



Annual Financial Statements

Etheridge Shire Council

01 July 2018

to

30 June 2019

Etheridge Shire Council

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Etheridge Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Income			
Recurrent revenue			
Rates, levies and charges	3a	2,195,522	2,085,014
Fees and charges		304,683	281,779
Rental income		145,648	154,041
Interest received		511,115	481,815
Sales revenue	3b	9,435,399	6,235,078
Grants, subsidies, contributions and donations	4a	13,378,504	10,742,191
		25,970,871	19,979,919
Capital revenue			
Grants, subsidies, contributions and donations	4b	1,791,434	1,252,972
		1,791,434	1,252,972
Total income		27,762,305	21,232,891
Expenses			
Recurrent expenses			
Employee benefits	5	6,027,675	6,274,165
Materials and services	6	13,125,786	12,693,536
Finance costs	7	10,532	15,117
Depreciation	12	3,817,705	4,364,495
Other expenses	15	1,191,832	
		24,173,530	23,347,312
Capital Expenses	8	29,563	22,166
Total expenses		24,203,093	23,369,478
Net result		3,559,212	(2,136,587)
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus	12	(377,776)	7,915,825
Total other comprehensive income for the year		(377,776)	-
Total comprehensive income for the year		3,181,435	5,779,238

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

Etheridge Shire Council

Statement of Financial Position

as at 30 June 2019

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	9	16,319,149	12,483,384
Receivables	10	2,882,912	3,872,928
Inventories	11	409,998	337,591
Total current assets		19,612,059	16,693,903
Non-current assets			
Property, plant and equipment	12	190,959,774	188,768,674
Total non-current assets		190,959,774	188,768,674
TOTAL ASSETS		210,571,833	205,462,577
Current liabilities			
Payables	13	2,149,402	1,370,874
Borrowings	14	9,623	42,497
Provisions	15	279,379	282,075
Total current liabilities		2,438,404	1,695,446
Non-current liabilities			
Borrowings	14	62,379	71,786
Provisions	15	1,355,286	161,016
Total non-current liabilities		1,417,664	232,803
TOTAL LIABILITIES		3,856,068	1,928,249
NET COMMUNITY ASSETS		206,715,764	203,534,328
Community equity			
Asset revaluation surplus	16	133,038,030	133,415,806
Retained surplus		73,677,735	70,118,522
TOTAL COMMUNITY EQUITY		206,715,764	203,534,328

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

Etheridge Shire Council

Statement of Changes in Equity

For the year ended 30 June 2019

	Notes	Asset Revaluation Surplus	Retained Surplus	Total
	16			
		\$	\$	\$
Balance as at 1 July 2018		133,415,806	70,118,523	203,534,329
Net result		-	3,559,212	3,559,212
Other comprehensive income for the year				
Increase in asset revaluation surplus		(377,776)	-	(377,776)
Total comprehensive income for the year		(377,776)	3,559,212	3,181,435
Balance as at 30 June 2019		133,038,030	73,677,735	206,715,764
Balance as at 1 July 2017		125,499,981	72,255,110	197,755,091
Net result		-	(2,136,587)	(2,136,587)
Other comprehensive income for the year				
Increase (decrease) in asset revaluation surplus		7,915,825	-	7,915,825
Total comprehensive income for the year		7,915,825	(2,136,587)	5,779,238
Balance as at 30 June 2018		133,415,806	70,118,523	203,534,329

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

Etheridge Shire Council

Statement of Cash Flows

For the year ended 30 June 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities:			
Receipts from customers		13,275,682	7,912,436
Payments to suppliers and employees		(18,792,803)	(19,755,296)
		<u>(5,517,122)</u>	<u>(11,842,860)</u>
Interest received		502,572	481,815
Rental income		145,648	154,041
Non-capital grants and contributions		13,378,504	10,742,191
Borrowing costs		(6,846)	(10,741)
Net cash (outflow)/inflow from operating activities	17	8,502,756	(475,554)
Cash flows from investing activities:			
Payments for property, plant and equipment		(6,440,280)	(3,452,587)
Proceeds from sale of property, plant and equipment		24,136	64,173
Grants, subsidies, contributions and donations		1,791,434	1,252,972
Net cash inflow/(outflow) from investing activities		(4,624,709)	(2,135,443)
Cash flows from financing activities			
Repayment of borrowings		(42,282)	(49,953)
Net cash inflow (outflow) from financing activities		(42,282)	(49,953)
Net increase/(decrease) in cash and cash equivalents held		3,835,765	(2,660,950)
Cash and cash equivalents at beginning of reporting period		12,483,384	15,144,334
Cash and cash equivalents at end of reporting period	9	16,319,149	12,483,384

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

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2019

Note 1: Significant accounting policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

The financial statements have been rounded to the nearest \$1.

1.B Statement of compliance

Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.C Adoption of new and revised Accounting Standards

AASB 9 Financial Instruments

This year Council has applied AASB 9 *Financial Instruments* for the first time. AASB 9 replaces AASB 139 and relates to the recognition and measurement of financial assets and financial liabilities.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were no changes to classification and carrying amounts remained unchanged.

<u>Financial asset/liability</u>	<u>Measurement category (unchanged)</u>
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Amortised cost
Borrowings	Amortised cost

Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit instead of incurred credit losses.

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon council's future financial statements are:

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

Note 1: Significant accounting policies continued

AASB 15 Revenue from Contracts with Customers,
AASB 1058 Income of Not-for-Profit Entities and
AASB 2016-8 Amendments to Australian Accounting
Standards-Australian – Australian Implementation Guidance
for Not-for Profit Entities. (Effective 1 July 2019)

AASB 1058 clarifies and simplifies the income recognition requirements that apply for not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 *Contributions*. These will replace AASB 118 *Revenue*, AASB111 *Construction Contracts*, AASB 1004 *Contributions and a number of Interpretations*.

AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15. They contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that revenue is measured and recognised to identify whether they will have a material impact.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and will continue to be recognised as revenue as soon as they are controlled. Council received several grants from the Federal and State Government for which there are no sufficiently specific performance obligations. These are expected to be recognised as revenue upfront assuming no change to the current grant arrangements.

Sale of goods and services:

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Rates and charges:

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). At 30 June 2019, the amount of rates received in advance was \$59,171. If AASB 15 was applied for the year ended 30 June 2019, \$59,171 would have been recognised as liability.

In addition to the above changes to the timing of recognition of revenue, a range of new disclosures will also be required by the new standards.

Transition method

The Council intends to apply AASB15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. This will recognise the cumulative effect of initially applying the Standards as an adjustment to the opening balance of retained earnings at the date of initial application.

AASB 16 Leases (Effective 1 July 2019)

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2019

Note 1: Significant accounting policies continued

No current leases have been identified that require accounting for under AASB 16.

Peppercorn Leases

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect not to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

1.D Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment (Note 12)
Provisions (Note 15)
Contingent liabilities (Note 19)

1.E Taxation

Income of local government and public authorities is exempt from Commonwealth taxation except for 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.

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

Note 2a: Analysis of Results by Function Components

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

Delivering Organisational Excellence & Governance

To deliver excellence as an organisation, embracing exceptional customer service, valuing staff and promoting ethical standards of practice supported by clear policies and strategies.

Improving Communication Infrastructure & Mechanisms within the Shire

An equitable communication network for the Shire is essential if the community is to have sustainable growth and development. The size and remoteness of Etheridge Shire means we are reliant on our communication networks whether this is mobile, broadband, fixed, Wi-Fi or satellite.

Developing equitable social infrastructure, to make the townships a desirable place to live

There is universal agreement that strong, resilient and healthy individuals, families and community play a vital role in building the ongoing prosperity, wellbeing and economic development of a region.

Developing a resilient transport infrastructure and connectivity to support current and future industry

Resilient transport infrastructure that maximises connectivity across the Shire and links us to the major commercial centres is essential if the Shire is to have sustainable economic growth and development.

Developing reliable potable and irrigation water supplies for residential and economic development

Reliable and affordable water and energy is essential for the Shire if it is to have sustainable economic growth and development.

Managing the Natural Assets, Environment and Economy for tourism and economic development

Our Shire's natural assets, natural resources and environment are key factors in the development of a sustainable economic growth of the Shire.

Commercial Services

Council will build appropriate infrastructure and conduct commercial services aligned to local and regional priorities, e.g. Road Construction; Road maintenance; Irrigable Water Supplies; Swimming Pool operations; Refuse collection; Student Hostel; Child Care and Tourist services.

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2019

Note 2b: Analysis of Results by Function Components

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
2019	2019	2019	2019	2019	2019	2019	2019	2019	2019		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Organisational Excellence & Governance	5,612,836	2,236,597	-	-	7,849,433	3,930,007	29,563	3,959,571	3,919,426	3,889,863	21,451,563
Communication Infrastructure & Mechanisms within the Shire	-	-	-	-	-	391,421	-	391,421	(391,421)	(391,421)	27,872,367
Equitable Social Infrastructure	40,363	127,468	535,000	-	702,831	965,135	-	965,135	(797,304)	(262,304)	1,415,098
Resilient Transport Infrastructure	5,864,909	9,516,818	856,434	-	16,238,161	14,875,806	-	14,875,806	505,921	1,362,355	148,461,932
Reliable Potable and Irrigation Water	1,602,400	365,491	400,000	-	2,367,891	1,357,893	-	1,357,893	609,998	1,009,998	10,644,024
Natural Assets, Environment & Economy	-	152,746	-	-	152,746	1,875,065	-	1,875,065	(1,722,319)	(1,722,319)	726,850
Commercial Services	257,996	193,248	-	-	451,244	778,203	-	778,203	(326,959)	(326,959)	-
Total Council	13,378,504	12,592,366	1,791,434	-	27,762,306	24,173,530	29,563	24,203,094	1,797,341	3,559,212	210,571,833

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
2018	2018	2018	2018	2018	2018	2018	2018	2018	2018		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Organisational Excellence & Governance	5,214,757	2,241,548	-	(22,166)	7,434,139	4,525,521	-	4,525,521	2,930,784	2,908,618	18,505,841
Strategic Planning	-	22,085	-	-	22,085	975	-	975	21,110	21,110	-
Economic Development	-	9,983	-	-	9,983	170,787	-	170,787	(160,804)	(160,804)	726,850
Infrastructure Services	5,350,400	6,194,942	738,995	-	12,284,337	16,718,644	-	16,718,644	(5,173,302)	(4,434,307)	145,008,668
Water Infrastructure	-	473,363	513,977	-	987,340	581,418	-	581,418	(108,055)	405,922	8,664,008
Environmental Sustainability	-	123,622	-	-	123,622	260,747	-	260,747	(137,125)	(137,125)	-
Commercial Services	84,880	171,378	-	-	256,258	656,122	-	656,122	(399,864)	(399,864)	-
Community & Lifestyle	92,154	807	-	-	92,961	433,097	-	433,097	(340,136)	(340,136)	32,557,210
Total Council	10,742,191	9,237,728	1,252,972	(22,166)	21,210,725	23,347,311	-	23,347,311	(3,367,392)	(2,136,586)	205,462,577

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

Note	2019	2018
	\$	\$
Note 3: Revenue		
(a) Rates, levies and charges		
Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.		
General rates	2,068,475	1,878,303
Water	286,270	280,080
Water consumption	118,207	113,631
Waste management	31,206	31,932
Garbage charges	102,838	101,317
EMFRL	(48,830)	21,613
Total rates and utility charges	2,558,165	2,426,876
Less: Discounts	(338,777)	(318,392)
Less: Pensioner remissions	(23,866)	(23,470)
Net rates and utility charges	2,195,522	2,085,014

(b) Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Council generates revenues from a number of services including contracts for roads and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. 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.

Sales of services

Contracts and recoverable works	9,401,684	6,109,277
Private Works	33,716	125,802
Total Sales Revenue	9,435,399	6,235,078

Note 4: Grants, Subsidies, Contributions and Donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

(a) Recurrent

State government subsidies and grants	7,602,561	4,364,573
Federal government Subsidies and grants	5,771,836	6,342,618
Donations	4,107	35,000
Total recurrent revenue	13,378,504	10,742,191

(b) Capital

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

State government subsidies and grants	1,278,300	1,252,972
Federal government subsidies and grants	513,134	-
Total capital revenue	1,791,434	1,252,972

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

Note	2019	2018
	\$	\$
(c) Conditions over contributions		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for operating expenditure	-	-
Non-reciprocal grants for expenditure on infrastructure	3,463,522	1,568,771
	3,463,522	1,568,771

Note 5: Employee benefits

Total staff wages and salaries	4,943,428	4,921,181
Councillors' remuneration	321,143	315,976
Annual, sick and long service leave entitlements	740,600	662,639
Superannuation	511,631	505,508
	6,516,801	6,405,304
Other employee related expenses	310,796	392,127
	6,827,597	6,797,431
Less: Capitalised employee expenses	(799,922)	(523,266)
	6,027,675	6,274,165

Total Council employees at reporting date

	2019	2018
Elected members	5	5
Administrative staff	22	23
Child Care	5	4
Depot and outdoors staff	32	31
Total full time equivalent employees	64	63

Note 6: Materials and services

Administration supplies and consumables	58,206	82,390
Audit of annual financial statements by the Auditor-General of Queensland	58,672	94,052
Communication and IT	522,531	339,929
Consultants	249,676	279,254
Contractor Works-TMR	606,358	430,920
Contract Works-Flood Damage	3,498,748	3,780,271
Contract Works-99A Hann Highway	5,552,777	1,742,480
Contract Works-99A Hann Highway Project 2	-	1,453,276
Gilbert River Project	557,706	-
Repairs and maintenance	1,391,130	3,656,615
Other material and services	50,188	207,608
Travel expenses	66,036	88,986
Water operations	358,708	310,723
Work for Queensland Town Beautification	-	123,457
Waste management	155,050	103,575
	13,125,786	12,693,536

Note 7: Finance costs

Finance costs charged by Queensland Treasury Corporation	6,846	10,741
Bank charges	3,687	4,376
Refuse Restoration	-	-
	10,532	15,117

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

Note	2019	2018
	\$	\$
Note 8: Capital expenses		
Gain (loss) on the disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	24,136	64,173
Less: Book value of property, plant and equipment disposed	(53,699)	(86,339)
Total capital income/(expense)	29,563	-
Note 9: Cash and cash equivalents		
Cash at bank and on hand	132,789	239,010
Deposits at call	16,186,361	12,244,375
Balance per Statement of Cash Flows	16,319,149	12,483,384

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

Plant Replacement Reserve	872,351	822,351
Future Capital Works Reserve	7,448,875	5,779,339
Capital Works Reserve	1,066,072	1,063,572
Recurrent Expenditure Reserves	73,502	4,818,122
Total unspent restricted cash	9,460,800	12,483,384

Cash and deposits are held in Bendigo Bank in normal business cheque accounts. Cash is also held in Queensland Treasury Corporation in cash management accounts. Bendigo Bank has a long term credit rating of BBB+ and a short term credit rating of A-2.

Queensland Treasury Corporation has a long term credit rating and a short term credit rating of AA+.

Cash and cash equivalents includes 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 known amounts of cash and which are subject to an insignificant risk of changes in value.

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. Etheridge Shire Council performs a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements. These monies are held in a separate bank account with the Bendigo Bank which is identified as the Etheridge Shire Council Trust Account.

Trust fund held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	372	486
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Note 10: Receivables

Receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price/contract price. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
(a) Current		
Rateable revenue and utility charges	84,337	685,724
Other debtors	2,760,347	3,115,724
Prepayments	38,227	71,481
Less Impairment	-	-
Total Receivables	2,882,912	3,872,928

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Fully Performing	339,350	1,197,727
< 30 Days	1,958,233	2,081,942
30 - 60 Days	546,947	517,140
61-90 Days	155	4,638
Total	2,844,685	3,801,447

Note 11: Inventories

(a) Inventories held for distribution

Inventories held for distribution are goods to be used for the provision of services at no or nominal charge. These goods are valued at cost.

Plant and equipment stores	356,904	284,497
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(b) House and Land for resale

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

House and Land for resale	53,093	53,093
Total Inventories	409,998	337,591

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2019

Note 12: Property, Plant and Equipment

30 June 2019	Note	Land	Buildings	Other Structures	Fleet Plant and Equipment	Furniture and Other Equipment	Road Infrastructure	Water Infrastructure	TerrEstrial Collection	Work in Progress	TOTAL
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Fair value category		Level 2	Level 2 and 3	Level 3			Level 3	Level 3	Level 3		
Opening Balances											
Opening Gross Value		1,651,500	22,186,750	14,085,935	8,973,664	541,621	171,741,217	11,306,933	726,850	509,755	231,724,227
Accumulated Depreciation		-	8,680,496	3,201,063	4,454,066	381,183	23,242,881	2,995,862	-	-	42,955,552
Opening Written Down Value		1,651,500	13,506,254	10,884,872	4,519,598	160,438	148,498,336	8,311,071	726,850	509,755	188,768,674
Movements during Year											
Additions		-	-	-	-	-	-	-	-	6,440,279	6,440,279
Disposals	8	-	-	-	(37,752)	-	(15,303)	(644)	-	-	(53,699)
Depreciation		-	(702,748)	(428,249)	(473,543)	(12,755)	(2,007,199)	(193,211)	-	-	(3,817,705)
Revaluations		-	-	(396,213)	-	-	12,329	6,108	-	-	(377,776)
Transfers between classes		22,565	58,525	74,880	866,742	17,756	1,968,789	780,340	-	(3,789,597)	-
Closing Balances											
Closing Gross Value		1,674,065	22,245,275	14,160,816	9,749,919	559,377	173,682,081	12,086,606	726,850	3,160,438	238,045,427
Accumulated Depreciation		-	9,383,244	4,025,525	4,874,874	393,939	25,225,130	3,182,942	-	-	47,085,654
Closing Written Down Value		1,674,065	12,862,031	10,135,290	4,875,045	165,439	148,456,952	8,903,664	726,850	3,160,438	190,959,774
Estimated Useful Life (Years)		Not Depreciated	3 -100	5 - 80	2 - 20	3 - 80	5-150	10 - 100	Not Depreciated		
2019 Additions comprise:											
Renewals		-	-	-	-	-	-	-	-	949,105	949,105
Other additions		-	-	-	-	-	-	-	-	5,491,174	5,491,174
Total additions		-	-	-	-	-	-	-	-	6,440,279	6,440,279

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2019

Note 12: Property, Plant and Equipment

30 June 2018		Land	Buildings	Other Structures	Fleet Plant and Equipment	Furniture and Other Equipment	Road Infrastructure	Water Infrastructure	TerrEstrial Collection	Work in Progress	TOTAL
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value		
Fair value category		Level 2	Level 2 and 3	Level 3			Level 3	Level 3	Level 3		
Opening Balances											
Opening Gross Value		1,762,757	19,767,899	14,364,753	7,945,096	553,903	178,978,292	7,942,220	648,138	127,422	232,090,480
Accumulated Depreciation		-	9,308,515	3,386,540	4,233,909	372,153	30,856,071	2,082,196	-	-	50,239,384
Opening Written Down Value		1,762,757	10,459,384	10,978,213	3,711,187	181,751	148,122,221	5,860,024	648,138	127,422	181,851,096
Movements during Year											
Additions		-	-	-	-	-	-	-	-	3,452,587	3,452,587
Disposals	8	-	-	-	(76,407)	(9,849)	-	(83)	-	-	(86,339)
Depreciation		-	(430,688)	(392,182)	(380,955)	(11,464)	(3,014,258)	(134,947)	-	-	(4,364,495)
Revaluations		(192,955)	3,268,483	(17,371)	-	-	2,763,613	2,015,342	78,712	-	7,915,825
Transfers between classes		81,698	209,075	316,212	1,265,774	-	626,760	570,735	-	(3,070,254)	-
Closing Balances											
Closing Gross Value		1,651,500	22,186,750	14,085,935	8,973,664	541,621	171,741,217	11,306,933	726,850	509,755	231,724,227
Accumulated Depreciation		-	8,680,496	3,201,063	4,454,066	381,183	23,242,881	2,995,862	-	-	42,955,552
Closing Written Down Value		1,651,500	13,506,254	10,884,872	4,519,598	160,438	148,498,336	8,311,071	726,850	509,755	188,768,674
Estimated Useful Life (Years)		Not Depreciated	3 -100	5 - 80	2 - 20	3 - 80	5-150	10 - 100	Not Depreciated		
2018 Additions comprise:											
Renewals		-	-	-	-	-	-	-	-	717,873	717,873
Other additions		-	-	-	-	-	-	-	-	2,734,714	2,734,714
Total additions		-	-	-	-	-	-	-	-	3,452,587	3,452,587

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019
Note 12: Property, plant and equipment

(a) Recognition

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

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

Land under roads

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

(b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value (as shown in the table above) less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

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

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

(c) Depreciation

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

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

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

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

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019
Note 12: Property, plant and equipment

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

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

Terrestrial Collection is not depreciated as it has an unlimited useful life.

(d) Impairment of non-current assets

Each non-current physical asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(e) Valuation processes

Council's valuation policies and procedures are set by Management and approved by Council. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses internal and external consulting engineers to assess for material differences in the assumptions for useful life, remaining lives and costs with all infrastructure assets. The results of which are considered in combination with suitable indexes from the Australian Bureau Statistics. Together these are used to form the basis of a management valuation in the intervening years.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

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

Separately identified components of assets are measured on the same basis as the assets to which they relate.

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

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

There were no transfers between levels during the year.

(f) Valuation techniques used to derive fair values

Land (level 2)

Land fair values were determined by independent valuer Herron Todd and White (HTW) as at 31 March 2018. This was completed through comprehensive onsite inspections between December 2017 and January 2018 in accordance with AASB13 and AASB16. The property market for residential land and houses is very small with only a few sales in recent times, with no houses or buildings under construction during this inspection period.

Land values were assessed by use of the direct comparison approach. Where land owned by the Council has a zoning that is particular to Council's ownership, such as "Community Infrastructure". In these cases the land values have been assessed based on the sale of other land with similar physical attributes and then allowances made for the restrictive zoning.

Level 2 valuation inputs were used where comparable sales evidence is available and meaningful comparison was possible without significant adjustment or analysis of the evidence or significant professional judgement by HTW. Sales evidence was sourced from RP Data, real estate agents and also gathered as part of HTW normal business processes. Comparable sales evidence can be obtained from HTW's valuation report.

A desktop review has been performed by Herron Todd and White as at 30 June 2019. A review of market data for the period 30 June 2018 to the 30 June 2019 was conducted which found very few sales in the four towns. This analysis shows no evidence of any movement in the market since the comprehensive valuation. Therefore adoption of the 2018 values should be made.

Buildings (level 2 and 3)

The fair values of buildings were determined by independent valuer Herron Todd and White effective the 31st March 2018. This was completed through comprehensive onsite inspections between December 2017 and January 2018 in accordance with AASB13 and AASB16. The property market for residential land and houses is very small with only a few sales in recent times, with no houses or buildings under construction during this inspection period.

Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties. Where no sales evidence was apparent, reference was made to:

- Rawlinsons, Australian Construction Handbook;
- HTW industry experience and business processes

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset of similar type and service.

The gross current values have been derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors. (Rawlinson's Australian Construction Handbook).

Where a depth in market can be identified we have assessed the fair value of an asset, as the best estimate of price reasonably obtained in the market at the date of valuation.

Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation, the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019
Note 12: Property, plant and equipment

A desktop review has been performed by Herron Todd and White as at 30 June 2019. A review of market data for the period 30 June 2018 to the 30 June 2019 was conducted which found very few sales in the four towns. This analysis shows no evidence of any movement in the market since the comprehensive valuation. Therefore adoption of the 2018 values should be made.

	Levels	2019	2018
Specialised Buildings	3	\$10,104,360	\$ 10,557,815
Non-Specialised Buildings	2	\$2,757,672	\$ 2,948,439
Building Total		\$12,862,031	\$ 13,506,254

Roads

Current Replacement Cost

All council infrastructure assets were fair valued using written down current replacement cost by independent valuer Shepherd Services Pty Ltd, effective the 31st March 2018 and a desktop assessment to 30 June 2019. The desktop assessment included a review the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 31 March 2018 to the 30 June 2019 to ensure no significant material increases to unit rates have occurred and are still considered fair value. A review of asset data was also completed and ensuring completed capital projects have been accounted for and included in Practical.

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

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 200mm for urban areas and 150mm for rural roads.

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

Accumulated depreciation

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

A consumption assessment was undertaken based on defects/condition assessments for each segment. For sealed surfaces defect % by Area and Average International Roughness Index, for sealed pavements % of rutting by area and average international roughness index, for unsealed pavements % of gravel remaining were all used to determine remaining lives.

Bridges

Current replacement cost

A full valuation of bridges assets was undertaken by independent valuers, Shepherd Services Pty Ltd, effective the 31st March 2018. Each bridge was assessed individually, with the valuation varying according to deck area, condition and size. Construction estimates were determined on a similar basis to roads. A desktop assessment to 30 June 2019 has been completed and included a review the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019
Note 12: Property, plant and equipment

Table 17) for the period 31 March 2018 to the 30 June 2019 to ensure no significant material increases to unit rates have occurred and are still considered fair value.

Accumulated depreciation

The accumulated depreciation cost was determined by an assessment of the age from either its construction date or by a condition assessment where an asset was close to the end of its life or where no reliable construction data information was available. The age in days is then times by the daily depreciation amount to determine the accumulated depreciation amount.

Drainage infrastructure

Current replacement cost

A full valuation of drainage infrastructure undertaken by independent valuers, Shepherd Services Pty Ltd, effective the 31st March 2018. Similar to roads, drainage assets are managed by major components pipes, headwalls, surfaces and pits. A desktop assessment to 30 June 2019 has been completed and included a review the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 31 March 2018 to the 30 June 2019 to ensure no significant material increases to unit rates have occurred and are still considered fair value.

Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard yet grouped into urban and rural types.

Where drainage assets are located underground, and physical inspection is not possible, the age, size and type of construction material are used to determine the fair value at reporting date.

Accumulated depreciation

The accumulated depreciation cost was determined by an assessment of the age from either its construction date or by a condition assessment where an asset was close to the end of its life or where no reliable construction data information was available. The age in days is then times by the daily depreciation amount to determine the accumulated depreciation amount.

Water Assets

Current replacement cost

Water infrastructure fair values were determined by independent valuers, Shepherd Services Pty Ltd, effective the 31st March 2018. CRC was calculated based on expected replacement costs. A desktop assessment to 30 June 2019 has been completed and included a review the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 31 March 2018 to the 30 June 2019 to ensure no significant material increases to unit rates have occurred and are still considered fair value.

In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Unit rates were developed from a combination of past construction project averages or from first principles calculation for assets that recent construction were unknown.

Accumulated depreciation

The accumulated depreciation cost was determined by an assessment of the age from either its construction date or by a condition assessment where an asset was close to the end of its life or where no reliable construction data information was available. The age in days is then times by the daily depreciation amount to determine the accumulated depreciation amount.

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

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019
Note 12: Property, plant and equipment

Other Assets

Current replacement cost

The Other Asset class, which includes small shelters, play equipment, fencing, and various airstrip and remaining land improvement assets. Fair values were determined by independent valuers, Shepherd Services Pty Ltd, effective 31st March 2018. CRC was calculated based on expected replacement costs, where unit rates were developed from a combination of past construction project averages, from first principals' calculations or indexation. A desktop assessment to 30 June 2019 has been completed and included a review of the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Index, Australia Table 17) for the period 31 March 2018 to the 30 June 2019 to ensure no significant material increase to unit rates have occurred and are still considered fair value.

Accumulated depreciation

The accumulated depreciation cost was determined by an assessment of the age from either its construction date or by a condition assessment where an asset was close to the end of its life or where no reliable construction data information was available. The age in days is then times by the daily depreciation amount to determine the accumulated depreciation amount.

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

<u>Note</u>	2019 \$	2018 \$
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Note 13: Payables

Creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense.

As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

Current

Creditors and accruals	1,643,442	767,064
Annual Leave	493,583	568,311
Time in Lieu	12,376	35,499
	<u>2,149,402</u>	<u>1,370,874</u>

Note 14: Borrowings

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

All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. The Depot Administration Building loan has been finalised and the expected final repayment date for the Forsyth Water loan is 15 September 2025. There has been no defaults or breaches of the loan agreement during the period.

Council adopts an annual borrowing policy. Council has not provisioned for any planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing and guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

Current

Loans-Queensland Treasury Corporation	9,623	42,497
Total Current Borrowings	9,623	42,497

Non Current

Loans-Queensland Treasury Corporation	62,379	71,786
Total Non-Current Borrowings	62,379	71,786

The QTC loan market value at the reporting date was (2019: \$85,812.13) for the Water Loan Forsyth. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019

(i) Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from Queensland Treasury Corporation for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows
	\$	\$	\$	\$
2019				
Trade and other payables	1,653,662	-	-	1,653,662
Loans - QTC	14,429	57,714	18,036	90,179
	1,668,091	57,714	18,036	1,743,841
2018				
Trade and other payables	767,064	-	-	767,064
Loans - QTC	49,128	57,715	32,464	139,307
	816,192	57,715	32,464	906,371

(ii) Interest rate risk

The Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing only from Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest risk exposure can be constructed. Interest rate risk in other areas is minimal.

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2019

<u>Note</u>	2019 \$	2018 \$
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Note 15: Provisions

Long Service Leave

A liability for long service leave is measured as 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 value of 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 which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Refuse Provision

Council has established a provision for the restoration costs of the Georgetown landfill site, Mt Surprise landfill site, Forsayth landfill site and Einasleigh landfill site. The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the sites will close between 2034 and 2039 and that the restoration will occur progressively over the subsequent thirty years.

Current

Long service leave	279,379	282,075
Total Current Provisions	279,379	282,075

Non Current

Refuse restoration	1,191,832	-
Long service leave	163,454	161,016
Total Non-Current Provisions	1,355,286	161,016

Refuse restoration

Initial Provision Landfill Georgetown, Forsayth, Einasleigh and Mount Surprise	1,191,832	-
Closing balance at the end of the financial year	1,191,832	

This is the present value of the estimated cost of restoring Council's four refuse disposal sites to a useable state at the end of their useful life. The projected cost is \$1,925,589.71 and this cost is expected to be incurred in 2064 after closing the site in 2034 and allowing a period for settlement.

Long Service Leave

Opening balance at beginning of financial year	443,092	481,415
Long service leave entitlement arising	74,708	56,064
Long service leave entitlement paid	(74,967)	(93,510)
Closing balance at the end of the financial year	442,833	443,092

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019

	<u>Note</u>	2019 \$	2018 \$
Land		1,155,505	1,155,505
Buildings		10,632,811	10,632,811
Other Structures		6,592,901	6,989,114
Road Infrastructure		109,369,563	109,357,234
Water Infrastructure		4,987,293	4,981,185
TerrEstrial Collection		299,956	299,956
Balance at the End of the Financial Year		133,038,030	133,415,806

Note 17: Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

Net result		3,559,212	(2,136,587)
Non-cash operating items:			
Depreciation	12	3,817,705	4,364,495
Investing and development activities:			
Net (profit) loss on disposal of non-current assets	8	29,563	22,166
Capital grants and contributions	4b	(1,791,434)	(1,252,972)
		(1,761,871)	(1,230,806)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		990,016	(2,015,465)
(Increase)/decrease in inventory		(72,407)	10,729
Increase/(decrease) in payables		778,528	570,404
Increase/(decrease) in other provisions		1,191,574	(38,323)
		2,887,711	(1,472,655)
Net cash outflow/inflow from operating activities		8,502,757	(475,553)

Note 18: Reconciliation of liabilities arising from finance activities

	As at <u>30 June 2018</u>	<u>Cashflows</u>	As at <u>30 June 2019</u>
Loans	114,283	(42,282)	72,001
	114,283	(42,282)	72,001
	As at <u>30 June 2017</u>	<u>Cashflows</u>	As at <u>30 June 2018</u>
Loans	164,236	(49,953)	114,283
	164,236	(49,953)	114,283

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019

<u>Note</u>	2019	2018
	\$	\$

Note 19: Contingent liabilities

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

Local Government Mutual:

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being 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 of any year that a deficit arises.

As at 30 June 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare:

The Council is a member of the Queensland local government workers 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 \$71,288.

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2019

Note 20: 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 the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefit Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

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

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

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

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

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

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

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

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

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

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Etheridge Shire Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	<u>Note</u>	2019 \$	2018 \$
Superannuation contributions made to the Regional Defined Benefits Fund		12,299	18,750
Other superannuation contributions for employees		499,331	486,758
Total superannuation contributions paid by Council for employees:	5	511,630	505,508

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2019

Note 21: Commitments for expenditure

Contractual commitments

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

	2019	2018
	\$	\$
Karen Remfrey - Management of ESC Student Hostel 01/01/2017 to 31/12/2019.	61,000	183,000
Town Maintenance Contract - Mt Surprise 01/10/2015 to 01/09/2018. Contract extended monthly until 30/9/2019.	14,157	53,257
Town Maintenance Contract - Einasleigh 23/04/2018 to 30/04/2020.	57,420	
Total Commitments	132,577	236,257

Note 22: Events after the reporting period

There were no material adjusting events after the balance date.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2019

Note 23: Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP are the Mayor, Councillors, Council's Chief Executive Officer, Director of Engineering and the Director of Corporate and Communities. The compensation paid to KMP comprises:

	2019	2018
	\$	\$
Short-term employee benefits	780,415	1,126,273
Post-employment benefits	-	18,750
Long-term benefits	29,792	28,288
Total	810,207	1,173,311

Calculations for short term employee benefits includes Councillors' Remuneration plus allowances (as per Councils Reimbursement of Expenses and Provision of Facilities Policy) salary and annual leave entitlements for employees identified as a KMP. Long Term benefits include Long Service Leave entitlements.

(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	2019	2018
		\$	\$
Purchase of materials and services from entities controlled by KMP	24 (b)(i)	25,465	336,939
Purchase of materials and services from entities controlled by close family members of KMP.	24 (b)(ii)	112,178	210,039
Employee expenses for close family members of KMP	24 (b)(iii)	236,155	287,922

(i) Council purchased the following material and services from entities that are controlled by KMP. All purchases were at arm's length and were in the normal course of Council operations. Council entered into a contract with Councillor Warren Bethel and Ralph and Lorna Bethel a close family member as a Pre-Qualified Supplier for Wet and Dry Hire of Plant and Equipment. This tender was effective on 1 July 2017. This is a continual contract with no total contract value available until completion. The contract was the result of a tender process in accordance with Council's normal procedures and policies. Councillor Warren Bethel was not involved in the decision of awarding this contract.

	2019	2018
Groceries and Hardware-Georgetown Roadhouse	\$ 22,828	\$ 34,668
Meat-Georgetown Butchery	\$ 2,637	\$ 1,382
Contracting services-Warren Timothy Bethel	\$ -	\$ 300,889
Total	\$ 25,465	\$ 336,939

(ii) A purchase from entities controlled by close family members of KMP were:

Ralph and Lorna Bethel	\$ 112,178	\$ 210,039
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Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2019

Council employs 64 Staff of which only 5 are close family members of KMP.

(iii) All were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

(c) Loans and guarantees to/from related parties

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

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

Most of the entities and people that are related parties of Council live and operate within the Etheridge 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 Georgetown swimming pool. (No charge)
- Borrowing books from a council library. (No charge)

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.

Etheridge Shire Council

Financial statements

For the year ended 30 June 2019

Management Certificate

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 30, 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.



Warren Devlin

Mayor

Date: 12 / 09 / 2019



David Munro

Chief Executive Officer

Date: 12 / 09 / 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Etheridge Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Etheridge Shire Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, 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 2019, 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 of Queensland 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 of Queensland 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 the information included in Etheridge Shire Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

The council is 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.

Auditor's responsibilities for the audit of the financial report

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

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

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

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

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



Sri Narasimhan
as delegate of the Auditor-General

23 September 2019

Queensland Audit Office
Brisbane

Etheridge Shire Council

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Etheridge Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2019

Measures of Financial Sustainability

Council's performance at 30 June 2019 against key financial ratios and targets:

	<u>How the measure is calculated</u>	<u>Actual - Council</u>	<u>Target</u>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	6.9%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	28.5%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-60.7%	not greater than 60%

Note 1 - Basis of Preparation

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

Etheridge Shire Council

Certificate of Accuracy

Current-year Financial Sustainability Statement

For the year ended 30 June 2019

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.



Warren Devlin
Mayor

Date: 12 / 09 / 2019



David Munro
Chief Executive Officer

Date: 12 / 09 / 2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Etheridge Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Etheridge Shire Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Etheridge Shire Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 of Queensland 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 the information included in Etheridge Shire Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



23 September 2019

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Etheridge Shire Council

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Etheridge Shire Council

Long-Term Financial Sustainability Statement

Prepared as at 30 June 2019

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	30 June 2020	30 June 2021	30 June 2022	Projected for the years ended					
							30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net result divided by total operating revenue.	Between 0% and 10%	6.9%	-10.6%	1.7%	1.2%	0.4%	-0.5%	-0.1%	-1.3%	-1.2%	-1.8%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	28.5%	51.5%	64.1%	61.4%	61.5%	66.8%	66.4%	59.6%	49.9%	51.6%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	not greater than 60%	-60.7%	-42.6%	-72.2%	-81.9%	-90.7%	-96.9%	-102.8%	-109.0%	-116.6%	-121.6%

Etheridge 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.

Etheridge Shire Council

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2019

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.



Warren Devlin

Mayor

Date: 12 / 09 / 2019



David Munro

Chief Executive Officer

Date: 12 / 09 / 2019