

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Statement of Comprehensive Income For the year ended 30 June 2022

	2022	2021
Note	\$	\$
Income		
Revenue		
Recurrent revenue		
Rates, levies and charges	3(a) 3,459,104	3,152,571
Fees and charges	3(b) 1,286,946	1,300,735
Sales revenue	3(c) 4,815,245	7,580,764
Grants, subsidies, contributions and donations	3(d) 8,620,258	6,059,739
Total recurrent revenue	<u>18,181,553</u>	<u>18,093,809</u>
Capital revenue		
Grants, subsidies, contributions and donations	3(d) 6,688,433	26,984,463
Total capital revenue	<u>6,688,433</u>	<u>26,984,463</u>
Interest received	4 93,859	98,926
Other income	442,436	286,163
Other capital income	5 288,262	-
Total income	<u>25,694,543</u>	<u>45,463,361</u>
Expenses		
Recurrent expenses		
Employee benefits	6 (4,891,856)	(4,818,976)
Materials and services	7 (7,139,071)	(8,147,538)
Finance costs	(36,594)	(27,763)
Depreciation and amortisation	12 (5,678,061)	(5,387,120)
	<u>(17,745,582)</u>	<u>(18,381,397)</u>
Capital expenses		
Write-off of flood damaged roads	12 (23,691,120)	-
Total expenses	<u>(41,436,702)</u>	<u>(18,381,397)</u>
Net result	<u>(15,742,159)</u>	<u>27,081,964</u>
Other comprehensive income		
Items that will not be reclassified to net result		
Increase in asset revaluation surplus	17 19,857,849	470,380
Total other comprehensive income for the year	<u>19,857,849</u>	<u>470,380</u>
Total comprehensive income for the year	<u>4,115,690</u>	<u>27,552,344</u>

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

Financial Statements for the year ending 30 June 2022

McKinlay Shire Council Statement of Financial Position as at 30 June 2022

	<u>Note</u>	<u>2022</u> \$	<u>2021</u> \$
Current assets			
Cash and cash equivalents	8	24,385,109	17,733,602
Receivables	9	1,137,902	2,253,911
Inventories	10	221,059	118,940
Contract assets	13 (a)	1,406,149	3,904,568
Other assets		103,849	93,405
		<u>27,254,068</u>	<u>24,104,426</u>
Non current assets held for resale	11	-	87,500
Total current assets		<u>27,254,068</u>	<u>24,191,926</u>
Non-current assets			
Property, plant and equipment	12	249,201,355	250,898,124
Total non-current assets		<u>249,201,355</u>	<u>250,898,124</u>
Total assets		<u>276,455,423</u>	<u>275,090,050</u>
Current liabilities			
Payables	15	643,220	2,721,496
Contract liabilities	13 (b)	1,107,089	1,757,504
Provisions	16	905,990	890,854
Total current liabilities		<u>2,656,299</u>	<u>5,369,854</u>
Non-current liabilities			
Provisions	16	232,170	268,932
Total non-current liabilities		<u>232,170</u>	<u>268,932</u>
Total liabilities		<u>2,888,469</u>	<u>5,638,786</u>
Net community assets		<u>273,566,954</u>	<u>269,451,264</u>
Community equity			
Asset revaluation surplus	17	99,831,564	79,973,715
Retained Surplus		173,735,390	189,477,549
Total community equity		<u>273,566,954</u>	<u>269,451,264</u>

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

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McKinlay Shire Council Statement of Changes in Equity For the year ended 30 June 2022

	Note	Asset revaluation surplus \$	Retained Surplus \$	Total \$
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	17	19,857,849	-	19,857,849
Total comprehensive income for the year		<u>19,857,849</u>	<u>(15,742,159)</u>	<u>4,115,690</u>
Balance as at 30 June 2022		<u>99,831,564</u>	<u>173,735,390</u>	<u>273,566,954</u>
Balance as at 1 July 2020		79,503,335	162,395,585	241,898,920
Net result		-	27,081,964	27,081,964
Other comprehensive income for the year				
Increase in asset revaluation surplus	17	470,380	-	470,380
Total comprehensive income for the year		<u>470,380</u>	<u>27,081,964</u>	<u>27,552,344</u>
Balance as at 30 June 2021		<u>79,973,715</u>	<u>189,477,549</u>	<u>269,451,264</u>

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

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for the year ending 30 June 2022

McKinlay Shire Council

Statement of Cash Flows

For the year ended 30 June 2022

	Note	2022	2021
		\$	\$
Cash flows from operating activities			
Receipts from customers		19,280,299	16,886,272
Payments to suppliers and employees		(14,151,568)	(12,714,723)
		5,128,731	4,171,549
Interest received	4	93,859	98,926
Borrowing costs		(36,594)	(27,763)
Net cash inflow from operating activities	22	<u>5,185,996</u>	<u>4,242,712</u>
Cash flows from investing activities			
Payments for property, plant and equipment	12	(8,058,310)	(27,302,352)
Proceeds from sale of property plant and equipment	5	532,010	-
Grants, subsidies, contributions and donations (capital)	3(d)	8,991,811	21,957,821
Net cash inflow (outflow) from investing activities		<u>1,465,511</u>	<u>(5,344,531)</u>
Net increase / (decrease) in cash and cash equivalent held		<u>6,651,507</u>	<u>(1,101,819)</u>
Cash and cash equivalents at the beginning of the financial year		17,733,602	18,835,421
Cash and cash equivalents at end of the financial year	8	<u><u>24,385,109</u></u>	<u><u>17,733,602</u></u>

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

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 2021 to 30 June 2022. 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 2021. 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 2022. 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 ended 30 June 2022.

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for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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.

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for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

- 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 2022	Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
		Recurring			Capital				Recurring	Capital				
		Grants	Other	Grants	Other	Grants	Other							
		2022	2022	2022	2022	2022	2022							
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Finance and administration	6,639,691	3,171,712	-	-	9,811,403	(2,373,069)	-	7,438,334	(2,373,069)	7,438,334	7,438,334	28,872,476	
	Utilities	-	536,911	129,550	-	666,461	(896,694)	-	(359,783)	(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)	(33,251,599)	(3,153,669)	(20,092,810)	233,277,563	
	Community services & economic development	485,857	947,828	95,166	-	1,528,851	(3,453,929)	-	(2,020,244)	(3,453,929)	(2,020,244)	(1,925,078)	292,623	
	Environmental health & community laws	7,936	521,103	-	-	529,039	(1,461,411)	-	(932,372)	(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	(41,436,702)	(15,742,159)	(15,742,159)	276,455,423	

Year ended 30 June 2021	Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
		Recurring			Capital				Recurring	Capital				
		Grants	Other	Grants	Other	Grants	Other							
		2021	2021	2021	2021	2021	2021							
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	Finance and administration	4,268,156	2,820,502	-	-	7,088,658	(2,391,067)	-	4,697,591	(2,391,067)	4,697,591	4,697,591	25,858,774	
	Utilities	-	521,423	1,090,000	-	1,611,423	(913,058)	-	(391,635)	(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)	-	(1,094,994)	(9,757,721)	(1,094,994)	23,869,562	235,162,782	
	Community services & economic development	704,084	960,068	929,907	-	2,594,059	(3,669,477)	-	(2,005,325)	(3,669,477)	(2,005,325)	(1,075,418)	665,386	
	Environmental health & community laws	35,000	506,938	-	-	541,938	(1,650,073)	-	(1,108,135)	(1,650,073)	(1,108,135)	(1,108,135)	-	
	Total Council	6,059,739	12,419,159	26,984,463	-	45,463,361	(18,381,397)	-	97,501	(18,381,397)	27,081,964	27,081,964	275,090,050	

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McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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.

	2022	2021
	\$	\$
General rates	3,086,958	2,783,733
Water	340,171	330,062
Sewerage	244,270	237,307
Garbage charges	144,783	142,887
Total rates, levies and charges	<u>3,816,182</u>	<u>3,493,989</u>
Less: Discounts	(330,734)	(315,526)
Less: Pensioner remissions	(26,344)	(25,892)
Net rates, levies and charges	<u><u>3,459,104</u></u>	<u><u>3,152,571</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	641,161	604,499
Childcare fees	173,370	258,353
Livestock saleyard fees	64,391	95,119
Animal registration & controls	22,471	15,605
Stock route fees	235,015	211,933
Other fees and charges	150,538	115,226
	<u>1,286,946</u>	<u>1,300,735</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	4,276,529	7,091,777
Other recoverable work	538,716	488,987
Total sales revenue	<u><u>4,815,245</u></u>	<u><u>7,580,764</u></u>

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McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

(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

Commonwealth government subsidies and grants	8,106,366	5,320,655
State government subsidies and grants	<u>513,892</u>	<u>739,084</u>
	<u>8,620,258</u>	<u>6,059,739</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	2,292,985	5,929,140
Disaster Recovery Funding Arrangements (DRFA)	3,444,964	19,864,234
Commonwealth government subsidies and grants	<u>950,484</u>	<u>1,191,089</u>
	<u>6,688,433</u>	<u>26,984,463</u>

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McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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

		2022 Revenue Recognised at a point in time \$	2022 Revenue recognised over time \$	2021 Revenue Recognised at a point in time \$	2021 Revenue recognised over time \$
Grants and subsidies	3d	8,271,215	7,037,476	5,441,723	27,602,479
Donations & Contributions	3d	-	-	-	-
		<u>8,271,215</u>	<u>7,037,476</u>	<u>5,441,723</u>	<u>27,602,479</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	84,468	89,099
Interest from overdue rates and utility charges	9,391	9,827
	<u>93,859</u>	<u>98,926</u>

5 Capital income

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

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

6 Employee benefits

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

Total staff wages and salaries	3,613,119	3,482,844
Councillors' remuneration	332,987	332,987
Annual, sick and long service leave entitlements	752,979	775,751
Superannuation	426,918	436,797
	5,126,003	5,028,379
Other employee related expenses	35,931	27,366
	5,161,934	5,055,745
Less: Capitalised employee expenses	(270,078)	(236,769)
	<u>4,891,856</u>	<u>4,818,976</u>

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

Total Council employees at the reporting date:	2022	2021
Elected members	5	5
Administration staff	14	15
Depot and outdoors staff	40	43
Total full time equivalent employees	<u>59</u>	<u>63</u>

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McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

7 Materials and services	2022	2021
Expenses are recorded on an accruals basis as Council receives the goods or services.	\$	\$
Administration costs	744,833	845,296
Airport operating costs	98,472	103,382
Audit of annual financial statements by the Auditor-General of Queensland	52,750	45,815
Caravan park costs	416,816	334,782
Community service expenses	439,984	598,453
Council housing expenses	157,085	156,981
Parks & gardens expenses	326,332	346,550
Plant operating costs	1,074,481	1,005,686
Pool expenses	214,859	225,930
Road & street maintenance	924,806	531,450
Recoverable works	1,522,965	2,711,901
Sports & rec facilities	217,161	247,369
Stock route & livestock expenses	203,085	208,357
Tourism expenses	176,503	178,725
Water & sewerage costs	416,419	426,047
Weed control expenses	89,869	94,504
Other materials and services	62,651	86,310
	<u>7,139,071</u>	<u>8,147,538</u>

Total audit fees quoted by the Queensland Audit Office relating to the 2021-22 financial statements are \$50,000 (2021: \$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 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	205,895	4,984,811
Deposits at call	24,179,214	12,748,791
Balance per Statement of Financial Position	<u>24,385,109</u>	<u>17,733,602</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	24,385,109	17,733,602
Less: Externally imposed restrictions on cash	(1,107,089)	(1,757,504)
Unrestricted cash	<u>23,278,020</u>	<u>15,976,098</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	1,107,089	1,757,504
Total externally imposed restrictions on cash assets	<u>1,107,089</u>	<u>1,757,504</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	99,754	151,999
Security deposits	3,950	9,440
	<u>103,704</u>	<u>161,439</u>

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for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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.

	2022	2021
	\$	\$
Current		
Rateable revenue and utility charges	305,376	123,094
Other debtors	840,776	2,138,307
Less impairment	(8,250)	(7,490)
	<u>1,137,902</u>	<u>2,253,911</u>

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

There is a geographical 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 Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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

	2022	2021
	\$	\$
Rates and utility charges	305,376	123,094
State & Commonwealth Government	742,536	1,867,418
Community organisations	4,710	5,301
Other	85,280	258,098
Total	1,137,902	2,253,911

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		133,559	118,940
		<u>133,559</u>	<u>118,940</u>
Land purchased for development and sale	11	87,500	87,500
Total inventories		<u>221,059</u>	<u>206,440</u>
11 Non-current assets held for sale			
Opening Balance		87,500	107,500
Less:			
Disposed during the year		-	(20,000)
		<u>87,500</u>	<u>87,500</u>
Classified as			
Current	10	87,500	-
Non Current		-	87,500
		<u>87,500</u>	<u>87,500</u>

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the Financial Statements For the year ended 30 June 2022

12 Property, plant & equipment 30 Jun 22

	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		
Basis of measurement																		
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									
Additions																		
- Renewals	-	-	16,818	149,188	-	-	-	-	-	-	-	-	-	-	-	6,882,235	7,048,241	
- Other additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,010,070	1,010,070	
Disposals	(118,100)	-	-	(1,260,150)	(23,691,120)	-	-	-	-	-	-	-	-	-	-	-	-	(1,378,250)
Write off of flood damaged roads on statement of comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(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									321,627,852

Note

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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

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Total written down value as at 30 June 2022

Residual value	1,443,320	26,262,056	268,359	3,299,935	193,324,397	6,083,665	7,841,255	9,062,829	1,615,539									249,201,355
Range of estimated useful life in years	-	-	-	894,502	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	10 - 200	3 - 20	2 - 20	10 - 200	10 - 200	10 - 200	15 - 200	-	-	-	-	-	-	-	-	-	

Financial Statements
for the year ending 30 June 2022

McKinlay Shire Council
Notes to the Financial Statements
For the year ended 30 June 2022

12 Property, plant & equipment (cont.) 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	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	
Basis of measurement	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset values																			
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	-	-	-	-	-	-	-	-	-	-	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)	-	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 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

Note

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Accumulated depreciation and impairment

Opening balance as at 1 July 2020	-	9,325,079	401,508	5,339,793	27,859,930	3,777,153	4,925,467	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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2021	-	10,095,415	445,022	6,082,256	30,951,888	3,909,472	5,211,721	5,540,566	-	-	-	-	-	-	-	-	-	-	62,236,340

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Total written down value as at 30 June 2021

Residual value	1,510,205	23,686,183	297,224	3,891,021	198,311,598	4,275,116	6,539,900	8,513,864	3,873,013											250,898,124
Range of estimated useful life in years	10 - 200	10 - 200	3 - 20	2 - 20	10 - 200	10 - 200	10 - 200	15 - 200	-	-	-	-	-	-	-	-	-	-	-	

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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.

12 (e) Flood Damage Write Off

Council experienced a flood damage rain event during the year both in January 2022 as well and April / May 2022. 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 Belletin 2011-16.

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

(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	30/06/2019	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) 2022 - \$4,032,024 ; 2021 - \$3,172,439	Market value	30/06/2019	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)	QLD residential construction index, adjusted and weighted with additional cost indices where appropriate - 9.90%	Nil
Buildings (level 3) 2022 - \$22,230,032 2021 - \$20,513,744	Current replacement cost	30/06/2019	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)	QLD non residential construction index, adjusted and weighted with additional cost indices where appropriate - 9.90%	Nil
Road & street infrastructure (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. • Labour rates based on Council's EBA • Average cost of outsourced projects • Remaining life of assets including existing conditions	QLD road & bridge construction index, adjusted and weighted with additional cost indices where appropriate - 8.00%	Review of condition reports based on weather events
Water and sewerage infrastructure (level 3)	Current replacement cost	30/06/2019	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	QLD non residential construction index, adjusted and weighted with additional cost indices where appropriate - 8.25% for water and 8.36% for sewerage	Nil
Other structures (level 3)	Current replacement cost	30/06/2019	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)	QLD non residential construction index, adjusted and weighted with additional cost indices where appropriate - 9.45%	Revision of useful life estimate

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

	2022	2021
	\$	\$
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.		
a. Contract assets	<u>1,406,149</u>	<u>3,904,568</u>
b. Contract liabilities		
Funds received upfront to construct Council controlled assets	1,030,545	1,645,305
Non-capital performance obligations not yet satisfied	<u>76,544</u>	<u>112,199</u>
	<u>1,107,089</u>	<u>1,757,504</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	1,645,305	7,252,383
Non capital performance obligations	<u>112,199</u>	<u>162,042</u>
	<u>1,757,504</u>	<u>7,414,425</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 only experienced a late 2022 flood damage event, no funds were received prior to end of the year. Notwithstanding this Council had commenced undertaking some emergent restoration works with these costs recognised as a contract assets to be recovered from QRA in due course.

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	14,852	92,075
Prepaid rates	46,705	51,028
Accrued wages and salaries	96,527	113,943
Accrued expenses	485,136	2,464,450
Other creditors	-	-
	<u>643,220</u>	<u>2,721,496</u>

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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. 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.

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.

	2022 \$	2021 \$
Current		
Annual leave	414,428	442,900
Long service leave	491,562	447,954
	<u>905,990</u>	<u>890,854</u>
Non-current		
Long service leave	90,708	127,470
Refuse restoration	141,462	141,462
	<u>232,170</u>	<u>268,932</u>
Refuse Dump Rehabilitation		
Balance at the beginning of the financial year	141,462	141,462
Initial recognition of provision	-	-
Balance at the end of the financial year	<u>141,462</u>	<u>141,462</u>

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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:

	2022	2021
Balance at beginning of financial year	79,973,715	79,503,335
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	-	-
Buildings	2,278,421	333,299
Road & streets infrastructure	15,954,440	-
Water infrastructure	341,565	-
Sewerage infrastructure	525,179	-
Other structures	758,244	137,081
Balance at end of financial year	<u>99,831,564</u>	<u>79,973,715</u>

Asset revaluation surplus analysis

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

Land	202,301	202,301
Buildings	5,573,313	3,294,892
Road & streets infrastructure	85,573,551	69,619,111
Water infrastructure	3,265,408	2,923,843
Sewerage infrastructure	4,191,106	3,665,927
Other structures	1,025,884	267,640
	<u>99,831,564</u>	<u>79,973,715</u>

18 Commitments for expenditure

Contractual commitments

	2022	2021
Contractual commitments at end of financial year but not recognised in the financial statements are as follows		
Shire Road construction	864,202	188,578
Plant & Equipment Hire	32,313	22,008
Council Housing construction	-	117,026
Flood Damage construction	16,041	1,790,689
Sundry commitments	53,464	108,700
	<u>966,020</u>	<u>2,227,001</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 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 \$75,117.

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 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>2022</u> \$	<u>2021</u> \$
Superannuation contributions made to the Regional Defined Benefits Fund		10,056	16,815
Other superannuation contributions for employees		416,862	419,982
	6	<u>426,918</u>	<u>436,797</u>

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council

Notes to the financial statements

For the year ended 30 June 2022

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

	<u>Note</u>	<u>2022</u>	<u>2021</u>
		\$	\$
Net result		<u>(15,742,159)</u>	<u>27,081,964</u>
Non-cash items:			
Depreciation and amortisation	12	5,678,061	5,387,120
Write-off of flood damaged roads	12	23,691,120	-
Revaluation adjustments		-	-
		<u>29,369,181</u>	<u>5,387,120</u>
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets	5	(288,262)	-
Capital grants and contributions	3 (d)	(6,688,433)	(26,984,463)
		<u>(6,976,695)</u>	<u>(26,984,463)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		1,116,009	(756,296)
(Increase)/ decrease in contract assets		(455,375)	-
(Increase)/decrease in inventory		(14,619)	15,395
(Increase)/decrease in other assets		(10,444)	(9,679)
Increase/(decrease) in payables		(2,078,276)	(622,123)
Increase/(decrease) in other provisions		(21,626)	130,795
		<u>(1,464,331)</u>	<u>(1,241,908)</u>
Net cash inflow from operating activities		<u>5,185,996</u>	<u>4,242,712</u>

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 management 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.

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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
	\$	\$	\$	\$	\$
2022					
Trade and other payables	643,220	-	-	643,220	643,220
	643,220	-	-	643,220	643,220
2021					
Trade and other payables	2,721,496	-	-	2,721,496	2,721,496
	2,721,496	-	-	2,721,496	2,721,496

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
	\$	\$	\$	\$	\$
2022					
Financial assets	25,523,011	255,230	(255,230)	255,230	(255,230)
Net total	25,523,011	255,230	(255,230)	255,230	(255,230)
2021					
Financial assets	19,987,513	199,875	(199,875)	199,875	(199,875)
Net total	19,987,513	199,875	(199,875)	199,875	(199,875)

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.

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 2022.

Financial Statements for the year ending 30 June 2022

McKinlay Shire Council Notes to the financial statements For the year ended 30 June 2022

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 2021/22 comprises:

	2022	2021
	\$	\$
Short-term employee benefits	1,066,784	1,225,559
Post-employment benefits	74,292	67,069
Long-term benefits	8,617	5,233
Termination benefits	-	-
Total	1,149,693	1,297,861

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	2022	2021
		\$	\$
Payments charged by entities controlled by key management personnel	25(b)(i)	357,470	318,939
Payments charged by Council to entities controlled by key management personnel	25(b)(ii)	188,049	25,964
Employee expenses for close family members of key management personnel	25(b)(iii)	234,602	203,566

(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 \$269,093 (2021: \$265,476) were paid to Marwill Pty Ltd for various electrical contracting services. The company is controlled by close family members of Cr Janene Fegan.

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council
 Notes to the financial statements
 For the year ended 30 June 2022

(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 54 staff of which only 6 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
		2022	2021
not due - less than 30 days		100	-
Past due 31-60 days		-	-
Past due 61-90 days		-	-
More than 90 days overdue		-	-
Total Owing		\$100	\$0

(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.

Financial Statements
for the year ending 30 June 2022

McKinlay Shire Council
Financial statements
For the year ended 30 June 2022

Management Certificate
For the year ended 30 June 2022

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: 11 / 10 / 2022



Chief Executive Officer
Trevor Williams

Date: 11 / 10 / 2022

Financial Statements for the year ending 30 June 2022



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 2022, 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 2022, 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 2022 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.

Financial Statements for the year ending 30 June 2022



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.

Financial Statements for the year ending 30 June 2022



- 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 2022:

- 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.

A handwritten signature in black ink that reads "M Claydon".

13 October 2022

Michael Claydon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2022

Measures of Financial Sustainability	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2022 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	5.2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	137.1%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-130.2%	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 2022.

Certificate of Accuracy
 For the year ended 30 June 2022

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: 11 / 10 / 2022



Chief Executive Officer
 Trevor Williams

Date: 11 / 10 / 2022

Financial Statements

for the year ending 30 June 2022



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 2022, 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 2022 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 2022 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.

Financial Statements

for the year ending 30 June 2022

- Queensland
- ● Audit Office

Better public services

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.

Financial Statements
for the year ending 30 June 2022



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.

A handwritten signature in black ink that reads "M. Claydon".

13 October 2022

Michael Claydon
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Financial Statements

for the year ending 30 June 2022

McKinlay Shire Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2022

Measures of Financial Sustainability	Measure	Target	Projected for the years ended										
			Actuals at 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	30 June 2032
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	between 0% and 10%	5.18%	-35.43%	-24.71%	-23.78%	-22.31%	-21.11%	-19.96%	-19.28%	-19.29%	-18.72%	-17.68%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	greater than 90%	137.15%	357.33%	155.28%	92.88%	93.54%	94.99%	122.33%	192.65%	93.90%	92.08%	177.98%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-130.20%	-147.71%	-94.65%	-90.17%	-86.71%	-83.33%	-82.68%	-79.40%	-79.79%	-75.07%	-74.17%

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 2022

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: 11 / 10 / 2022



Chief Executive Officer
 Trevor Williams

Date: 11 / 10 / 2022