



Annual Financial Statements

ETHERIDGE SHIRE COUNCIL

**01 July 2009
to
30 June 2010**

Etheridge Shire Council

Table of Contents

For the year ended 30 June 2010

Statement of Comprehensive Income	1
Statement of Financial Position.....	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Note 1 Summary of Significant accounting policies	5
1.A Basis of preparation	5
1.B Statement of Compliance	5
1.C Constitution	5
1.D Date	5
1.E Currency	5
1.F Adoption of new and revised Accounting Standards.....	5
1.G Critical accounting judgements and key sources of estimation uncertainty	6
1.H Rates, levies, grants and other revenue.....	7
1.I Financial assets and financial liabilities.....	7
1.J Cash and cash equivalents.....	8
1.K Receivables.....	8
1.L Inventories	8
1.M Other financial assets.....	9
1.N Land held for resale	9
1.O Investments.....	9
1.P Investment property.....	9
1.Q Property, plant and equipment	9
1.R Intangible assets.....	11
1.S Biological assets	11
1.T Impairment of non-current assets	11
1.U Leases	12
1.V Payables	12
1.W Liabilities-employee benefits.....	12
1.X Borrowing costs	13
1.Y Restoration provision	13
1.Z Asset revalutaion surplus.....	13
1.AARetained surplus	13
1.AB Reserves	13
1.AC Joint venture.....	14
1.AD National competition policy.....	14
1.AE Rounding and comparatives.....	14
1.AF Trust held for outside parties	14
1.AG Taxation	14
Note 2b: Analysis of Results by Function.....	16
Note 3: Revenue analysis.....	18
Note 4: Grants, Subsidies, Contributions and Donations.....	19
Note 5: Capital income	19
Note 6: Employee benefits	19
Note 7: Materials and services.....	20
Note 8: Finance costs.....	20
Note 9: Depreciation and Amortisation	20
Note 10: Capital expenses	20
Note 11: Cash and cash equivalents	21
Note 12: Trade and other receivables.....	21
Note 13: Inventories	21
Note 14: Other financial assets.....	21

Note 15a: Property, Plant and Equipment Valuations	22
Note 15b: Council Property, Plant and Equipment.....	23
Note 16: Trade and other payables.....	25
Note 17: Borrowings.....	25
Note 18: Provisions	25
Note 19: Asset revaluation surplus	26
Note 20: Retained surplus / (deficiency)	27
Note 21: Other reserves	27
Note 22: Shire capital	28
Note 23: Reconciliation of result from ordinary activities to net	29
cash inflow (outflow) from operating activities	29
Note 25: Superannuation	30
Note 26: Trust funds.....	30
Note 27: Financial instruments.....	31
Note 28: Commitments for expenditure	33
Management Certificate	34
Independent Audit Report.....	35

Etheridge Shire Council
Statement of Comprehensive Income

For the year ended 30 June 2010

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	1,851,429	1,755,877
Fees and charges	3(b)	443,551	305,036
Rental income	3(c)	117,740	108,117
Interest received	3(d)	668,841	937,020
Sales revenue	3(e)	8,721,734	5,997,163
Grants, subsidies, contributions and donations	4(a)	24,252,592	14,414,656
Total recurrent revenue		36,055,888	23,517,869
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	726,637	494,735
Total capital revenue		726,637	494,735
Total revenue		36,782,525	24,012,604
Capital income	5	0	6,454
Total income		36,782,525	24,019,058
Expense			
Recurrent expenses			
Employee benefits	6	(5,177,810)	(4,310,108)
Materials and services	7	(16,618,737)	(15,934,764)
Finance costs	8	(205,152)	(34,207)
Depreciation and amortisation	9	(2,214,774)	(1,647,431)
Total recurrent expenses		(24,216,474)	(21,926,509)
Capital Expenses	10	(231,060)	0
Capital Expenses		(231,060)	0
Total expenses		(24,447,534)	(21,926,509)
Net operating surplus		12,334,991	2,092,549
Other comprehensive income			
Increase / (decrease) in asset revaluation surplus	19	(3,097,179)	12,083,169
Total other comprehensive income for the year		(3,097,179)	12,083,169
Total comprehensive income for the year		9,237,812	14,175,718

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 2010

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current Assets			
Cash and cash equivalents	11	19,536,473	19,537,693
Trade and other receivables	12	9,203,360	3,455,416
Inventories	13	1,115,443	523,279
Total current assets		29,855,276	23,516,388
Non-current Assets			
Property, plant and equipment	15	111,400,886	113,549,212
Other financial assets	14	426,894	426,894
Total non-current		111,827,780	113,976,106
TOTAL ASSETS		141,683,056	137,492,494
Current Liabilities			
Trade and other payables	16	1,063,211	5,731,648
Borrowings	17	423,159	405,640
Provisions	18	51,475	66,685
Total current liabilities		1,537,845	6,203,973
Non-current Liabilities			
Trade and other payables	16	67,196	98,209
Borrowings	17	2,736,828	3,153,652
Provisions	18	211,789	145,075
Total non-current liabilities		3,015,813	3,396,935
TOTAL LIABILITIES		4,553,658	9,600,908
NET COMMUNITY ASSETS		137,129,398	127,891,585
Community Equity			
Shire capital	22	27,315,026	27,284,264
Asset revaluation reserve	19	84,196,531	87,293,709
Retained surplus/(deficiency)	20	1,487,092	161,235
Other reserves	21	24,130,749	13,152,377
TOTAL COMMUNITY EQUITY		137,129,398	127,891,585

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 year ended 30 June 2010

	Notes	22	19	20	21	20	21	20	21	20	21	20	21
		2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Opening balance		27,284,264	26,301,086	87,293,709	75,210,540	161,235	(862,731)	13,152,378	13,066,972	127,891,585	113,715,868		
Net operating surplus		0	0	0	0	12,334,991	2,092,549	0	0	12,334,991	2,092,549		
Other comprehensive income for the year increase/(decrease) in asset revaluation surplus		0	0	(3,097,179)	12,083,169	0	0	0	0	(3,097,179)	12,083,169		
Total Comprehensive income for the year		0	0	(3,097,179)	12,083,169	12,334,991	2,092,549	0	0	9,237,812	14,175,718		
Transfers to and from reserves													
Transfers to/from capital		30,762	983,178	0	0	184,593	(6,454)	(215,355)	(976,724)	0	0		
Transfers from general reserves		0	0	0	0	(11,223,166)	(1,062,129)	11,223,167	1,062,129	0	0		
Transfers to general reserves		0	0	0	0	29,440	0	(29,440)	0	0	0		
Total transfers to and from reserves		30,762	983,178	0	0	(11,009,133)	(1,068,583)	10,978,372	85,405	0	0		
Closing balance		27,315,026	27,284,264	84,196,531	87,293,709	1,487,092	161,235	24,130,749	13,152,377	137,129,398	127,891,585		

Etheridge Shire Council
Statement of Cash Flows

For the year ended 30 June 2010

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Cash flows from operating activities:			
Receipts from customers		3,700,926	4,552,680
Payments to suppliers and employees		(24,759,097)	(13,971,125)
		(21,058,171)	(9,418,445)
Interest received		668,841	937,020
Rental income		117,740	108,117
Non-capital grants and contributions		24,252,592	14,414,656
Borrowing costs		(201,757)	(31,010)
Net cash inflow (outflow) from operating activities	23	3,779,245	6,010,338
Cash flows from investing activities:			
Payments for property, plant and equipment		(4,657,548)	(4,094,929)
Proceeds from sale of property, plant and equipment		549,750	109,211
Grants, subsidies, contributions and donations		726,637	494,735
Net cash inflow (outflow) from investing activities		(3,381,161)	(3,490,983)
Cash flows from financing activities			
Proceeds from borrowings		13,913	3,130,096
Repayment of borrowings		(413,218)	(57,496)
Net cash inflow (outflow) from financing activities		(399,304)	3,072,600
Net increase (decrease) in cash held		(1,220)	5,591,956
Cash at beginning of reporting period		19,537,693	13,945,738
Cash at end of reporting period	11	19,536,473	19,537,693

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

Note 1 Summary of Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2009 to 30 June 2010 have been prepared in accordance with Australian Accounting Standards and comply with the requirements of the *Local Government Act 1993* and the *Local Government Finance Standard 2005*.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. 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 Constitution

The Etheridge Shire Council is constituted under the Queensland *Local Government Act 1993* and is domiciled in Australia.

1.D Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Delegate of the Auditor-General for final signature. This is the date the management certificate is signed.

1.E Currency

The Council uses the Australian dollar as its functional currency and its presentation currency.

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has resulted in the following changes to Council's accounting policies:

Presentation of Financial Statements (AASB 101 *Presentation of Financial Statements*, AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*, AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101*)

The revised Standard and Amending Pronouncements do not affect any of the amounts presented in the financial statements, but have changed the disclosures made in the financial statements. The change in terminology in the revised AASB 101 has resulted in the Balance Sheet being renamed the Statement of Financial Position, and the Cash Flow Statement being renamed the Statement of Cash Flows. The former Income Statement has been replaced with a single Statement of Comprehensive Income. In line with the new concept of "comprehensive income" the bottom of the Statement contains other Comprehensive Income that was previously included in the Statement of Changes in Equity.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Investment Property (AASB 140 Investment Property)

Investment property under construction or being developed for future use is now classified as investment property rather than being classified as work in progress or property, plant and equipment. Council currently has no investment property under construction or being developed for future use.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on are after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (December 2009)	1 January 2011
2009-5 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i> (May 2009)	1 January 2010
2009-8 <i>Group Cash-settled Share-based Payment Transactions</i> (July 2009)	1 January 2010
2009-9 <i>Additional Exemptions for First-time Adopters</i> (September 2009)	1 January 2010
2009-10 <i>Classification of Rights Issues</i> (October 2009)	1 January 2013
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2013
2009-12 <i>Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments</i> (December 2009)	1 January 2011
2009-13 <i>Amendments to AAS arising from Interpretation 19</i> (December 2009)	1 July 2010
2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14)</i> (December 2009)	1 January 2011
Interpretation 19 <i>Extinguishing Financial Liabilities with Equity Instruments</i> (December 2009)	1 July 2010

Management have yet to assess the impact that AASB 9 *Financial Instruments* and 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* is likely to have on the financial statements of Council as it is anticipated that further amendments will occur. Council does not expect to implement the amendments prior to the adoption date of 1 January 2013.

2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* includes amendments to AASB 117 *Leases* which revise the criteria for classification of leases involving land and buildings. Council will be required to reassess the classification of the land components of all unexpired leases that Council has entered into as at 1 July 2010, on the basis of the information existing at the inception of the relevant lease. If any such leases are reclassified to become finance leases, retrospective accounting adjustments will be processed as far as practicable. Council currently has no Leases.

Initial application of the other Standards/Interpretations in issue but not yet effective is not expected to have any material impact on Council's financial statements.

1.G Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation of property, plant and equipment - Note 1.Q and Note 15

Impairment of property, plant and equipment - Note 1.T and Note 10

Provisions - Note 1.W and 1.Y and Note 18

Contingencies - Note 24.

1.H Rates, levies, grants and other revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Rates and levies

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.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is placed in a reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the capital grants reserve.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Rental income

Rental revenue from investment and other property is recognised as income on a periodic straight line basis over the lease term.

Interest

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

1.I Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Etheridge Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.J)

Receivables - measured at amortised cost (Note 1.K)

Other Financial Assets (Note 1.M)

Financial liabilities

Payables - measured at amortised cost (Note 1.V)

Borrowings - measured at amortised cost (Note 1.X)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Etheridge Shire Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

1.J Cash and cash equivalents

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, and bank overdrafts.

1.K Receivables

Trade 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. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

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

1.L Inventories

Stores 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.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Inventories held for distribution are:

- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal, charge.

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

1.M Other financial assets

Other financial assets are recognised at cost.

1.N Land held for resale

Land acquired 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. Inventory items are always treated as current assets.

Profit arising upon sale of land is recognised in the Statement of Comprehensive Income on the signing of a valid unconditional contract of sale.

1.O Investments

Term deposits for 30 days are reported as investments, with deposits of less than 30 days being reported as cash equivalents. At 30 June 2010 Council invests the Einasleigh River Bridge Grant funds and 2009 Advance Flood Damage money as 30 day Term Deposits.

The Etheridge Shire Council does not have any controlled entities.

1.P Investment property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance sheet date. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Pursuant to revised accounting standard AASB 140 *Investment Property*, from 1 July 2009 property that is being constructed or developed for future use as investment property is now classified as investment property rather than as property, plant and equipment. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

The Etheridge Shire Council does not have any investment property.

1.Q Property, plant and equipment

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 \$5000, and infrastructure assets and buildings with a total value of less than \$10000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

The classes of property, plant and equipment recognised by the Council are:

- Land and improvements
- Buildings
- Other Structures Infrastructure
- Fleet Plant and Equipment
- Furniture & Other Equipment
- Road and Drainage Infrastructure
- Water Infrastructure
- Work in progress

Acquisition of assets

Acquisitions of assets are initially recorded at cost. 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.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. Other plant and equipment is measured at cost.

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 comprehensively revaluing these assets at least once every five years, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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 to 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.

Details of valuers and methods of valuations are disclosed in Note 15.

Major plant

The Etheridge Shire Council has determined that plant which has an individual cost in excess of \$1m is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high Degree of price fluctuations or in danger of becoming obsolete. Etheridge Shire Council does not hold any items of major plant.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Capital work in progress

The cost of property, plant and equipment being constructed by the Etheridge Shire Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Investment property under construction is classified as investment property. Refer to Note 1.P for further information.

Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment 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.

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.

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

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

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in Note 15.

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Etheridge Shire Council currently does not have any such land holdings.

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.

1.R Intangible assets

The Etheridge Shire Council does not have any Intangible Assets.

1.S Biological assets

The Etheridge Shire Council does not have any Biological Assets.

1.T Impairment of non-current assets

Each non-current physical and intangible 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.U Leases

At this stage the Etheridge Shire Council purchases all their assets and currently does not use any Leases.

1.V Payables

Trade 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.

1.W Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 16 as a payable.

Annual leave

A liability for annual leave is recognised. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non-current portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in Note 16 as a payable.

Sick leave

Council has no obligation to pay sick leave on termination to certain employees and therefore a liability has not been recognised for this obligation.

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 25.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

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 or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 18 as a provision.

1.X Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

1.Y Restoration provision

The Etheridge Shire Council has no Restoration provisions.

1.Z 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 in the reserve in respect of that asset is retained in the asset revaluation surplus.

1.AA Retained surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.AB Reserves

The following reserves are cash backed reserves and represent funds that are accumulated within the Etheridge Shire Council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

(i) Constrained works reserve

This reserve represents contributions received for capital works where the required works have not yet been carried out.

(ii) Plant Replacement Reserve

Etheridge Shire Council has determined by annual assessment, funds that are required to be set aside each year in this reserve to meet Council's plant replacement needs.

(iii) Capital Grant Reserve

This reserve is comprised of a number of reserves set aside for capital purposes such as roads, water, building and town improvements. The amount in the building reserve is set aside for construction of staff housing.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

(iv) Future capital works reserve

This reserve represents amounts set aside for the future capital works.

(v) Capital Works Reserve

This reserve represents amounts for Town Improvements, Road Improvements and a Building Reserve.

(vi) Reserve held for future recurrent expenditure

This reserve represents grant amounts that are accumulated within the Etheridge Shire Council to meet anticipated future recurrent or operating expenditure needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

1.AC Joint venture

The Etheridge Shire Council does not have any Joint Ventures.

1.AD National competition policy

The Etheridge Shire Council has reviewed its activities and resolved that it does not have any activities that are business activities.

1.AE Rounding and comparatives

Amounts included in the financial statements have been rounded to exclude the cents portion and each amount.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.AF Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties 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 (e.g. wages) paid into the trust account by the Council. 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.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 26.

1.AG Taxation

Income of local authorities 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.

Note 2a: Components of Council Functions

For the year ended 30 June 2010

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

Administration

This comprises the support functions for the management of Council's activities including finance, information technology and administration.

Governance

These activities support the Mayor, Councillors and the Chief Executive Officer to guide and lead the Council in meeting our statutory responsibilities.

Road Services

Providing and maintaining roads and drainage.

Environmental Services

Providing waste management, refuse collection and environmental health services.

Development Services

Management of the development of Etheridge Shire and approval processes for development and building.

Community Services

Providing community services and facilities including cultural, health, welfare, and recreational services.

This function includes:

- Libraries
- Shire and public halls
- Public health services including Mt Surprise Clinic.
- Student Hostel and Child Care
- Cemeteries

Water Infrastructure

Providing water supply services

Financing services

These activities have now been incorporated in administration.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 2b: Analysis of Results by Function For the year ended 30 June 2010

	Gross Recurring Income		Capital Income		Total Income		Total Expenses		Net Result attributable to Council		Assets	
	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
Administration	444,284	0	444,284	0	444,284	0	3,414,141	(2,969,857)	25,755,410			
Financing Services	5,059,575	0	5,059,575	0	5,059,575	0	90,424	4,969,150	36,260,979			
Road Services	29,634,714	505,410	30,140,124	505,410	30,140,124	505,410	17,148,390	12,991,734	75,108,831			
Environmental Services	288,753	0	288,753	0	288,753	0	726,799	(438,047)	0			
Development Services	91,848	0	91,848	0	91,848	0	563,302	(471,454)	0			
Community Services	324,342	221,227	545,569	221,227	545,569	221,227	1,167,416	(621,848)	427,994			
Water Supply Services	212,021	0	212,021	0	212,021	0	390,772	(178,751)	3,764,716			
Governance	352	0	352	0	352	0	946,289	(945,937)	365,126			
Total Council	36,055,888	726,637	36,782,525	726,637	36,782,525	726,637	24,447,534	12,334,991	141,683,056			

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

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 2b: Analysis of Results by Function For the year ended 30 June 2009

	2009	2009	2009	2009	2009	
	Gross Recurring Income	Capital Income	Total Income	Total Expenses	Net Result attributable to Council	Assets
Administration	225,577		225,577	1,246,216	(1,020,639)	6,824,059
Financing Services	6,005,854	0	6,005,854	808,131	5,197,723	39,669,816
Road Services	16,291,074	196,180	16,487,254	17,577,677	(1,090,422)	86,686,789
Environmental Services	131,328		131,328	537,177	(405,849)	0
Development Services	124,513	0	124,513	469,136	(344,623)	0
Community Services	550,941	230,954	781,895	944,136	(162,241)	426,894
Water Supply Services	194,769	67,601	262,370	309,030	(46,660)	3,888,270
Governance	266	0	266	35,006	(34,740)	(3,334)
Total Council	23,524,322	494,735	24,019,058	21,926,509	2,092,549	137,492,494

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

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 3: Revenue analysis

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
(a) Rates and charges			
General rates		1,852,245	1,726,828
Water		142,983	122,932
Water consumption, rental and sundries		90,498	72,671
Waste management		13,115	12,447
Garbage charges		61,245	54,118
Total rates and utility charge revenue		2,160,086	1,988,996
Less: Discounts		(291,749)	(218,625)
Less: Pensioner remissions		(16,907)	(14,495)
Net rates and utility charges		1,851,429	1,755,877
(b) Fees and charges			
Building and development fees		20,956	8,994
Licences and registrations		86	2,928
TerrEstrial Centre		64,594	61,785
Child Care Centre		17,013	2,662
Einasleigh		27,270	15,988
House & Land Sales		151,727	46,455
Other fees and charges		161,905	166,224
		443,551	305,036
(c) Rental income			
Other rental income		117,740	108,117
		117,740	108,117
(d) Interest received			
Interest received from term deposits		666,466	930,724
Interest from overdue rates and utility charges		2,375	6,296
		668,841	937,020
(e) Sales revenue			
Sales of services			
Contract and recoverable works		8,630,332	5,942,344
Private Works		91,402	54,819
Total sales revenue		8,721,734	5,997,163

The amount recognised as revenue for contract revenue during the period is the amount receivable in respect of invoices issued during the period. The contract work carried out is not subject to retentions.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 4: Grants, Subsidies, Contributions and Donations

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
(a) Recurrent			
General purpose grants		2,720,890	3,490,936
State Government subsidies and grants		7,707,221	5,670,409
Federal Government Subsidies and grant		13,824,481	5,248,311
Donations		0	5,000
Total recurrent revenue		24,252,592	14,414,656
(b) Capital			
State Government subsidies and grants		611,430	394,735
Federal Government Subsidies and grant		115,207	100,000
Total capital revenue		726,637	494,735

(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 not had been expended at the reporting date:

Non-reciprocal grants for expenditure on infrastructure	13,883,634	5,428,277
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Note 5: Capital income

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale of property, plant and Equipment		0	109,211
Less: Book value of property, plant and equipment disposed of		0	(102,757)
Total capital income		0	6,454

Note 6: Employee benefits

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Total staff wages and salaries		4,342,913	3,652,059
Councillors' remuneration		164,002	154,627
Annual, sick and long service leave entitlements		482,922	471,866
Superannuation	25	399,837	313,114
		5,389,675	4,591,666
Other employee related expenses		134,990	86,857
		5,524,665	4,678,523
Less: Capitalised employee expenses		(346,855)	(368,415)
		5,177,810	4,310,108
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at period end			
Elected members		5	5
Administrative staff		23.5	20
Child Care		2.5	2
Depot and outdoors staff		50	60
Total full time equivalent employees		81	87

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 7: Materials and services

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Administration supplies and consumables		82,641	76,570
Audit services		43,028	34,995
Contact Works		3,396,402	7,294,697
Contract Works-Flood Damage 2008		1,436,104	1,655,577
Contract Works-Flood Damage 2009		2,220,550	0
Einasleigh River Bridge		3,048,831	0
Auslink-Carpentaria		1,162,301	0
Communications and IT		255,737	199,975
Consultants		30,241	272,400
Power		12,877	9,854
Repairs and maintenance		408,025	2,171,169
Other material and services		2,764,853	3,145,034
Camping Maintenance Expense		1,382,835	876,104
Travel		21,782	21,933
Water		194,501	132,791
Waste		158,029	43,665
		16,618,737	15,934,764

Note 8: Finance costs

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Finance costs charged by Queensland Treasury Corporation		201,757	31,010
Bank charges		3,395	3,197
		205,152	34,207

Note 9: Depreciation and Amortisation

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Depreciation of non-current assets			
Buildings		88,202	227,633
Plant and Equipment		1,005,630	499,272
Furniture and Other Equipment		17,105	22,451
Other Structures		132,583	127,979
Road, drainage and bridge network		851,231	676,915
Water		120,023	93,180
Total depreciation and amortisation		2,214,774	1,647,430

Note 10: Capital expenses

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Loss on impairment			
Property, Plant & Equipment		3,903,181	0
Impairment loss offset against asset revaluation reserve		(3,903,181)	0
Total capital expenses		0	0

Impairment is the decline in the future economic benefits or service potential of an asset, over and above the use reflected through depreciation. The above Loss on impairment is following recent flood damage.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

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

Proceeds from the sale of property, plant and Equipment	549,750	0
Less: Book value of property, plant and equipment disposed of	(734,344)	0
Total capital income	(184,594)	0

Revaluation Decrement

Revaluation down of property, plant and equipment	(46,467)	0
Total Capital Expenses	(231,060)	0

Note 11: Cash and cash equivalents

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Cash at bank and on hand		131,922	62,682
Deposits at call		6,631,927	12,941,010
Term deposits		12,772,624	6,534,000
Balance per Statement of Cash Flow		19,536,473	19,537,693

Cash and deposits at call are held in the Bendigo Bank business cheque accounts. The bank currently has a credit rating of BBB+. Cash investments at call are held with Queensland Treasury Corporation. The Queensland Treasury Corporation currently has a credit rating of AAA+.

Term Deposits are held with National Australia Bank for 30 days. The bank currently has a credit rating of AA.

Note 12: Trade and other receivables

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current			
Rateable revenue and utility charges		9,508	12,157
Other debtors		8,994,955	3,366,485
GST recoverable		141,209	0
Prepayments		57,688	76,774
		9,203,360	3,455,416

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.

Note 13: Inventories

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current			
Inventories held for distribution:			
Plant and equipment stores		364,926	299,235
Total inventories held for distribution		364,926	299,235
House & Land held for resale			
Land purchased for development and sale		750,517	224,044
Total inventories		1,115,443	523,279

Note 14: Other financial assets

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Non-current			
Other Assets TerrEstrial Mineral Collections		426,894	426,894
		426,894	426,894

Note 15a: Property, Plant and Equipment Valuations

For the year ended 30 June 2010

Property, plant and equipment valuations were determined by reference to the following:

Land and improvements

Land has been included at current market value as at 30 June 2010 as determined by Australian Pacific Valuers.

Buildings

Buildings have been included at their written down current replacement cost as valued by Australian Pacific Valuers, as at 30 June 2009.

A review of relevant Australian Bureau of Statistics price indices and other reliable measures was completed to determine if there has been a material change since the time these assets were added to the register and it was determined no material change has occurred. Therefore current values still represent fair value.

Fleet

Fleet, Plant and Equipment is measured at original cost less accumulated depreciation.

Furniture and Other Equipment

Other plant and equipment is measured at original cost less accumulated depreciation.

Infrastructure

Water Infrastructure

Water and sewerage infrastructure is included at the written down replacement cost as at 30 June 2010 as determined by Shepherd Service Pty Ltd, Consulting Engineer.

A review of relevant Australian Bureau of Statistics price indices and other reliable measures was completed to determine if there has been a material change since the time these assets were added to the register and it was determined no material change has occurred. Therefore current values still represent fair value.

Road and Drainage Infrastructure

Road and drainage infrastructure is included at the written down replacement cost as at 30 June 2010 as determined by Shepherd Service Pty Ltd, Consulting Engineer.

A review of relevant Australian Bureau of Statistics price indices and other reliable measures was completed to determine if there has been a material change since the time these assets were added to the register and it was determined that the footpath class had increased and therefore was indexed. All other asset classes were determined not to a material difference and therefore were not indexed.

Other Structures Infrastructure

Other structures infrastructure is included at the written down replacement cost as at 30 June 2010 as determined by Shepherd Service Pty Ltd, Consulting Engineer.

A review of relevant Australian Bureau of Statistics price indices and other reliable measures was completed to determine if there has been a material change since the time these assets were added to the register and it was determined no material change has occurred. Therefore current values still represent fair value.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 15b: Council Property, Plant and Equipment

For the year ended 30 June 2010

	LAND	BUILDINGS	OTHER STRUCTURES	FLEET PLANT & EQUIPMENT	FURNITURE & OTHER	ROAD INFRASTR	WATER INFRASTR	WORK IN PROGRESS	TOTAL
	REVALUATION	REVALUATION	REVALUATION	COST	COST	REVALUATION	REVALUATION	COST	
Basis of measurement									
Asset values									
Opening gross value	215,271	13,072,560	7,415,496	7,738,415	516,154	91,215,008	5,948,207	1,025,300	127,146,411
Additions	0	0	0	0	0	0	0	4,657,548	4,657,548
Disposals	(20,551)	0	(41,279)	(1,311,717)	0	0	0	0	(1,373,548)
Revaluation adjustment to asset revaluation surplus	1,068,779	0	16,204	0	0	49,575	0	0	1,134,559
Revaluation adjustment to income	0	0	(87,125)	0	0	0	0	0	(87,125)
Transfers between classes	102,033	342,652	472,578	3,303,815	25,712	699,708	13,113	(4,959,611)	0
Transfers to inventory	0	0	0	0	0	0	0	(720,600)	(720,600)
Closing gross value	1,365,532	13,415,212	7,775,874	9,730,513	541,866	91,954,291	5,961,320	2,637	130,757,245
Accumulated Depreciation									
Opening balance	0	3,220,607	880,018	2,485,024	375,834	4,559,134	2,076,581	0	13,597,199
Depreciation provided in period	0	88,202	132,583	1,005,630	17,105	851,231	120,023	0	2,214,774
Depreciation on disposals	0	0	(7,449)	(631,755)	0	0	0	0	(639,204)
Revaluation adjustment to asset revaluation surplus	0	0	608	0	0	320,459	0	0	321,067
Impairment adjustment to asset revaluation surplus	0	0	0	0	0	3,903,181	0	0	3,903,181
Revaluation adjustment to Income	0	0	(40,658)	0	0	0	0	0	(40,658)
Accumulated depreciation at period end	0	3,308,809	965,101	2,858,900	392,938	9,634,005	2,196,604	0	19,356,358
Total written down value at period end	1,365,532	10,106,403	6,810,772	6,871,613	148,927	82,330,286	3,764,716	2,637	111,400,886
Residual value	0	4,514,140	1,839,045	3,809,084	2,400	4,949,485	0	0	15,114,154
Range of estimated useful lives in years	Not depreciated	3-100	5-80	2-20	3-80	1-100	10-100	0	

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 15b: Council Property, Plant and Equipment

For the year ended 30 June 2009

Basis of measurement	LAND	BUILDINGS	OTHER STRUCTURES	FLEET PLANT & EQUIPMENT	FURNITURE & OTHER	ROAD INFRASTR	WATER INFRASTR	WORK IN PROGRESS	TOTAL
	REVALUATION	REVALUATION	REVALUATION	COST	COST	REVALUATION	REVALUATION	COST	
Asset values									
Opening gross value	221,171	12,395,337	5,457,307	5,296,002	507,230	94,140,475	5,564,834	870,854	124,453,210
Additions	0	0	0	0	0	0	0	4,094,929	4,094,929
Disposals	(5,900)	0	0	(185,645)	0	0	0	0	(191,545)
Revaluation adjustment to asset revaluation surplus	0	382,273	1,960,111	0	0	(3,224,105)	(328,462)	0	(1,210,183)
Internal transfers	0	0	(37,065)	0	0	37,065	0	0	0
Transfers between classes	0	294,950	35,143	2,628,058	8,924	261,573	711,835	(3,940,483)	0
Closing gross value	215,271	13,072,560	7,415,496	7,738,415	516,154	91,215,008	5,948,207	1,025,300	127,146,411
Accumulated Depreciation									
Opening balance	0	5,763,734	2,096,503	2,074,540	353,382	13,443,415	1,600,333	0	5,331,907
Depreciation provided in period	0	227,633	127,979	499,272	22,451	676,915	93,180	0	1,647,430
Depreciation on disposals	0	0	0	(88,787)	0	0	0	0	(88,787)
Revaluation adjustment to asset revaluation surplus	0	(2,770,760)	(1,343,995)	0	0	(9,561,665)	383,068	0	(13,293,352)
Internal transfers	0	0	(469)	0	0	469	0	0	0
Accumulated depreciation at period end	0	3,220,607	880,018	2,485,024	375,834	4,559,134	2,076,581	0	13,597,198
Total written down value at period end	215,271	9,851,953	6,535,478	5,253,391	140,320	86,655,874	3,871,626	1,025,300	113,549,212
Residual value	0	4,514,140	1,788,524	2,840,186	2,400	4,949,485	0	0	14,094,734
Range of estimated useful lives in years	Not depreciated	1-80	1-80	1-50	3-80	1.41-100	10-100		

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 16: Trade and other payables

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current			
Creditors and accruals		721,474	5,462,698
Annual leave		295,529	232,411
Time in Lieu		46,208	36,540
		1,063,211	5,731,648
Non-current			
Annual leave		67,196	98,209
		67,196	98,209

Note 17: Borrowings

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current			
Loans - Queensland Treasury Corporation		423,159	405,640
		423,159	405,640
Non-current			
Loans - Queensland Treasury Corporation		2,736,828	3,153,652
		2,736,828	3,153,652
Loans-Queensland Treasury Corporation			
Opening balance at beginning of financial year		3,559,292	486,693
Loans raised		13,913	3,130,096
Principal repayments		(413,218)	(57,496)
Book value at end of financial year		3,159,987	3,559,292

The QTC loan market value at the reporting date was \$2,783,917.13 for the Fleet Loan, \$314,807.80 for the Forsyth Water Loan and \$132,018.69 for the Depot Administration Building Loan. 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.

Note 18: Provisions

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Current			
Long service leave		51,475	66,685
		51,475	66,685
Non-current			
Long service leave		211,789	145,075
		211,789	145,075
Long service leave			
Balance at beginning of financial year		211,760	168,204
Long service leave entitlement arising		66,715	(2,061)
Long service leave entitlement paid		(15,210)	45,617
		263,265	211,760

Note 19: Asset revaluation surplus

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
(i) Asset revaluation reserve			
Balance at beginning of financial year		87,293,709	75,210,540
Land and improvements		1,068,779	0
Buildings		0	3,153,033
Other Structures		15,597	3,304,106
Fleet and Plant		(7,490)	0
Road, drainage and bridge network		(4,174,065)	6,337,560
Water		0	(711,530)
Balance at end of financial year		84,196,531	87,293,709
(ii) Asset revaluation surplus analysis			
Land and improvements		1,099,481	30,702
Buildings		6,210,729	6,210,729
Other Structures		3,830,750	3,815,154
Fleet and Plant		0	7,490
Road, drainage and bridge network		72,233,871	76,407,937
Water		821,698	821,698
		84,196,531	87,293,709

Fleet and Plant revaluation adjustment is due to a prior misstatement which was recognised in the profit and loss in 2010. This has not been reflected in Note 15b.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 20: Retained surplus / (deficiency)

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Movements in retained surplus were as follows:			
Retained surplus/(deficit) at the beginning of the financial year		161,235	(862,731)
Net result attributable to Council		12,334,991	2,092,549
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended:			
Future capital works reserve		0	(171,900)
Capital Works Reserve		11,892	(73,035)
Capital Grants Reserve		17,548	(116,660)
		29,440	(361,595)
Transfers (to) recurrent reserves for future project funding, or from reserves funds that are expended:			
Future recurrent expenditure reserve		(11,223,166)	(700,534)
Transfers (to)/from shire capital			
Appn Profit/Loss on Sale of N/C Assets		184,594	(6,454)
Retained surplus at the end of the financial year		1,487,092	161,235

Note 21: Other reserves

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
(a) Reserves held for future capital expenditure:			
(i) Capital Grants Reserve		16,660	116,660
(ii) Plant Replacement		0	0
(iii) Future Capital Works Reserve		1,020,506	1,020,506
(iv) Capital Works Reserve		524,381	669,176
		1,561,547	1,806,342
(b) Reserves held for funding future recurrent expenditure:			
(v) Recurrent Expenditure Reserve		22,569,202	11,346,035
		22,569,202	11,346,035
Total reserves		24,130,749	13,152,377
(c) Movements in capital reserves:			
(i) Capital Grants Reserve			
Balance at beginning of financial year		116,660	0
Transfer (to)/from retained surplus for future Expenditure		(17,548)	116,660
Transfer to the shire capital expended in the period		(82,452)	0
Balance at end of financial year		16,660	116,660
(ii) Plant Replacement Reserve			
Balance at beginning of financial year		0	633,244
Transfer to the shire capital expended in the period		0	(633,244)
Balance at end of financial year		0	0

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

(iii) Future Capital Works Reserve		
Balance at beginning of financial year	1,020,506	1,192,087
Transfer from retained surplus for future expenditure	0	171,900
Transfer to the shire capital expended in the period	0	(343,481)
Balance at end of financial year	1,020,506	1,020,506
(iv) Capital Works Reserve		
Balance at beginning of financial year	669,176	596,140
Transfer (to)/from retained surplus for future expenditure	(11,892)	73,036
Transfer to the shire capital expended in the period	(132,903)	0
Balance at end of financial year	524,381	669,176
Movements in Recurrent reserves:		
(iv) Future recurrent expenditure reserve		
Balance at beginning of financial year	11,346,035	10,645,501
Transfer from retained surplus for future expenditure	13,930,671	6,169,943
Transfer to retained surplus	(2,707,504)	(5,469,409)
Balance at end of financial year	22,569,202	11,346,035

Note 22: Shire capital

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Calculation of retained surplus			
Cash and cash equivalents		19,536,642	19,537,693
Add: Outstanding Debtors 30 & 60 Days		7,011,651	410,665
Less: Reserves (other than Asset Revaluation Reserve)		(24,130,749)	(13,152,377)
Less: Funded depreciation carried forward		0	(869,190)
Less: Funded employee entitlements (non-current)		(211,789)	(145,075)
Less: Unspent loan funds		(481,231)	(1,632,387)
Less: Working cash requirement (proportion of rates to first collection date)		(237,432)	(3,988,094)
Retained surplus/(deficit)		1,487,092	161,235
Total capital and surplus		28,802,118	27,445,499
Capital account		27,315,026	27,284,264
Capital account opening balance		27,284,264	26,301,086
Transfer to/(from) capital balance		30,762	983,178
Closing balance		27,315,026	27,284,264

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 23: Reconciliation of result from ordinary activities to net

cash inflow (outflow) from operating activities

	<u>Notes</u>	<u>2010 Actual</u>	<u>2009 Actual</u>
Net operating result		12,334,991	2,092,549
Non-cash operating items:			
Depreciation and amortisation		2,214,774	1,647,431
Revaluation adjustments		46,467	0
Revaluation Fleet & Plant adjustment		(7,490)	
		2,253,751	1,647,431
Investing and development activities:			
Net (profit) / loss on disposal of non-current assets		184,594	(6,454)
Capital grants and contributions		(726,637)	(494,735)
		(542,043)	(501,189)
Financing activities:		0	0
Changes in operating assets and liabilities:			
(Increase) decrease in receivables		(5,747,944)	(2,308,227)
(Increase) decrease in inventory		128,436	(258,625)
Increase (decrease) in payables		(4,699,450)	5,294,843
Increase (decrease) in other provisions		51,504	43,556
		(10,267,454)	2,771,547
Net cash inflow from operating activities		3,779,245	6,010,338

Note 24: 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 2010 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 \$58,265.15.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

Note 25: Superannuation

Notes 2010 Actual 2009 Actual

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 Employee Benefits.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 1993.

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

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2009 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2009. The actuary indicated that "the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

In order to withstand a one in ten 'low return' outcome, the DBF would need reserves of the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions. "

Council has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. Under amendments to the Local Government Act 1993 passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be made as at 1 July 2012.

Contributions	399,837	313,114
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Note 26: Trust funds

Trust funds 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	37,075	43,065
	37,075	43,065

The Council performs only 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.

Note 27: Financial instruments

Notes 2010 Actual 2009 Actual

Etheridge Shire Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council. The Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.

When the Council borrows, it borrows from the Queensland Treasury Corporation. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Etheridge Shire Council measures risk exposure using a variety of methods as follows:

RISK EXPOSURE	MEASUREMENT METHOD
Interest rate risk	Sensitivity analysis
Liquidity risk	Maturity
Credit risk	Ageing analysis

(i) Credit risk exposure

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of these debts.

In other cases the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with other banks or financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with banks, Bendigo and National Australia Bank. and whilst not capital guaranteed, the likelihood of credit failure is remote.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely grazing, there is also a concentration in the mining sector.

The maximum exposure to credit risk at balance date in relation to each class of recognized financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security relating to the financial assets held by the Council.

Council's maximum exposure to credit risk is as follows:

Financial Assets	Note	2010	2009
Cash and cash equivalents	11	19,536,473	19,537,693
Receivables – rates	12	9,508	12,157
Receivables – other	12	9,193,852	3,366,485
Other credit exposure	24	58,265	50,920
		28,798,098	22,967,255

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

The following represents an analysis of the age of the Council's financial assets that are either fully performing, past due, or impaired.

	<u>Fully performing</u>	<u><30 days</u>	<u>30-60 days</u>	<u>61-90 days</u>	<u>Impaired</u>	<u>Total</u>
Receivables	6,360,114	651,536	1,236	2,640		7,015,527

(ii) 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. These facilities are disclosed in the note 17.

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:

2010	0 to 1 Year	1 to 5 years	Over 5 years	Total
Trade and other payables	721,474	0	0	721,474
Loans –QTC	598,096	2,392,385	881,793	3,872,274
	1,144,633	1,855,035	881,793	3,881,461
2009				
Trade and other payables	5,462,698			5,462,698
Loans –QTC	601,061	2,392,385	1,420,758	4,414,204
	5,551,204	2,050,029	1,420,758	9,021,991

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

(iii) Interest rate risk

The Council is exposed to interest rate risk through its finance lease borrowings, 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.

The Council does not undertake any hedging of interest rate risk.

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2010

	Net Carrying amount	Profit		Equity	
		2010 Actual	2009 Actual	2010 Actual	2009 Actual
Financial assets	0	6,664	9,370	6,664	9,370
Net total		6,664	9,370	6,664	9,370

Fair Value

The Council does not recognise any financial assets or financial liabilities at fair value.

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

The fair value of Borrowings is notified by the Queensland Treasury Corporation. It is calculated using discounted cash flow analysis and the effective interest rate (refer Note 17) and is disclosed below:

	2010	Fair Value	2009	Fair Value
	Carrying Amount		Carrying Amount	
	\$	\$	\$	\$
Financial Liabilities				
Financial liabilities at amortised cost:				
QTC Borrowings	3,159,987	3,872,274	3,559,292	4,414,204
Total	3,159,987	3,872,274	3,559,292	4,414,204

Note 28: Commitments for expenditure

Contractual commitments

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

	Notes	2010 Actual	2009 Actual
Provision of Ranger Services on the Einasleigh Common		30,386	0
Management of ESC Student Hostel		292,275	0
Town Maintenance Contract – Forsayth		0	16,220
Town Maintenance Contract – Einasleigh		26,048	0
Town Maintenance Contract – Mt Surprise		<u>26,048</u>	<u>10,485</u>
		374,758	26,706


Etheridge Shire Council Management Certificate

For the year ended 30 June 2010

These general purpose financial statements have been prepared pursuant to section 532 of the Local Government Act 1993 (the Act), the Local Government Finance Standard 2005 (the Standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that:-

- (i) the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- (ii) the financial statements for the year ended 30 June 2010 have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the financial performance and cash flows of Etheridge Shire Council for the financial year 1 July to 30 June 2010 and of the financial position as at the end of that year.


.....
Warren Devlin
Mayor

Date: 20.10.2010


.....
Les Edmestone
Chief Executive Officer

Date: 20.10.2010

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Etheridge Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Etheridge Shire Council, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Chief Executive Officer and Mayor.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1993* and *Local Government Finance Standard 2005* including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Etheridge Shire Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.

Derek Campbell
(as Delegate of the Auditor-General of Queensland)

Date 4/11/10.

Townsville