021

	Note	2021 \$	2020 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		16,886,272	20,982,920
Payments to suppliers and employees		(12,714,723)	(13,150,581)
		4,171,549	7,832,339
Interest received	4	98,926	271,470
Borrowing costs		(27,763)	(25,333)
<b>Net cash inflow from operating activities</b>	22	<b>4,242,712</b>	<b>8,078,476</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	1 2	(27,302,352)	(31,318,191)
Proceeds from sale of property plant and equipment	5	-	132,120
Grants, subsidies, contributions and donations (capital)	3(d)	21,957,821	25,792,184
<b>Net cash (outflow) from investing activities</b>		<b>(5,344,531)</b>	<b>(5,393,887)</b>
<b>Net increase (decrease) in cash and cash equivalent held</b>		<b>(1,101,819)</b>	<b>2,684,589</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>18,835,421</b>	<b>16,150,832</b>
<b>Cash and cash equivalents at end of the financial year</b>	8	<b>17,733,602</b>	<b>18,835,421</b>

*The above statement should be read in conjunction with the accompanying notes and accounting policies.*

**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**1 Information about these financial statements**

**1.01 Basis of preparation**

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

These general purpose finance statements are for the period 1 July 2020 to 30 June 2021. They are prepared in accordance with *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

**1.02 New and revised Accounting Standards adopted during the year**

The McKinlay Shire Council adopted all standards which became mandatorily effective for annual reporting periods beginning 1 July 2020, none of the standards had a material impact on reported position, performance and cash flows.

**1.03 Standards issued by the AASB not yet effective**

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021. These standards have not been adopted by Council and will be included in the financial statements at their effective date. These standards are not expected to have a significant impact on Council.

**1.04 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 and specific information is provided in the relevant note:

Revenue recognition (Note 3)  
Valuation and depreciation of property, plant and equipment (Note 12)  
Provisions (Note 16)  
Contingent liabilities (Note 19)  
Financial instruments and financial liabilities (Note 23)

**1.05 Rounding and comparatives**

The financial statements are in Australian Dollars that have been rounded to the nearest \$1, unless otherwise stated.

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

**1.06 Taxation**

Council 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.

**1.07 COVID-19**

Council has assessed the impact of the COVID-19 global pandemic and found whilst there had initially been a drop off in traveller visitations in the region, there were no material implications for the financial year ending 30 June 2021.



**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

## 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:

#### **Finance and administration**

This comprises of the overall management of the Shire's administration in accordance with the provisions of the Local Government Act and other Acts, to facilitate the business of Council covering areas such as the following:

- Support functions for the Mayor and Councillors
- Council and committee meetings and statutory requirements
- Support functions of management of the Council's finances
- Information Technology (IT)
- Administration

#### **Utilities**

The goal of this program is to protect and support our community and natural environment by sustainably managing Council's water and sewerage network.

#### **Engineering services**

The core function is to provide and maintain Council's infrastructure assets to a standard which meet the objectives of safety and need within the financial framework of Council's Works Program. It comprises of specific areas such as the following:

- Construction and maintenance of roads and drainage works
- Maintenance of Council's plant and equipment
- Operation and maintenance of Council workshop and depot.

#### **Community services and economic development**

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

This function includes:

- Maintenance of halls
- Operation of the swimming pool
- Operation of recreation centres and various services
- Operation of library
- Operation of senior citizen's centre

#### **Environmental health and community laws**

The goal of this program is to protect our community by way of implementing Council & EPA policies and guidelines. It comprises of specific functions such as the following:

- Environment issues, workplace health and safety, animal control, pest management, stock routes, refuse collection and disposal, town planning and local laws administration.



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 2 Analysis of results by function

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

#### Year ended 30 June 2021

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recruitment operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	2021	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance and administration	4,268,156	2,820,502	-	-	7,088,658	(2,391,067)	-	(2,391,067)	4,697,591	4,697,591	25,858,774
Utilities	-	521,423	1,090,000	-	1,611,423	(913,058)	-	(913,058)	(391,635)	698,365	13,403,108
Engineering services	1,052,499	7,610,228	24,964,556	-	33,627,283	(9,757,721)	-	(9,757,721)	(1,094,994)	23,869,561	235,162,782
Community services & economic development	704,084	960,068	929,907	-	2,594,059	(3,699,477)	-	(3,699,477)	(2,005,325)	(1,075,418)	665,386
Environmental health & community laws	35,000	506,938	-	-	541,938	(1,650,073)	-	(1,650,073)	(1,108,135)	(1,108,135)	-
<b>Total Council</b>	<b>6,059,739</b>	<b>12,419,159</b>	<b>26,984,463</b>	<b>-</b>	<b>45,463,361</b>	<b>(18,381,397)</b>	<b>-</b>	<b>(18,381,397)</b>	<b>97,501</b>	<b>27,081,964</b>	<b>275,090,050</b>

#### Year ended 30 June 2020

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Grants	Grants	Grants							
2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Finance and administration	4,691,013	3,066,131	-	84,408	7,841,552	(3,085,120)	-	(3,085,120)	4,672,024	4,756,432	26,894,398
Utilities	-	511,368	606,000	-	1,117,368	(839,509)	-	(839,509)	(328,141)	277,859	11,138,956
Engineering services	1,111,150	2,582,779	23,968,032	-	27,662,312	(6,588,415)	(4,55,089)	(11,146,509)	(1,894,135)	16,515,808	214,699,278
Community services & economic development	752,510	561,149	1,218,152	-	2,531,811	(3,676,726)	-	(3,676,726)	(2,363,067)	(1,144,915)	965,773
Environmental health & community laws	25,000	484,046	-	-	509,046	(1,822,777)	-	(1,822,777)	(1,313,731)	(1,313,731)	58,204
<b>Total Council</b>	<b>6,580,024</b>	<b>7,205,473</b>	<b>25,792,184</b>	<b>84,408</b>	<b>39,662,089</b>	<b>(16,012,547)</b>	<b>(4,558,089)</b>	<b>(20,570,636)</b>	<b>(2,227,050)</b>	<b>19,091,453</b>	<b>253,756,609</b>

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 3 Revenue

#### (a) Rates, levies and charges

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

	2021	2020
	\$	\$
General rates	2,783,733	2,708,854
Water	330,062	319,048
Sewerage	237,307	232,089
Garbage charges	142,887	136,303
Pest animal charges	-	43,209
Total rates, levies and charges Less:	3,493,989	3,439,503
Discounts	(315,526)	(310,804)
Less: Pensioner remissions	(25,892)	(24,583)
Net rates, levies and charges	<u>3,152,571</u>	<u>3,104,116</u>

#### (b) Fees and charges

Revenue arising from fees and charges are recognised at the point in time when the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

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

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

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

Caravan Park Fees		
Childcare fees	604,499	357,214
Livestock saleyard fees	258,385	246,103
Animal registration & control	95,119	189,883
Stock route fees	15,605	9,938
Other fees and charges	211,933	61,744
	115,226	96,385
	<u>1,300,735</u>	<u>961,267</u>

#### (c) Sales revenue

The sale of goods is recognised at the point in time when the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered.

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

#### Rendering of services

RMPC & APPC revenue	7,091,777	1,640,531
Other recoverable work	488,987	835,457
Total sales revenue	<u>7,580,764</u>	<u>2,475,988</u>

**McKinlay Shire Council  
Notes to the financial statements  
For the year ended 30 June 2021**

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

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 obligation is satisfied.

The performance obligations vary in each agreement but include the requirement to meet specific program funding objectives and outcomes and will include the requirement to repay the relevant funding should these specific objectives not be met.

Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on 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, revenue is recognised using either costs or time incurred.

Grant Income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value, related liability is recorded and income in

then recognised for any remaining asset value at the time that the asset is received.

Capital Grants

Where Council receives funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will

be under Council's control on completion, revenue is recognised as and when the obligation to construct or purchase is completed. For construction projects, this is generally as construction progresses in accordance with costs incurred.

Donations and contributions

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.

Donations and contributions are generally recognised on receipt of the asset since there are no enforceable performance obligations.

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 Council obtains control of the asset 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.

**(i) Operating**

State government subsidies and grants	6,009,751	6,498,252
Commonwealth government subsidies and grants	<u>49,988</u>	<u>81,772</u>
	<u><u>6,059,739</u></u>	<u><u>6,580,024</u></u>

**(ii) Capital**

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

State government subsidies and grants	7,557,669	3,452,007
Disaster Recovery Funding Arrangements (DRFA)	18,235,705	19,238,199
Commonwealth government subsidies and grants	<u>1,191,089</u>	<u>3,101,978</u>
	<u><u>26,984,463</u></u>	<u><u>25,792,184</u></u>

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### (iii) Timing of revenue recognition for grants, subsidies, contributions and donations

		2020 Revenue Recognised at a point in time \$	2021 Revenue recognised over time \$	2020 Revenue Recognised at a point in time \$	2020 Revenue recognised over time \$
Grants and subsidies	3d	5,441,723	27,602,479	6,072,249	26,299,959
Donations & Contributions	3d	-	-	-	-
		<u>5,441,723</u>	<u>27,602,479</u>	<u>6,072,249</u>	<u>26,299,959</u>

### 4 Interest and other income

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

		89,099	249,237
Interest received from bank and term deposits		<u>9,827</u>	<u>22,233</u>
Interest from overdue rates and utility charges		<u>98,926</u>	<u>271,470</u>

### 5 Capital income

Gain / (loss) on the disposal of non-current assets

Proceeds from the sale of property, plant and equipment

Less: Book value of property, plant and equipment disposed of

Total capital income

		-	132,120
		-	(47,712)
		<u>-</u>	<u>84,408</u>

### 6 Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

Total staff wages and salaries		3,482,844	4,068,256
Councillors' remuneration		332,987	323,351
Annual, sick and long service leave entitlements		775,751	735,990
Superannuation	21	<u>436,797</u>	<u>473,279</u>
		5,028,379	5,600,876
Other employee related expenses		<u>27,366</u>	<u>27,248</u>
		5,055,745	5,628,124
Less: Capitalised employee expenses		<u>(236,769)</u>	<u>(609,466)</u>
		<u>4,818,976</u>	<u>5,018,658</u>

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

Total Council employees at the reporting date:

	2021	2020
Elected members	5	5
Administration staff	15	16
Depot and outdoors staff	43	43
Total full time equivalent employees	<u>63</u>	<u>64</u>

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 7 Materials and services

	2021	2020
	\$	\$
Expenses are recorded on an accruals basis as Council receives the goods or services. Administration costs	845,296	8 61,019
Airport operating costs	103,382	1 16,211
Audit of annual financial statements by the Auditor-General of Queensland	45,815	3 9,732
Caravan park costs	334,782	2 64,121
Community service expenses	598,453	5 81,565
Council housing expenses	156,981	1 64,890
Financial transaction losses	-	3 29,393
Parks & gardens expenses	346,550	4 36,230
Plant operating costs	1,005,686	8 46,051
Pool expenses	225,930	2 20,321
Road & street maintenance	531,450	5 99,881
Recoverable works	2,711,901	7 3,842
Sports & rec facilities	247,369	2 23,555
Stock route & livestock expenses	208,357	2 55,362
Tourism expenses	178,725	1 29,858
Water & sewerage costs	426,047	3 14,593
Weed control expenses	94,504	1 72,212
Other materials and services	<u>86,310</u>	<u>2 46,750</u>
	<u>8,147,538</u>	<u>5,875,586</u>

Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$50,000 (2020: \$44,315).

### 8 Cash and cash equivalents

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

Cash at bank and on hand	4,984,811	1 44,995
Deposits at call	<u>12,748,791</u>	<u>18,690,426</u>
Balance per Statement of Financial Position	<u>17,733,602</u>	<u>18,835,421</u>

Council is exposed to credit risk through its investments with Suncorp Bank and QTC Cash fund. Cash and deposits at call are held with Suncorp Bank in normal term deposits and business cheque accounts. The Suncorp Bank currently has a short term S&P credit rating of A-1 and a long term credit rating of A+. The QTC Cash Fund is an asset management portfolio investing in a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

Cash and cash equivalents	17,733,602	18,835,421
Less: Externally imposed restrictions on cash	<u>(1,757,504)</u>	<u>(7,485,079)</u>
Unrestricted cash	<u>15,976,098</u>	<u>11,350,342</u>

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

(i) Externally imposed restrictions at the reporting date relate to the following cash assets:

Unspent Government grants & subsidies	<u>1,757,504</u>	<u>7,485,079</u>
Total externally imposed restrictions on cash assets	<u>1,757,504</u>	<u>7,485,079</u>

(ii) Internally imposed expenditure restrictions at the reporting date:

Internal allocations of cash may be lifted by a Council with a resolution.

Future capital works	<u>2,101,000</u>	<u>2,101,000</u>
Asset replacement reserve	<u>30,000</u>	<u>30,000</u>
Total internally allocated cash	<u>2,131,000</u>	<u>2,131,000</u>

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 those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements since Council has no control over the assets.

#### Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out	151,999	3 71,388
Security deposits	<u>9,440</u>	<u>7,840</u>
	<u>161,439</u>	<u>379,228</u>



**McKinlay Shire Council  
Notes to the financial statements  
For the year ended 30 June 2021**

**9 Receivables**

Receivables, loans and advances are amounts owed to Council at year end and are recognised at the amount due as the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June.

If an amount is recovered in a subsequent period it is recognised as revenue.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Rateable revenue and utility charges	123,094	1 73,304
Other debtors	2,138,307	1,335,301
Less impairment	(7,490)	(10,990)
	<u>2,253,911</u>	<u>1,497,615</u>

Council applies normal business credit protection procedures prior to providing goods or services to minimise credit risk.

There is a geographically concentration of risk in the Council's jurisdiction, and since the area is largely agricultural, there is also a concentration in the agricultural sector. The Council does not require collateral in respect of trade and other receivables.

**Accounting policies - Grouping**

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

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

McKinlay Shire Council has identified 4 distinctive groupings of its receivables: Rates & Charges, Statutory Charges, Grants and Other Debtors.

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

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

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

**Other Debtors:** McKinlay Shire Council identifies other debtors as receivables which are not rates and charges, statutory charges or grants.

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

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

	2021	2020
	\$	\$
Rates and utility charges	123,094	173,304
State & Commonwealth	1,867,418	521,772
Government Community organisations	5,301	-
Other	258,098	802,539
Total	<u>2,253,911</u>	<u>1,497,615</u>

### 10 Inventories

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

Inventories held for distribution are:

- goods to be supplied at nil or nominal, charge, and
- goods to be used for the provision of services at nil or nominal, charge.

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

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

#### Inventories held for sale

Stores & raw materials		118,940	1 14,335
		<u>118,940</u>	<u>1 14,335</u>
<b>Land purchased for development and sale</b>	11	87,500	1 07,500
Total inventories		<u>206,440</u>	<u>2 21,835</u>

### 11 Non-current assets held for sale

Opening Balance		107,500	1 27,500
Less:			
Disposed during the year		(20,000)	-
Transferred to Property, Plant & Equipment		-	(20,000)
<b>Classified as</b>		<u>87,500</u>	<u>107,500</u>
Current	10	87,500	1 07,500
Non Current		-	-
		<u>87,500</u>	<u>1 07,500</u>



# Financial Statement

for the year ending 30 June 2021



**McKinlay Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**12 Property, plant & equipment 30 Jun 21**

	Land	Buildings	Office furniture & fittings	Plant and equipment	Road & street infrastructure	Water infrastructure	Sewerage infrastructure	Other structures	Work in progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2020	1,488,100	32,156,928	678,293	9,636,735	204,368,104	7,903,583	11,664,053	13,239,344	3,982,715	285,117,855
Additions	-	-	-	-	-	-	-	-	-	-
- Renewals	-	-	63,953	336,542	-	-	336,542	-	22,282,112	22,682,607
- Other additions	-	-	-	-	-	-	-	-	4,619,745	4,619,745
Disposals	-	-	-	-	-	-	-	-	-	-
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	-	482,354	-	-	-	-	-	231,903	-	714,257
Transfers between classes	22,105	1,142,316	-	-	24,895,382	281,005	87,568	583,183	(27,011,559)	-
<b>Closing gross value as at 30 June 2021</b>	<b>1,510,205</b>	<b>33,781,598</b>	<b>742,246</b>	<b>9,973,277</b>	<b>229,263,486</b>	<b>8,184,588</b>	<b>11,751,621</b>	<b>14,054,430</b>	<b>3,873,013</b>	<b>313,134,464</b>
<b>Accumulated depreciation and impairment</b>										
Opening balance as at 1 July 2020	-	9,325,079	401,508	5,339,793	27,859,793	3,777,153	4,952,467	4,976,413	-	56,605,343
Depreciation expense	-	621,281	43,514	742,463	3,091,958	132,319	286,254	469,331	-	5,387,120
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	-	149,055	-	-	-	-	-	94,822	-	243,877
Transfers between classes	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2021</b>	<b>-</b>	<b>10,095,415</b>	<b>445,022</b>	<b>6,082,256</b>	<b>30,951,888</b>	<b>3,909,472</b>	<b>5,211,721</b>	<b>5,540,566</b>	<b>-</b>	<b>62,236,340</b>
<b>Total written down value as at 30 June 2021</b>										
Residual value	1,510,205	23,686,183	297,224	3,891,021	198,311,598	4,275,166	6,539,900	8,513,864	3,873,013	250,898,124
Range of estimated useful life in years	Land: Not depreciated	10 - 200	3 - 20	2 - 20	10 - 200	10 - 200	10 - 200	15 - 200	-	-

# Financial Statement

for the year ending 30 June 2021



**McKinlay Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2021**

**12 Property, plant & equipment (cont.) 30 Jun 20**

Basis of measurement

**Asset values**

Opening gross value as at 1 July 2019

Additions

- Renewals

- Other additions

Disposals

Write off of flood damaged roads on statement of comprehensive income

Revaluation adjustment to asset revaluation surplus

Transfers between classes

**Closing gross value as at 30 June 2020**

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2019

Depreciation expense

Depreciation on disposals

Write off of flood damaged roads on statement of comprehensive income

Revaluation adjustment to asset revaluation surplus

Transfers between classes

**Accumulated depreciation as at 30 June 2020**

**Total written down value as at 30 June 2020**

Residual value

Range of estimated useful life in years

Note	Land	Buildings	Office furniture & fittings	Plant and equipment	Road & street infrastructure	Water infrastructure	Sewerage infrastructure	Other structure	Work in progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,786,600	30,068,949	658,579	8,624,969	184,657,960	7,798,914	11,111,886	11,901,153	621,444	257,320,545
	-	-	-	-	-	-	-	-	29,911,801	23,911,801
	20,000	-	6,690	1,097,477	-	-	-	-	6,282,223	7,406,390
5	(36,300)	-	-	(94,509)	-	-	-	-	-	(130,809)
	-	-	-	-	(4,991,920)	-	-	-	-	(4,991,920)
17	-	646,483	-	-	923,290	68,630	115,564	220,172	-	1,691,939
	(282,200)	1,441,496	13,024	8,798	23,778,774	36,039	436,603	1,118,019	(26,832,753)	-
	<b>1,488,100</b>	<b>32,156,928</b>	<b>678,293</b>	<b>9,636,735</b>	<b>204,368,104</b>	<b>7,903,583</b>	<b>11,664,053</b>	<b>13,239,344</b>	<b>3,982,715</b>	<b>285,117,855</b>
	-	8,499,863	359,650	4,667,934	25,406,311	3,610,093	4,547,837	4,428,582	-	51,520,270
	-	629,827	41,827	754,956	2,746,764	134,206	327,141	458,218	-	5,092,970
5	-	-	-	(83,097)	-	-	-	-	-	(83,097)
	-	-	-	-	(4,991,920)	-	-	-	-	(433,831)
17	-	195,389	-	-	140,686	32,854	50,489	89,613	-	509,031
	-	-	-	-	-	-	-	-	-	-
	-	<b>9,325,079</b>	<b>401,508</b>	<b>5,339,793</b>	<b>27,859,930</b>	<b>3,777,153</b>	<b>4,925,467</b>	<b>4,976,413</b>	-	<b>56,605,343</b>
	<b>1,488,100</b>	<b>22,831,849</b>	<b>276,785</b>	<b>4,296,942</b>	<b>176,508,174</b>	<b>4,126,430</b>	<b>6,738,586</b>	<b>8,262,931</b>	<b>3,982,715</b>	<b>228,512,512</b>
	<b>1,488,100</b>	-	-	1,215,306	-	-	-	-	-	
	Land: Not depreciated	10 - 200	3 - 20	2 - 20	10 - 200	10 - 200	10 - 200	15 - 200	-	

**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**12 Property, plant and equipment**

**12 (a) Recognition**

Plant and equipment with a total value of less than \$5,000 and infrastructure assets with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of 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 operating capacity and useful life of the non current asset is expensed as incurred.

Expenditure incurred in accordance with Disaster Recovery Funding Arrangements (DRFA) on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditures requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under roads

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

**12 (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 previous table) 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. Direct labour, materials and an appropriate portion of overheads incurred in the acquisition or construction of assets are also included as capital costs.

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

When Council raises a provision for the restoration of a Council controlled site, such as a landfill site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of the restoration costs are recognised against asset revaluation surplus.

**12 (c) Depreciation**

Assets are depreciated from the date of acquisition or when an asset is ready for use.

Depreciation, where applicable is calculated on a straight line basis such that the cost of the asset less its residual value is recognised progressively over its estimated useful life to Council. Management believe that the straight line basis appropriately reflects the pattern of consumption of all Council assets.

Where assets have separately identifiable components, these components have separately assigned useful lives.

Depreciation methods, estimated useful lives and residual values 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.

**Key judgements and estimates:**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

**12 (d) Impairment**

Property, plant and equipment held at cost 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.

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 12 (e) Valuation

#### Key judgements and estimates:

Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Council uses market observable data to the extent it is available and other inputs as necessary.

#### (i) Valuation process

Council considers the carrying amount of its property, plant & equipment on an annual basis compared to fair value and makes adjustments where these are materially different. Every 3 - 5 years, Council performs a full comprehensive revaluation by engaging an external professionally qualified valuer.

In the intervening years, Council undertakes a desktop valuation involving an index adjustment which involves a combination of internal engineers together with Council's external valuers determining a suitable index adjustment allowing for increases in relevant producer prices and adjusted for relevant regional factors where appropriate.

Revaluation increases are recognised in the asset revaluation surplus unless they are reversing a previous decrease which was taken through the income statement, in that case the increase is taken to the income statement to the extent of the previous decrease.

Revaluation decreases are recognised in the asset revaluation surplus, where there is sufficient amount available in the asset revaluation surplus relating to that asset class. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income.

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.

Fair values are classified into three levels as follows:

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

There were no transfers between level 1 and level 2 during the year, nor between level 2 and level 3.

# Financial Statement

for the year ending 30 June 2021

**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations**

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in index recognised this year)	Other interim revaluation adjustment
Land and improvements (level 2)	Market value	30/06/2019	Australis Asset Advisory Group	Current zoning Sale prices per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as property size)	n/a	Nil
Buildings (level 2)	Market value	30/06/2019	Australis Asset Advisory Group	Sale price per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as condition	QLD non residential construction index - 1.50%	Nil
Buildings (level 3)	Current replacement cost	30/06/2019	Australis Asset Advisory Group	Gross replacement cost <ul style="list-style-type: none"> <li>Indexed for subsequent changes in construction costs (QLD Non Building Construction Index)</li> <li>Unit rates for construction as at the comprehensive reevaluation date (Industry standard cost guides, project costs from recently completed buildings)</li> </ul>	QLD non residential construction index - 1.50%	Nil
Roads, drainage and bridge networks (level 3)	Current replacement cost	30/06/2019	Australis Asset Advisory Group	Existing supply contract rates for raw materials appropriate for the asset based on age, size, location and condition <ul style="list-style-type: none"> <li>Labour rates based on Councils EBA</li> <li>Average cost of outsourced projects</li> <li>Remaining life of assets including existing conditions</li> </ul>	n/a	Review of condition reports based on weather events
Water and sewerage assets (level 3)	Current replacement cost	30/06/2019	Australis Asset Advisory Group	<ul style="list-style-type: none"> <li>Development, soil and depth factors taking into account current condition</li> <li>Gross replacement cost per m2 based on appropriate materials.</li> </ul> Remaining useful lives and physical obsolescence	n/a	Nil
Other infrastructure assets (level 3)	Current replacement cost	30/06/2019	Australis Asset Advisory Group	<ul style="list-style-type: none"> <li>Gross replacement cost</li> <li>Indexed for subsequent changes in construction costs, QLD non residential building construction index</li> <li>Unit rates for construction as at the comprehensive reevaluation date (Industry standard cost guide, project cost from recently completed projects, manufactures specifications and other data Accumulated depreciation)</li> <li>Useful life estimates (average lives of disposable assets, lives applied by neighboring councils, planned replacements per asset management plan, differences between actual and expected asset condition ratings)</li> </ul>	QLD non residential construction index - 1.75%	Revision of useful life estimate

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

	2021 \$	2020 \$
<b>13 Contract balances</b>		
Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amount that Council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor amounts in excess of what it has incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.		
a. Contract assets	<u>3,904,568</u>	<u>4,605,500</u>
b. Contract liabilities		
Funds received upfront to construct Council controlled assets	1,645,305	7,269,466
Non-capital performance obligations not yet satisfied	112,199	215,613
	<u>1,757,504</u>	<u>7,485,079</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year:		
Funds received upfront to construct Council controlled assets	7,252,383	2,584,845
Non capital performance obligations	162,042	-
	<u>7,414,425</u>	<u>2,584,845</u>

- c. Significant changes in contract balances  
There has been a significant fall in the value of funds received in advance at the end of the reporting period. The prior period had been affected by substantial QRA funds received in advance in relation to flood damage restoration works to be undertaken. As Council did not experience a 2021 flood damage event, no funds were received prior to end of the year.

## 14 Leases

### Council as lessee

Council does not have any leases in place as lessee. Accordingly no further disclosures are required in this regard.

### Council as a lessor

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 assets 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.

If the lease contains lease and non lease components then 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 term of the lease.

## 15 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.

### Current

Creditors	92,075	105,487
Prepaid rates	51,028	35,537
Accrued wages and salaries	113,943	59,636
Accrued expenses	2,464,450	3,097,313
Other creditors	-	45,646
	<u>2,721,496</u>	<u>3,343,619</u>



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 16 Provisions

Liabilities are recognised for employee benefits such as wages and salaries, sick and annual 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.

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 include 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 the 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 provision is discounted using the Commonwealth Bond yield rates published by the Department of State Development, Infrastructure, Local Government and Planning website.

#### *Refuse dump restoration provision*

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

The calculation of the provisions use assumptions including 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. The provisions are reviewed at least annually and updated based on the facts and circumstances available at the time.

Refuse restoration provision represents the present value of the anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites.

As refuse dumps are on state reserves which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Annual leave	442,900	400,188
Long service leave	447,954	356,637
	<u>890,854</u>	<u>756,825</u>
<b>Non-current</b>		
Long service leave	127,470	130,704
Refuse restoration	141,462	141,462
	<u>268,932</u>	<u>272,166</u>
<b>Refuse Dump Rehabilitation</b>		
Balance at the beginning of the financial year	141,462	-
Initial recognition of provision	-	141,462
	<u>141,462</u>	<u>141,462</u>
Balance at the end of the financial year	<u><b>141,462</b></u>	<u><b>141,462</b></u>



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 17 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.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

#### Movements in the asset revaluation surplus were as follows:

	2021	2020
Balance at beginning of financial year	79,503,335	78,320,427
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	-	(282,200)
Buildings	333,299	451,094
Road & streets infrastructure	-	782,604
Water infrastructure	-	35,776
Sewerage infrastructure	-	65,075
Other structures	137,081	130,559
Balance at end of financial year	<u>79,973,715</u>	<u>79,503,335</u>

#### Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land	202,301	202,301
Buildings	3,294,892	2,961,593
Road & streets infrastructure	69,619,111	69,619,111
Water infrastructure	2,923,843	2,923,843
Sewerage infrastructure	3,665,927	3,665,927
Other structures	267,640	130,559
	<u>79,973,715</u>	<u>79,503,335</u>

### 18 Commitments for expenditure

#### Contractual commitments

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

	2021	2020
Shire Road construction	188,579	493,236
Plant & Equipment Hire	22,008	36,907
Council Housing construction	117,026	-
Flood Damage construction	1,790,689	6,520,398
Sundry commitments	<u>108,700</u>	<u>-</u>
	<u>2,227,001</u>	<u>7,050,541</u>

### 19 Contingent liabilities

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

#### Local Government Mutual

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

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

**McKinlay Shire Council  
Notes to the financial statements  
For the year ended 30 June 2021**

**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 \$67,816.

**20 Events after the reporting period**

There were no material adjusting events after the balance date.

**21 Superannuation**

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with 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 pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of the Council.

McKinlay Shire Council can be liable to the scheme for the portion of another local government's obligation 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 as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2018. The actuary indicated that 'At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date'. The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. 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 salary or wages and there are no known requirements to change the rate of contributions.

The next actuarial investigation is scheduled to be conducted as at 1 July 2021.

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

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

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

	<u>Note</u>	<u>2021</u> \$	<u>2020</u> \$
Superannuation contributions made to the Regional Defined Benefits Fund		16,815	19,228
Other superannuation contributions for employees		419,982	454,051
	6	<u>436,797</u>	<u>473,279</u>

# Financial Statement

for the year ending 30 June 2021



**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

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

	<u>Note</u>	<u>2021</u> \$	<u>2020</u> \$
Net result		27,081,964	19,091,453
Non-cash items:			
Depreciation and amortisation	12	5,387,120	5,092,970
Write-off of flood damaged roads	12	-	4,558,089
Revaluation adjustments		-	-
		<u>5,387,120</u>	<u>9,651,059</u>
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets	5	-	(84,408)
Capital grants and contributions	3 (d)	<u>(26,984,463)</u>	<u>(25,792,184)</u>
		<u>(26,984,463)</u>	<u>(25,876,592)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(756,296)	1,334,868
(Increase)/ decrease in contract assets		-	(4,605,500)
(Increase)/decrease in inventory		15,395	38,172
(Increase)/decrease in other assets		(9,679)	(25,500)
Increase/(decrease) in payables		(622,123)	2,306,030
Increase/(decrease) in contract liabilities		-	6,006,527
Increase/(decrease) in other provisions		130,795	157,959
		<u>(1,241,908)</u>	<u>5,212,556</u>
Net cash inflow from operating activities		<u><u>4,242,712</u></u>	<u><u>8,078,476</u></u>

**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**23 Financial instruments and financial risk management**  
**Financial assets and financial liabilities**

The McKinlay Shire Council has the following financial assets / liabilities:

- Cash
- Receivables
- Payables

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

- credit risk
- liquidity risk
- market risk

**Risk management framework**

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

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

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

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

The McKinlay 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.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations.

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 McKinlay Shire Council.

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

**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 labilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in note 8.

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2021</b>					
Trade and other payables	2,721,496	-	-	2,721,496	2,721,496
	2,721,496	-	-	2,721,496	2,721,496
<b>2020</b>					
Trade and other payables	3,297,973	-	-	3,297,973	3,297,973
	3,297,973	-	-	3,297,973	3,297,973

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

McKinlay Shire Council is exposed to interest rate risk through investments with QTC and investments held with financial institutions.

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
<b>Council</b>					
<b>2021</b>					
Financial assets	19,987,513	199,875	(199,875)	199,875	(199,875)
<b>Net total</b>	19,987,513	199,875	(199,875)	199,875	(199,875)
<b>2020</b>					
Financial assets	20,333,036	203,330	(203,330)	203,330	(203,330)
<b>Net total</b>	20,333,036	203,330	(203,330)	203,330	(203,330)

### Fair value

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

---

**McKinlay Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2021**

**24 National Competition Policy**

**Activities to which the code of competitive conduct applies:**

A "business activity" of a local government is divided into 2 categories:

- (a) Roads building activity means:
  - (i) The construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement; or
  - (ii) Submission of a competitive tender for the construction or maintenance on the local government's road which the local government has put out to tender, or called for by another local government.
  
- (b) Other business activity (previously referred to as type 3 activities) means the following:
  - (i) trading in goods and services to clients in competition with the private sector; or
  - (ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself. Excluded activities are (a) library services and (b) an activity or part thereof prescribed by legislation.

There are no activities to which the Code of Competitive Conduct (CCC) applies in respect of the financial year ended 30 June 2021.



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2021

### 25 Transactions with related parties

#### (a) Transactions with key management personnel (KMP)

In the context of McKinlay Shire council, KMP includes the Mayor, Councillors, Chief Executive Officer, Director of Corporate & Community Services, Director of Engineering Services and Director of Works. The compensation paid to KMP for 2020/21 comprises:

	2021	2020
	\$	\$
Short-term employee	1,225,559	1,231,628
benefits Post-employment	67,069	60,406
benefits Long-term benefits	5,233	-
Termination benefits	-	-
<b>Total</b>	<b>1,297,861</b>	<b>1,292,034</b>

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	2021	2020
		\$	\$
Payments charged by entities controlled by key management personnel	25(b)(i)	318,939	2,295,959
Payments charged by Council to entities controlled by key management	25(b)(ii)	25,964	35,478
Employee expenses for close family members of key management personnel	25(b)(iii)	203,566	188,272

(i) The payments charged by entities controlled by key management personnel were on an arm's length basis in accordance with Council's procurement policies. The totals disclosed includes:

- Amounts totalling \$265,476 (2020: \$276,208) were paid to Marwill Pty Ltd for various electrical contracting services. The company is controlled by close family members of Cr Janene Fegan.



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council

### Notes to the financial statements

#### For the year ended 30 June 2021

(ii) The payments charged by Council to entities controlled by key management personnel were on an arm's length basis in accordance with the schedule of fees and charges adopted by council. The amounts levied related to common fees and charges. All amounts levied by Council were on commercial terms and in accordance with its schedule of fees and charges.

(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 58 staff of which only 3 are close family members of key management personnel.

#### **(c) Outstanding balances**

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables		Amounts owed by entities controlled by key management personnel	Amounts owed by entities controlled by key management personnel
		2021	2020
note due - less than 30 days		-	5,271
Past due 31-60 days		-	-
Past due 61-90 days		-	-
More than 90 days overdue		-	-
<b>Total Owing</b>		<b>\$0</b>	<b>\$5,271</b>

#### **(d) Loans and guarantees to/from related parties**

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

#### **(e) Transactions with related parties that have not been disclosed**

Most of the entities and people that are related parties of council live and operate within the McKinlay Council Shire. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of the town swimming pool
- Dog registration
- Gym membership fees
- Borrowing books from a council library

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

**McKinlay Shire Council**  
**Financial statements**  
**For the year ended 30 June 2021**

**Management Certificate**  
**For the year ended 30 June 2021**

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 28, 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  
Cr Philip Curr

Date: 13 / 10 / 2021



-----  
Chief Executive Officer  
John Kelly

Date: 13 / 10 / 2021

## INDEPENDENT AUDITOR'S REPORT

To the councillors of McKinlay Shire Council

Report on the audit of the financial report

Opinion

I have audited the financial report of McKinlay Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2021, 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 2021, 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 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 McKinlay Shire Council's annual report for the year ended 30 June 2021 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 2021:

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

#### Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.



18 October 2021

Michael Claydon Queensland Audit Office  
as delegate of the Auditor-General Brisbane



# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Current-year Financial Sustainability Statement For the year ended 30 June 2021

### Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2021 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital)	0.5%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	484.3%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-100.4%	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 2021.

### Certificate of Accuracy

For the year ended 30 June 2021

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.

Mayor  
Cr Philip Curr

Date: 13 / 10 / 2021

Chief Executive Officer  
John Kelly

Date: 13 / 10 / 2021

## INDEPENDENT AUDITOR'S REPORT

To the councillors of McKinlay Shire Council

### Report on the current-year financial sustainability statement

#### Opinion

I have audited the accompanying current-year financial sustainability statement of McKinlay Shire Council for the year ended 30 June 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of McKinlay Shire Council for the year ended 30 June 2021 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 McKinlay Shire Council's annual report for the year ended 30 June 2021 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.

*M. Claydon*

18 October 2021

Michael Claydon Queensland Audit Office  
as delegate of the Auditor-General Brisbane

# Financial Statement

for the year ending 30 June 2021



## McKinlay Shire Council Unaudited Long-Term Financial Sustainability Statement Prepared as at 30 June 2021

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2021	Projected for the years ended									
				30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	0.53%	-67.44%	-28.72%	-27.91%	-27.06%	-26.27%	-26.18%	-25.69%	-25.81%	-26.30%	-26.12%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	484.27%	103.10%	106.22%	107.10%	108.41%	107.61%	107.02%	136.72%	212.39%	103.01%	101.00%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-100.40%	-145.03%	-100.05%	-89.91%	-79.99%	-70.58%	-60.99%	-54.39%	-44.47%	-38.58%	-26.59%

### McKinlay Shire Council's Financial Management Strategy

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

### Certificate of Accuracy For the long-term financial sustainability statement prepared as at 30 June 2021

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  
Cr Philip Curr

Date: 13 / 10 / 2021

Chief Executive Officer  
John Kelly

Date: 13 / 10 / 2021

