

McKinlay Shire Council

Financial statements

For the year ended 30 June 2023

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McKinlay Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2023

		2023	2022
	Note	\$	\$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	3,657,461	3,459,104
Fees and charges	3(b)	1,232,710	1,286,946
Sales revenue	3(c)	3,692,820	4,815,245
Grants, subsidies, contributions and donations	3(d)	10,384,182	8,620,258
Total recurrent revenue		<u>18,967,173</u>	<u>18,181,553</u>
Capital revenue			
Grants, subsidies, contributions and donations	3(d)	11,615,139	6,688,433
Total capital revenue		<u>11,615,139</u>	<u>6,688,433</u>
Interest received	4	833,921	93,859
Other income		346,121	442,436
Other capital income	5	74,358	288,262
Total income		<u>31,836,712</u>	<u>25,694,543</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(4,789,397)	(4,891,856)
Materials and services	7	(7,174,412)	(7,139,071)
Finance costs		(42,117)	(36,594)
Depreciation and amortisation	12	(5,800,170)	(5,678,061)
		<u>(17,806,096)</u>	<u>(17,745,582)</u>
Capital expenses			
Write-off of flood damaged roads	12	-	(23,691,120)
Total expenses		<u>(17,806,096)</u>	<u>(41,436,702)</u>
Net result		<u>14,030,616</u>	<u>(15,742,159)</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	17	2,635,459	19,857,849
Total other comprehensive income for the year		<u>2,635,459</u>	<u>19,857,849</u>
Total comprehensive income for the year		<u>16,666,075</u>	<u>4,115,690</u>

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

**McKinlay Shire Council
Statement of Financial Position
as at 30 June 2023**

	Note	2023	2022
		\$	\$
Current assets			
Cash and cash equivalents	8	32,712,590	24,385,109
Receivables	9	834,883	1,137,902
Inventories	10	188,344	221,059
Contract assets	13 (a)	2,139,625	1,406,149
Other assets		129,309	103,849
Total current assets		36,004,751	27,254,068
Non-current assets			
Property, plant and equipment	12	260,040,952	249,201,355
Total non-current assets		260,040,952	249,201,355
Total assets		296,045,703	276,455,423
Current liabilities			
Payables	15	619,373	643,220
Contract liabilities	13 (b)	4,175,388	1,107,089
Provisions	16	843,452	905,990
Total current liabilities		5,638,213	2,656,299
Non-current liabilities			
Provisions	16	174,461	232,170
Total non-current liabilities		174,461	232,170
Total liabilities		5,812,674	2,888,469
Net community assets		290,233,029	273,566,954
Community equity			
Asset revaluation surplus	17	102,467,023	99,831,564
Retained Surplus		187,766,006	173,735,390
Total community equity		290,233,029	273,566,954

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

**McKinlay Shire Council
Statement of Changes in Equity
For the year ended 30 June 2023**

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2022	99,831,564	173,735,390	273,566,954
Net result	-	14,030,616	14,030,616
Other comprehensive income for the year			
Increase in asset revaluation surplus	2,635,459	-	2,635,459
Total comprehensive income for the year	2,635,459	14,030,616	16,666,075
Balance as at 30 June 2023	102,467,023	187,766,006	290,233,029
Balance as at 1 July 2021	79,973,715	189,477,549	269,451,264
Net result	-	(15,742,159)	(15,742,159)
Other comprehensive income for the year			
Increase in asset revaluation surplus	19,857,849	-	19,857,849
Total comprehensive income for the year	19,857,849	(15,742,159)	4,115,690
Balance as at 30 June 2022	99,831,564	173,735,390	273,566,954

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

McKinlay Shire Council
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
		<u> </u>	<u> </u>
Cash flows from operating activities			
Receipts from customers		19,616,313	19,280,299
Payments to suppliers and employees		(12,100,647)	(14,151,568)
		<u>7,515,666</u>	<u>5,128,731</u>
Interest received	4	833,921	93,859
Borrowing costs		(42,117)	(36,594)
Net cash inflow (outflows) from operating activities	22	<u>8,307,470</u>	<u>5,185,996</u>
Cash flows from investing activities			
Payments for property, plant and equipment	12	(14,130,787)	(8,058,310)
Proceeds from sale of property plant and equipment	5	200,837	532,010
Grants, subsidies, contributions and donations (capital)	3(d)	13,949,961	8,991,811
Net cash inflow (outflow) from investing activities		<u>20,011</u>	<u>1,465,511</u>
Net increase / (decrease) in cash and cash equivalent held		<u>8,327,481</u>	<u>6,651,507</u>
Cash and cash equivalents at the beginning of the financial year		24,385,109	17,733,602
Cash and cash equivalents at end of the financial year	8	<u><u>32,712,590</u></u>	<u><u>24,385,109</u></u>

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 2023

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 2022 to 30 June 2023. They are prepared in accordance with *Local Government Act 2009* and the *Local Government Regulation 2012*.

Council is a not-for-profit entity for financial reporting purposes and these financial statements comply with Australian Accounting Standards and Interpretations 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 2022. 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 2023. 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.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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
Operation of Early Learning 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.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

- 2 Analysis of results by function
(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Functions	Year ended 30 June 2023											
	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	2023	2023			2023	2023		
Finance and administration	\$ 6,958,916	\$ 4,028,388	\$ -	\$ 74,358	\$ 11,061,662	\$ (2,557,210)	\$ -	\$ 8,430,094	\$ 8,504,452	\$ 38,279,704		
Utilities	-	560,615	489,918	-	1,050,533	(847,044)	-	(286,429)	203,489	13,613,892		
Engineering services	2,968,184	3,757,757	10,819,526	-	17,545,467	(9,144,301)	-	(2,418,360)	8,401,166	243,663,248		
Community services & economic development	457,082	861,662	305,695	-	1,624,439	(3,493,126)	-	(2,174,382)	(1,868,687)	488,841		
Environmental health & community laws	-	554,611	-	-	554,611	(1,764,415)	-	(1,209,804)	(1,209,804)	18		
Total Council	10,384,182	9,763,033	11,615,139	74,358	31,836,712	(17,806,096)	-	2,341,119	14,030,616	296,045,703		

Functions	Year ended 30 June 2022											
	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	2022	2022			2022	2022		
Finance and administration	\$ 6,639,691	\$ 3,171,712	\$ -	\$ -	\$ 9,811,403	\$ (2,373,069)	\$ -	\$ 7,438,334	\$ 7,438,334	\$ 28,872,476		
Utilities	-	536,911	129,550	-	666,461	(896,694)	-	(359,783)	(230,233)	13,965,948		
Engineering services	1,486,774	4,920,036	6,463,717	288,262	13,158,789	(9,560,479)	(23,691,120)	(3,153,669)	(20,092,810)	233,277,563		
Community services & economic development	485,857	947,828	95,166	-	1,528,851	(3,463,929)	-	(2,020,244)	(1,925,078)	292,623		
Environmental health & community laws	7,936	521,103	-	-	529,039	(1,461,411)	-	(932,372)	(932,372)	46,813		
Total Council	8,620,258	10,097,590	6,688,433	288,262	25,694,543	(17,745,582)	(23,691,120)	972,266	(15,742,159)	276,455,423		

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

3 Revenue

(a) Rates, levies and charges

Rates, levies and 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.

	2023	2022
	<u>\$</u>	<u>\$</u>
General rates	3,227,889	3,086,958
Water	355,302	340,171
Sewerage	255,883	244,270
Garbage charges	148,075	144,783
Pest animal charges	60,451	-
Total rates, levies and charges	<u>4,047,600</u>	<u>3,816,182</u>
Less: Discounts	(364,429)	(330,734)
Less: Pensioner remissions	<u>(25,710)</u>	<u>(26,344)</u>
Net rates, levies and charges	<u><u>3,657,461</u></u>	<u><u>3,459,104</u></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	606,127	641,161
Childcare fees	171,555	173,370
Livestock saleyard fees	25,033	64,391
Animal registration & controls	21,016	22,471
Stock route fees	240,463	235,015
Other fees and charges	<u>168,516</u>	<u>150,538</u>
	<u><u>1,232,710</u></u>	<u><u>1,286,946</u></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 with the exception of some unbilled work which was invoiced subsequent to year end. The contract work carried out is not subject to retentions.

Rendering of services		
RMPC revenue	3,216,732	4,276,529
Other recoverable work	<u>476,088</u>	<u>538,716</u>
Total sales revenue	<u><u>3,692,820</u></u>	<u><u>4,815,245</u></u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

(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 is 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

General purpose grants and subsidies	9,653,740	8,036,570
Specific purpose grants and subsidies	<u>730,442</u>	<u>583,688</u>
	<u>10,384,182</u>	<u>8,620,258</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	2,263,378	2,292,985
Disaster Recovery Funding Arrangements (DRFA)	8,651,277	3,444,964
Commonwealth government subsidies and grants	<u>700,484</u>	<u>950,484</u>
	<u>11,615,139</u>	<u>6,688,433</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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

	2023	2023	2022	2022
	Revenue	Revenue	Revenue	Revenue
	Recognised	recognised	Recognised at	recognised
	at a point in	over time	a point in time	over time
	time			
	\$	\$	\$	\$
Grants and subsidies	3d 10,032,499	11,966,822	8,271,215	7,037,476
Donations & Contributions	3d -	-	-	-
	<u>10,032,499</u>	<u>11,966,822</u>	<u>8,271,215</u>	<u>7,037,476</u>

4 Interest and other income

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

Interest received from bank and term deposits	825,680	84,468
Interest from overdue rates and utility charges	8,241	9,391
	<u>833,921</u>	<u>93,859</u>

5 Capital income

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

Proceeds from the sale of property, plant and equipment	200,837	532,010
Less: Book value of property, plant and equipment disposed of	(126,479)	(243,748)
Total capital income	<u>74,358</u>	<u>288,262</u>

6 Employee benefits

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

Total staff wages and salaries	3,480,051	3,613,119
Councillors' remuneration	334,443	332,987
Annual, sick and long service leave entitlements	633,327	752,979
Superannuation	21 429,200	426,918
	<u>4,877,021</u>	<u>5,126,003</u>
Other employee related expenses	39,981	35,931
	<u>4,917,002</u>	<u>5,161,934</u>
Less: Capitalised employee expenses	(127,605)	(270,078)
	<u>4,789,397</u>	<u>4,891,856</u>

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

Total Council employees at the reporting date:	2023	2022
Elected members	5	5
Administration staff	13	14
Depot and outdoors staff	40	40
Total full time equivalent employees	<u>58</u>	<u>59</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

7 Materials and services	2023	2022
	\$	\$
Expenses are recorded on an accruals basis as Council receives the goods or services.		
Administration costs	767,936	744,833
Airport operating costs	132,908	98,472
Audit of annual financial statements by the Auditor-General of Queensland	87,233	52,750
Caravan park costs	406,196	416,816
Community service expenses	431,505	439,984
Council housing expenses	327,250	157,085
Parks & gardens expenses	284,481	326,332
Plant operating costs	1,122,777	1,074,481
Pool expenses	225,266	214,859
Road & street maintenance	1,059,570	924,806
Recoverable works	962,167	1,522,965
Sports & rec facilities	256,294	217,161
Stock route & livestock expenses	220,077	203,085
Tourism expenses	200,436	176,503
Water & sewerage costs	371,798	416,419
Weed control expenses	153,956	89,869
Other materials and services	164,562	62,651
	<u>7,174,412</u>	<u>7,139,071</u>

Total audit fees quoted by the Queensland Audit Office relating to the 2022-23 financial statements are \$60,400 (2022: \$50,000).

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	8,152,403	205,895
Deposits at call	24,560,187	24,179,214
Balance per Statement of Financial Position	<u>32,712,590</u>	<u>24,385,109</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	32,712,590	24,385,109
Less: Externally imposed restrictions on cash	(4,175,388)	(1,107,089)
Unrestricted cash	<u>28,537,202</u>	<u>23,278,020</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	4,175,388	1,107,089
Total externally imposed restrictions on cash assets	<u>4,175,388</u>	<u>1,107,089</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	2,101,000	2,101,000
Asset replacement reserve	30,000	30,000
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	463,410	99,754
Security deposits	3,950	3,950
	<u>467,360</u>	<u>103,704</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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.

	2023	2022
	\$	\$
Current		
Rateable revenue and utility charges	76,407	305,376
Other debtors	762,576	840,776
Less impairment	(4,100)	(8,250)
	<u>834,883</u>	<u>1,137,902</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.

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

	2023	2022
	\$	\$
Rates and utility charges	71,751	305,376
State & Commonwealth Government	388,590	742,536
Community Organisations	1,617	4,710
Other	372,925	85,280
Total	<u>834,883</u>	<u>1,137,902</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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	130,844	133,559
	<u>130,844</u>	<u>133,559</u>
Land purchased for development and sale*	57,500	87,500
Total inventories	<u>188,344</u>	<u>221,059</u>

* Note 11 - Non current assets held for sale

**McKinlay Shire Council
Notes to the Financial Statements
For the year ended 30 June 2023**

12 Property, plant & equipment 30 Jun 23

	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	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost		
Basis of measurement																			
Asset values																			
Opening gross value as at 1 July 2022	1,443,320	38,112,551	759,064	8,862,315	230,941,136	10,443,654	13,782,642	15,667,631	1,615,539										321,627,852
Additions																			
- Renewals	-	-	18,416	1,186,336	-	-	-	-	-	-	-	-	-	-	-	10,796,793	-	-	12,001,545
- Other additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,129,242	-	-	-	2,129,242
Disposals	-	-	-	(474,538)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(474,538)
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	585,680	(1,738,332)	-	-	29,210,503	920,492	459,036	(1,482,811)	-	-	-	-	-	-	-	-	-	-	27,954,568
Transfers between classes	-	356,682	-	-	11,493,620	65,244	10,100	779,396	(12,705,042)	-	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2023	2,029,000	36,730,901	777,480	9,574,113	271,645,259	11,429,390	14,251,778	14,964,216	1,836,532										363,238,669

Accumulated depreciation and impairment

Opening balance as at 1 July 2022	-	11,850,495	490,705	5,562,380	37,616,739	4,359,989	5,941,387	6,604,802	-	-	-	-	-	-	-	-	-	-	72,426,497
Depreciation expense	-	738,757	48,078	619,918	3,449,151	145,410	249,955	548,901	-	-	-	-	-	-	-	-	-	-	5,800,170
Depreciation on disposals	-	-	-	(348,059)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(348,059)
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	-	(41,724)	-	-	26,638,330	308,062	(590,514)	(995,045)	-	-	-	-	-	-	-	-	-	-	25,319,109
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2023	-	12,547,528	538,783	5,834,239	67,704,220	4,813,461	5,600,828	6,158,658	-	-	-	-	-	-	-	-	-	-	103,197,717

Total written down value as at 30 June 2023

Residual value	2,029,000	24,183,373	238,697	3,739,874	203,941,039	6,615,929	8,650,950	8,805,558	1,836,532										260,040,952
Range of estimated useful life in years	-	-	-	630,013	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	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 2023**

12 Property, plant & equipment (cont.) 30 Jun 22

Basis of measurement	Buildings		Office furniture & fittings		Plant and equipment		Road & street infrastructure		Water infrastructure		Sewerage infrastructure		Other structures		Work in progress		Total
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	
Asset values																	
Opening gross value as at 1 July 2021	1,510,205		33,781,598	742,246	9,973,277	229,263,486	8,184,588	11,751,621	14,054,430	3,873,013							313,134,464
Additions																	
- Renewals	-		-	16,818	149,188	-	-	-	-	-	6,882,235	-	-	-	6,882,235		7,048,241
- Other additions	-		-	-	-	-	-	-	-	-	1,010,070	-	-	-	1,010,070		1,010,070
Disposals	(118,100)		-	-	(1,260,150)	-	-	-	-	-	-	-	-	-	-		(1,378,250)
Write off of flood damaged roads on statement of comprehensive income	-		-	-	-	(23,691,120)	-	-	-	-	-	-	-	-	-		(23,691,120)
Revaluation adjustment to asset revaluation surplus	-		3,344,378	-	-	19,174,262	675,228	982,436	1,328,143	-	-	-	-	-	-		25,504,447
Transfers between classes	51,215		986,575	-	-	6,194,508	1,583,838	1,048,585	285,058	(10,149,779)	-	-	-	-	-		-
Closing gross value as at 30 June 2022	1,443,320		38,112,551	759,064	8,862,315	230,941,136	10,443,654	13,782,642	15,667,631	1,615,539							321,627,862

Note

5 Write off of flood damaged roads on statement of comprehensive income

17 Revaluation adjustment to asset revaluation surplus

Accumulated depreciation and impairment

Opening balance as at 1 July 2021	-	10,095,415	445,022	6,082,256	30,951,888	3,909,472	5,211,721	5,540,566	-	-	-	-	-	-	-	-	62,236,340
Depreciation expense	-	689,123	45,683	614,626	3,445,029	116,855	272,409	494,337	-	-	-	-	-	-	-	-	5,678,061
Depreciation on disposals	-	-	-	(1,134,502)	-	-	-	-	-	-	-	-	-	-	-	-	(1,134,502)
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	-	1,065,957	-	-	3,219,822	333,663	457,257	569,899	-	-	-	-	-	-	-	-	5,646,598
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2022	-	11,850,495	490,705	5,562,380	37,616,739	4,359,989	5,941,387	6,604,802	1,615,539								72,426,497

5

17 Write off of flood damaged roads on statement of comprehensive income

Total written down value as at 30 June 2022

1,443,320	26,262,056	268,359	3,299,935	193,324,397	6,083,665	7,841,255	9,062,829	249,201,355
-	-	-	894,502	-	-	-	-	-
Land: Not depreciated.	10 - 200	3 - 20	2 - 20	10 - 200	10 - 200	10 - 200	15 - 200	-

Residual value

Range of estimated useful life in years

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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. Uncertainties in these estimates relate to technical or physical obsolescence that may change the utility of infrastructure 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.

12 (e) Flood Damage Write Off

Council experienced a flood damage rain event during February / March 2023. During the course of these rain events, Council road infrastructure experienced significant damage. Notwithstanding this, Council is eligible for QRA funding to facilitate the reconstruction and is currently in the process of finalising the funding claim with QRA.

In the aftermath of the rain event, Council has engaged with its consulting engineers to initially survey Council's road infrastructure and collate a schedule of damage for submission to QRA. As part of Council's end of year processes, Council further analysed the damage identified by the consulting engineers and together with its finance team identified the relevant assets which suffered substantial damage for write off in line with the Department of Local Government Bulletin 2011-16.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

(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 (level 2)	Market value	30/06/2023	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) 2023 - \$3,249,322 ; 2022 - \$4,032,024	Market value	30/06/2023	Australis Asset Advisory Group	Sale prices per square metre (database of recent sales) of comparable properties, adjusted for differences in key attributes such as condition	n/a	Nil
Buildings (level 3) 2023 - \$20,934,051 2022 - \$22,230,032	Current replacement cost	30/06/2023	Australis Asset Advisory Group	Gross replacement cost Indexed for subsequent changes in construction costs (QLD Non Building Construction Index) • Unit rates for construction as at the comprehensive revaluation date (Industry standard cost guides, project costs from recently completed buildings	n/a	Nil
Road & street infrastructure (level 3)	Current replacement cost	30/06/2023	Australis Asset Advisory Group	• Existing supply contract rates for raw materials appropriate for the asset based on age, size, location and condition. • Labour rates based on Council's EBA • Average cost of outsourced projects • Remaining life of assets including existing conditions	n/a	Nil
Water and sewerage infrastructure (level 3)	Current replacement cost	30/06/2023	Australis Asset Advisory Group	• Development, soil and depth factors taking into account current condition • Gross replacement cost per m2 based on appropriate materials. Remaining useful lives and physical obsolescence	n/a	Nil
Other structures (level 3)	Current replacement cost	30/06/2023	Australis Asset Advisory Group	Gross replacement cost Indexed for subsequent changes in construction costs, QLD non residential building construction index • Unit rates for construction as at the comprehensive revaluation date (Industry standard cost guides, project costs from recently completed projects, manufactures specifications and other data Accumulated depreciation • Useful life estimates (average lives of disposed assets, lives applied by neighbouring councils, planned replacements per asset management plan, differences between actual and expected asset condition ratings)	n/a	Nil

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

13 Contract balances

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.

	2023	2022
	\$	\$
a. Contract assets	<u><u>2,139,625</u></u>	<u><u>1,406,149</u></u>
b. Contract liabilities		
Funds received upfront to construct Council controlled assets	4,011,584	1,030,545
Non-capital performance obligations not yet satisfied	163,804	76,544
	<u><u>4,175,388</u></u>	<u><u>1,107,089</u></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	1,030,545	1,645,305
Non capital performance obligations (including deposits received in advance)	76,544	112,199
	<u><u>1,107,089</u></u>	<u><u>1,757,504</u></u>

Satisfaction of contract liabilities

The contract liabilities in relation to capital grants relate to funding received prior to the work being performed since revenue is recognised as Council constructs the assets. Council expects to recognise the contract liability as income over the coming 12 months.

c. Significant changes in contract balances

Council has received a substantial grant at end of year for the development and construction of a new Early Learning Centre within the community. This substantial grant makes up more than 60% of the overall contract liability balance as at 30 June 2023. Council is currently in the planning stage for the development and expect this to commence in the coming financial 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	31,184	14,852
Prepaid rates	58,383	46,705
Accrued wages and salaries	105,152	96,527
Accrued expenses	424,654	485,136
Other creditors	-	-
	<u><u>619,373</u></u>	<u><u>643,220</u></u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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.

	2023	2022
	\$	\$
Current		
Annual leave	411,673	414,428
Long service leave	431,779	491,562
	<u>843,452</u>	<u>905,990</u>
Non-current		
Long service leave	67,597	90,708
Refuse restoration	106,864	141,462
	<u>174,461</u>	<u>232,170</u>
Refuse Dump Rehabilitation		
Balance at the beginning of the financial year	141,462	141,462
Change in provision recognised	(34,598)	-
	<u>106,864</u>	<u>141,462</u>
Balance at the end of the financial year	<u>106,864</u>	<u>141,462</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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:	2023	2022
Balance at beginning of financial year	99,831,564	79,973,715
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	585,680	-
Buildings	(1,696,608)	2,278,421
Road & streets infrastructure	2,572,173	15,954,440
Water infrastructure	612,430	341,565
Sewerage infrastructure	1,049,550	525,179
Other structures	(487,766)	758,244
Balance at end of financial year	<u>102,467,023</u>	<u>99,831,564</u>

Asset revaluation surplus analysis

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

Land	787,981	202,301
Buildings	3,876,705	5,573,313
Road & streets infrastructure	88,145,725	85,573,552
Water infrastructure	3,877,838	3,265,408
Sewerage infrastructure	5,240,656	4,191,106
Other structures	538,118	1,025,884
	<u>102,467,023</u>	<u>99,831,564</u>

18 Commitments for expenditure

Contractual commitments	2023	2022
Contractual commitments at end of financial year but not recognised in the financial statements are as follows		
Shire Road construction	694,021	864,202
Plant & Equipment acquisitions	219,193	32,313
Sewerage Treatment Plant Upgrade	456,056	-
Flood Damage construction	26,006,407	16,041
Sundry commitments	185,225	53,464
	<u>27,560,902</u>	<u>966,020</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 2023 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 2023

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.

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 managed by the LGIAsuper trustee as trustee for LGIAsuper trading as Brighter Super.

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 2021. The actuary indicated that 'At the valuation date of 1 July 2021, 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 triennial actuarial review is not due until 1 July 2024.

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>2023</u>	<u>2022</u>
		\$	\$
Superannuation contributions made to the Regional Defined Benefits Fund		6,677	10,056
Other superannuation contributions for employees		422,523	416,862
	6	<u>429,200</u>	<u>426,918</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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

	<u>Note</u>	<u>2023</u>	<u>2022</u>
		\$	\$
Net result		<u>14,030,616</u>	<u>(15,742,159)</u>
Non-cash items:			
Depreciation and amortisation	12	5,800,170	5,678,061
Write-off of flood damaged roads	12	-	23,691,120
		<u>5,800,170</u>	<u>29,369,181</u>
Investing and development activities:			
Net (profit) on disposal of non-current assets	5	(74,358)	(288,262)
Capital grants and contributions	3 (d)	(13,949,961)	(6,688,433)
		<u>(14,024,319)</u>	<u>(6,976,695)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		303,020	1,116,009
(Increase)/ decrease in contract assets & liabilities		2,334,822	(455,375)
(Increase)/decrease in inventory		32,715	(14,619)
(Increase)/decrease in other assets		(25,460)	(10,444)
Increase/(decrease) in payables		(23,847)	(2,078,276)
Increase/(decrease) in other provisions		(120,247)	(21,626)
		<u>2,501,003</u>	<u>(1,464,331)</u>
Net cash inflow from operating activities		<u>8,307,470</u>	<u>5,185,996</u>

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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.

Council 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. Council 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 Council.

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 liabilities 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.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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
	\$	\$	\$	\$	\$
2023					
Trade and other payables	619,373	-	-	619,373	619,373
	619,373	-	-	619,373	619,373
2022					
Trade and other payables	643,220	-	-	643,220	643,220
	643,220	-	-	643,220	643,220

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.

Council	Net carrying amount	Effect on Net Result		Effect on Equity	
	\$	1% increase	1% decrease	1% increase	1% decrease
2023					
Financial assets	32,712,590	327,126	(327,126)	327,126	(327,126)
Net total	32,712,590	327,126	(327,126)	327,126	(327,126)
2022					
Financial assets	24,385,109	243,851	(243,851)	243,851	(243,851)
Net total	24,385,109	243,851	(243,851)	243,851	(243,851)

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 2023

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 2023.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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 Works Manager. The compensation paid to KMP for 2022/23 comprises:

	2023	2022
	\$	\$
Short-term employee benefits	1,075,666	1,066,784
Post-employment benefits	87,967	74,292
Long-term benefits	12,465	8,617
Termination benefits	-	-
Total	1,176,098	1,149,693

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	2023	2022
		\$	\$
Payments charged by entities controlled by key management personnel	25(b)(i)	351,781	357,470
Payments charged by Council to entities controlled by key management personnel	25(b)(ii)	55,942	188,049
Employee expenses for close family members of key management personnel	25(b)(iii)	257,921	234,602

(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 \$216,175 (2022: \$269,093) were paid to Marwill Pty Ltd for various electrical contracting services. The company is controlled by close family members of Cr Janene Fegan.

- Amounts totalling \$35,620 (2022: \$27,210) were paid to North West Logistical Terminal for various supplies and materials. The business is controlled by Cr John Lynch.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2023

(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 53 staff of which only 4 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
		2023	2022
not due - less than 30 days		1,223	100
Past due 31-60 days		2,351	-
Past due 61-90 days		-	-
More than 90 days overdue		5,038	-
Total Owing		\$8,612	\$100

(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.

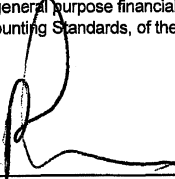
McKinlay Shire Council
Financial statements
For the year ended 30 June 2023

Management Certificate
For the year ended 30 June 2023

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.

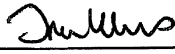
In accordance with section 212(5) of the Regulation we certify that:

- (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: 25 / 10 / 2023



Chief Executive Officer
Trevor Williams

Date: 25 / 10 / 2023

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 2023, 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 2023, 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 material accounting policy 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 2023 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 formed 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 material accounting policy information 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 2023:

- 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.



Lisa Fraser
as delegate of the Auditor-General

26 October 2023

Queensland Audit Office
Brisbane

McKinlay Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2023

Measures of Financial Sustainability	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2023 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	11.62%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	210.37%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-149.87%	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 2023.

Certificate of Accuracy
For the year ended 30 June 2023

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: 25 / 10 / 2023



Chief Executive Officer
Trevor Williams

Date: 25 / 10 / 2023

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 2023, 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 2023 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 2023 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 formed 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 material accounting policy information 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.



Lisa Fraser
as delegate of the Auditor-General

26 October 2023

Queensland Audit Office
Brisbane

**McKinlay Shire Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2023**

Measures of Financial Sustainability	Measure	Target	Projected for the years ended										
			Actuals at 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	30 June 2032	30 June 2033
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	between 0% and 10%	11.62%	-20.42%	-26.19%	-24.07%	-23.06%	-22.33%	-22.00%	-22.15%	-21.67%	-21.01%	-21.40%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	210.37%	843.71%	101.25%	84.24%	84.12%	106.85%	165.64%	80.01%	76.60%	150.78%	152.00%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-149.67%	-112.02%	-101.21%	-96.44%	-92.53%	-91.64%	-97.82%	-87.96%	-82.57%	-81.15%	-78.44%


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 2023**

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 Phillip Curr
Date: 25 / 10 / 2023


Chief Executive Officer
Trevor Williams
Date: 25 / 10 / 2023