



ETHERIDGE SHIRE COUNCIL

Audited Annual Financial Statements

**01 July 2010
to
30 June 2011**

Etheridge Shire Council

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Etheridge Shire Council

Statement of Comprehensive Income

For the year ended 30 June 2011

	Notes	2011 Actual	2010 Actual
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	1,963,484	1,851,429
Fees and charges	3(b)	362,797	443,551
Rental income	3(c)	145,837	117,740
Interest received	3(d)	806,370	668,841
Sales revenue	3(e)	7,247,415	8,721,734
Grants, subsidies, contributions and donations	4(a)	9,820,530	24,252,592
Total recurrent revenue		20,346,432	36,055,888
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	676,040	726,637
Total capital revenue		676,040	726,637
Total revenue		21,022,472	36,782,525
Expenses			
Recurrent expenses			
Employee benefits	5	(4,882,344)	(5,177,810)
Materials and services	6	(25,382,893)	(16,618,737)
Finance costs	7	(183,584)	(205,152)
Depreciation and amortisation	8	(1,947,013)	(2,214,774)
Total recurrent expenses		(32,395,833)	(24,216,474)
Capital Expenses			
Capital Expenses	9	(27,525)	(231,060)
		(27,525)	(231,060)
Total expenses		(32,423,358)	(24,447,534)
Net Result		(11,400,886)	12,334,991
Other comprehensive income			
Increase / (decrease) in asset revaluation surplus		2,312,356	(3,097,179)
Total other comprehensive income for the year		2,312,356	(3,097,179)
Total comprehensive income for the year		(9,088,530)	9,237,812

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 2011

	Notes	2011 Actual	2010 Actual
Current Assets			
Cash and cash equivalents	10	13,312,127	19,536,473
Trade and other receivables	11	2,086,421	9,203,360
Inventories	12	1,782,125	1,115,443
Total current assets		17,180,672	29,855,276
Non-current Assets			
Property, plant and equipment	14b	118,482,490	111,400,886
Other financial assets	13	620,571	426,894
Total non-current assets		119,103,061	111,827,780
TOTAL ASSETS		136,283,733	141,683,056
Current Liabilities			
Trade and other payables	15	5,150,561	1,063,211
Borrowings	16	442,957	423,159
Provisions	17	78,611	51,475
Total current liabilities		5,672,129	1,537,845
Non-current Liabilities			
Trade and other payables	15	110,134	67,196
Borrowings	16	2,298,877	2,736,828
Provisions	17	161,725	211,789
Total non-current liabilities		2,570,737	3,015,813
TOTAL LIABILITIES		8,242,866	4,553,658
NET COMMUNITY ASSETS		128,040,867	137,129,398
Community Equity			
Asset revaluation surplus	18	86,508,886	84,196,531
Retained surplus/(deficiency)	19	33,320,164	28,802,118
Other reserves	20	8,211,817	24,130,749
TOTAL COMMUNITY EQUITY		128,040,867	137,129,398

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 2011

	Asset revaluation surplus		Retained surplus		Other reserves		Total	
	Notes		19		20			
	2011	2010	2011	2010	2011	2010	2011	2010
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Opening balance	84,196,531	87,293,709	28,802,118	27,445,499	24,130,749	13,152,378	137,129,398	127,891,586
Net operating surplus	0	0	(11,400,886)	12,334,991	0	0	(11,400,886)	12,334,991
Other comprehensive income for the year								
Increase/(decrease) in asset revaluation surplus	2,312,356	(3,097,179)	0	0	0	0	2,312,356	(3,097,179)
Total Comprehensive Income for the year	2,312,356	(3,097,179)	(11,400,886)	12,334,991	0	0	(9,088,530)	(3,097,179)
Transfers to and from reserves								
Transfers to reserves	0	0	(14,295,737)	244,795	14,295,737	(244,795)	0	0
Transfers from reserves	0	0	30,214,669	(11,223,166)	(30,214,669)	11,223,167	0	0
Total transfers to and from reserves	0	0	15,918,932	(10,978,371)	(15,918,932)	10,978,372	0	0
Closing balance	86,508,886	84,196,531	33,320,164	28,802,118	8,211,817	24,130,749	128,040,867	137,129,398

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 2011

	Notes	2011 Actual	2010 Actual
Cash flows from operating activities:			
Receipts from customers		18,122,555	3,700,926
Payments to suppliers and employees		(28,270,923)	(24,759,097)
		(10,148,368)	(21,058,171)
Interest received		806,370	668,841
Rental income		145,837	117,740
Non-capital grants and contributions		9,820,530	24,252,592
Borrowing costs		(179,943)	(201,757)
Net cash inflow (outflow) from operating activities	21	444,426	3,779,245
Cash flows from investing activities:			
Payments for property, plant and equipment		(7,223,993)	(4,657,548)
Proceeds from sale of property, plant and equipment	9	297,334	549,750
Grants, subsidies, contributions and donations		676,040	726,637
Net cash inflow (outflow) from investing activities		(6,250,619)	(3,381,161)
Cash flows from financing activities			
Proceeds from borrowings		0	13,913
Repayment of borrowings		(418,153)	(413,218)
Net cash inflow (outflow) from financing activities		(418,153)	(399,304)
Net increase (decrease) in cash held		(6,224,346)	(1,220)
Cash at beginning of reporting period		19,536,473	19,537,693
Cash at end of reporting period	10	13,312,127	19,536,473

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

Etheridge Shire Council

Note 1: Summary of significant accounting policies

For the year ended 30 June 2011

1.A Basis of Preparation

These general purpose financial statements for the period 1 July 2010 to 30 June 2011 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the *Local Government Act 2009* and the *Local Government (Finance, Plans and Reporting) Regulation 2010*.

These financial statements have been prepared under the historical cost convention except for 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 Individual Entity

The Etheridge Shire Council discloses that the Financial Statements are for an Individual Entity.

1.D Constitution

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

1.E 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.F Currency

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

1.G 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 not resulted in any material changes to Council's accounting policies.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

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 or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2013
AASB 124 <i>Related Party Disclosures</i> (December 2009)	1 January 2011
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 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
2009-14 <i>Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14)</i> (December 2009)	1 January 2011
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2010-4 <i>Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project</i>	1 January 2011
AASB 2010-5 <i>Amendments to Australian Accounting Standards</i>	1 January 2011
AASB 2010-6 <i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets</i>	1 July 2011
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2013
AASB 2010-8 <i>Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets</i>	1 January 2012
AASB 2010-9 <i>Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>	1 July 2011
AASB 2010-10 <i>Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters</i>	1 January 2013
AASB 1054 <i>Australian Additional Disclosures</i>	1 July 2011
2011-1 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project</i> [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	1 July 2011
2011-2 <i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements</i> [AASB 101 & AASB 1054]	1 July 2013
2011-3 <i>Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</i> [AASB 1049]	1 July 2012
2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i> [AASB 124]	1 July 2013
2011-5 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation</i> [AASB 127, AASB 128 & AASB 131]	1 July 2011
2011-6 <i>Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</i> [AASB 127, AASB 128 & AASB 131]	1 July 2013
2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i> [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]	1 Jan 2013
2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132]	1 Jan 2013
2011-9 <i>Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income</i> [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 134, 1039 & 1049]	1 Jul 2012

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14]

1 Jan 2013

2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements

1 Jul 2013

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.

The reported results and position of the council will not change on adoption of the other pronouncements as they do not result in any changes to the council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The council does not intend to adopt any of these pronouncements before their effective dates.

1.H Critical accounting judgments 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.

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.R and Note 14b.

Impairment of property, plant and equipment - Note 1.U and Note 9.

Provisions - Note 1.X and Note 17.

Contingencies - Note 22.

1.I Rates, Grants and Other Revenue

Rates, Grants and Other Revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds.

Rates and Levies

Where rate monies are received prior to the commencement of the rating 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.

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 transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the capital grants reserve. Council spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose.

Where the Etheridge Shire Council has an obligation to use a grant or subsidy in a particular manner the amount is recognised as revenue on receipt. An equivalent amount is placed in the constrained works reserve until the obligation is satisfied.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Non-cash contributions

Non-cash contributions in excess of the recognition thresholds set out in note 1.R in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue only.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition

Rental Income

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

Interest and dividends

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

1.J 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.K)
Receivables - measured at amortised cost (Note 1.L)
Other financial asset (Note 1.M)

Financial liabilities

Payables - measured at amortised cost (Note 1.W)
Borrowings - measured at amortised cost (Note 1.Y)

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

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 25 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 25.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

1.K 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.L 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.M Other Financial Assets

Other Financial Assets are recognised at valuation.

1.N Inventories

Stores and raw materials 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.

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 the lower of cost and replacement cost.

1.O Land Held for Resale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. 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.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

1.P 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 2011 Council invests the 2010 Advance Flood Damage money as a 30 day Term Deposit.

The Etheridge Shire Council does not have any controlled entities.

1.Q 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.

Property that is being constructed or developed for future use as investment property is classified as investment property. 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.R 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 \$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.

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

- Land
- Buildings
- Other structures
- Fleet Plant and Equipment
- Furniture & Other Equipment
- Road 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.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

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, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment*. 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 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.

Details of valuers and methods of valuations are disclosed in Note 14a.

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.

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.Q 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.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

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 14b.

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.S Intangible Assets

Etheridge Shire Council does not own or maintain any intangible assets.

1.T Biological Assets

The Etheridge Shire Council does not have any Biological Assets.

1.U Impairment of Non Current Assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. 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 asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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 increase.

1.V Leases

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

1.W 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.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

1.X Liabilities - Employee Benefits

Employee benefits are accrued for such items 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 entitlements are assessed at each reporting date. Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

(i) 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 15 as a payable.

(ii) 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 15 as a payable.

(iii) 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.

(iv) 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 23.

(v) 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 17 as a provision.

1.Y Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost. All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

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 reported in the surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1.AA 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) 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.

(ii) 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.

(iii) Future capital works reserve

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

(iv) Capital Works Reserve

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

(v) 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.AB Retained Surplus

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

1.AC National Competition Policy

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

1.AD Rounding and Comparatives

The financial statements have been rounded to the nearest \$1. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

1.AE 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 Etheridge Shire Council performs only a custodian role in respect of these monies and because the monies cannot be used for Etheridge Shire 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 24.

1.AF 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 2011

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

Organisational Excellence & Governance

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

Strategic Planning

To ensure the aspirations and safety of our community will be achieved through collaborative planning and action.

Economic Development

To stimulate investment for existing and new industries creating a sustainable, diverse economy that is regionally significant.

Infrastructure Services

To ensure that service delivery and infrastructure is rolled out, maintenance and improvement underpins a healthy and growing economy and a comfortable lifestyle in the gulf region.

Commercial Services

To ensure that substantial income is awarded and generated for foundation services, building infrastructure and implementing regional and local priorities.

Community and Lifestyle

To provide accessible lifestyle choices through the provision of recreational and public facilities and services that will enhance community health, happiness and connections.

Etheridge Shire Council

Note 2b: Analysis of Results by Function

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

Year ended 30 June 2011

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other	2011			2011	2011	2011	2011
	2011	2011	2011	2011	2011	2011	2011	2011	2011	2011	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Organisational Excellence & Governance	3,178,320	2,673,159			5,851,479	2,787,890	27,525	2,815,415	3,063,589	3,036,063	17,180,672
Strategic Planning		10,095			10,095	13,518		13,518	(3,423)	(3,423)	-
Economic Development		500			500	61,975		61,975	(61,475)	(61,475)	1,422,533
Infrastructure Services	6,497,890	7,379,622	371,500		14,249,013	28,032,633		28,032,633	(14,155,121)	(13,783,620)	96,119,268
Water		213,638			213,638	431,806		431,806	(218,168)	(218,168)	4,291,954
Environmental Sustainability		85,972	172,410		258,382	309,051		309,051	(223,078)	(50,668)	151,177
Commercial Services	95,650	158,951			254,601	431,613		431,613	(177,012)	(177,012)	
Community & Lifestyle	48,670	3,965	132,129		184,764	327,346		327,346	(274,711)	(142,583)	17,118,129
Total Council	9,820,530	10,525,902	676,040		21,022,472	32,395,833	27,525	32,423,358	(12,049,400)	(11,400,886)	136,283,733

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Year ended 30 June 2010

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2010	2010	2010	2010		2010	2010				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Organisational Excellence & Governance	2,852,503	2,555,359			5,407,862	3,522,515	184,594	3,707,108	1,885,347	1,700,754	25,755,410
Strategic Planning		20,955			20,955	106,115		106,115	(85,159)	(85,159)	36,260,979
Economic Development		25,000			25,000	616,465		616,465	(591,465)	(591,465)	-
Infrastructure Services	21,001,252	8,814,695	572,086		30,388,033	17,481,122	46,467	17,527,588	12,334,825	12,860,445	75,108,831
Water	28,800	185,835			214,635	398,836		398,836	(184,201)	(184,201)	3,764,716
Environmental Sustainability	169,000	32,753			201,753	343,372		343,372	(141,619)	(141,619)	-
Commercial Services	94,831	159,020			253,851	333,076		333,076	(79,226)	(79,226)	426,894
Community & Lifestyle	106,205	9,680	154,551		270,436	1,414,973		1,414,973	(1,299,088)	(1,144,537)	366,226
Total Council	24,252,592	11,803,298	726,637		36,782,525	24,216,474	231,061	24,447,533	11,839,414	12,334,991	141,683,056

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 3: Revenue analysis

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(a) Rates and charges			
General rates		1,970,236	1,852,245
Water		156,354	142,983
Water consumption, rental and sundries		81,799	90,498
Waste management		20,760	13,115
Garbage charges		62,370	61,245
Total rates and utility charge revenue		2,291,518	2,160,086
Less: Discounts		(320,352)	(291,749)
Less: Pensioner remissions		(7,682)	(16,907)
Net rates and utility charges		1,963,484	1,851,429
(b) Fees and charges			
Building and development fees		10,095	20,956
Licences and registrations		9,705	86
TerrEstrial Centre		62,263	64,594
Child Care Centre		27,145	17,013
Hostel Fees		69,543	65,009
Einasleigh Common		2,064	27,270
House & Land Sales		500	151,727
Other fees and charges		181,482	96,896
		362,797	443,551
(c) Rental income			
Other rental income		145,837	117,740
		145,837	117,740
(d) Interest received			
Interest received from term deposits		804,050	666,466
Interest from overdue rates and utility charges		2,320	2,375
		806,370	668,841
(e) Sales - Contract and recoverable works			
Contracts and recoverable works		7,035,672	8,630,332
Private Works		211,743	91,402
		7,247,415	8,721,734

The amount recognized 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 2011

Note 4: Grants, Subsidies, Contributions and Donations

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(a) Recurrent - government grants, subsidies, and other contributions are analysed as follows			
General purpose grants		3,174,820	2,720,890
State Government subsidies and grants		6,462,090	7,707,221
Federal subsidies and grants		176,620	13,824,481
Donations		7,000	0
Total recurrent revenue		9,820,530	24,252,592
(b) Capital - government grants and subsidies, and other contributions are analysed as follows			
State Government subsidies and grants		676,040	611,430
Federal Government subsidies and grants		0	115,207
Total capital revenue		676,040	726,637
(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		7,428,148	13,883,634

Note 5: Employee costs

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Total staff wages and salaries		4,496,925	4,342,913
Councillors' remuneration		167,020	164,002
Annual, and long service leave entitlements		378,575	482,922
Superannuation	23	419,378	399,837
		5,461,898	5,389,675
Other employee related expenses		162,130	134,990
		5,624,028	5,524,665
Less: Capitalised employee expenses		(741,685)	(346,855)
		4,882,344	5,177,810

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

Total Council employees at period end

Elected members	5	5
Administrative staff	23	23.5
Child Care	2	2.5
Depot and outdoors staff	46	50
Total full time equivalent employees	76	81

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 6: Materials and services

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Administration supplies and consumables		84,597	82,641
Audit services		50,400	43,028
Contract Works		3,231,799	3,396,402
Contract Works-Flood Damage 2008		0	1,436,104
Contract Works-Flood Damage 2009		2,860,179	2,220,550
Contract Works-Flood Damage 2010		235,164	0
Contract Works-Flood Damage 2011		248,893	0
Einasleigh River Bridge		12,415,332	3,048,831
Auslink-Carpentaria		0	1,162,301
Auslink-Department Main Roads		4,184,851	0
Communications and IT		264,937	255,737
Consultants		199,524	30,241
Repairs, Maintenance & Power		501,786	420,902
Other material and services		820,035	2,764,853
Camping Maintenance Expense		8,273	1,382,835
Travel		114,485	21,782
Water		71,192	194,501
Waste		91,447	158,029
		25,382,893	16,618,737

Note 7: Finance costs

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Finance costs charged by Queensland Treasury Corporation		179,943	201,757
Bank charges		3,641	3,395
		183,584	205,152

Note 8: Depreciation and amortisation

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(a) Depreciation of non-current assets			
Buildings		95,012	88,202
Plant and Equipment		1,046,415	1,005,630
Furniture and Other Equipment		15,003	17,105
Other Structures		157,463	132,583
Road, drainage and bridge network		512,601	851,231
Water		120,518	120,023
Total depreciation of non-current assets		1,947,013	2,214,774

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 9: Capital expenses

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Loss on impairment			
Property, plant and equipment		0	3,903,181
Impairment loss offset against asset revaluation surplus		0	(3,903,181)
Total Impairment		0	0
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale of property, plant and equipment.		266,382	549,750
Less: Book value of property, plant and equipment disposed of		(314,055)	(734,344)
		(47,673)	(184,594)
Gain (loss) on the disposal of land held for resale			
Proceeds from the sale of land		30,952	0
Less: Cost to develop land		(10,804)	0
		20,148	0
Revaluation decrement			
Revaluation down of property, plant and equipment		0	(46,467)
		0	(46,467)
Total capital expenses		27,525	(231,060)

Note 10: Cash and cash equivalents

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Cash at bank and on hand		(122,585)	131,922
Deposits at call		11,315,788	6,631,927
Term deposits		2,118,924	12,772,624
Balance per Cash Flow Statement		13,312,127	19,536,473

Cash and deposits are held in Bendigo Bank in normal business cheque accounts and one year term deposits. Cash is also held in Queensland Treasury Corporation in cash management accounts.

Bendigo Bank has a short term credit rating of BBB+.

Queensland Treasury Corporation has a short term credit rating of A1+.

A term deposit is held with Bendigo Bank for 30 days.

Note 11: Trade and other receivables

For the year ended 30 June 2011

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(a) Current			
Rateable revenue and utility charges		18,659	9,508
Other debtors		1,911,494	8,994,955
GST recoverable		54,696	141,209
Prepayments		101,572	57,688
		2,086,421	9,203,360

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 12: Inventories

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Current			
Inventories for distribution:			
Plant and equipment stores		387,196	364,926
Total inventories for distribution		387,196	364,926
House and Land for resale			
House and Land for resale		1,394,929	750,517
Total inventories		1,782,125	1,115,443

Note 13: Other financial assets

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Non-current			
Other Assets TerrEstrial Mineral Collections		620,571	426,894
		620,571	426,894

Note 14a: Property, Plant and Equipment Valuations

For the year ended 30 June 2011

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.

A review was undertaken as at 30 June 2011 based on relevant indexes and as no material movement has occurred, no revaluations adjustments have been provided for as at 30 June 2011.

Buildings

Buildings assets held by Etheridge Shire Council were independently valued at fair value by Australian Pacific Valuers, as at 30 June 2009.

A review was undertaken as at 30 June 2011 based on relevant indexes and as no material movement has occurred, no revaluations adjustments have been provided for as at 30 June 2011.

Fleet

Fleet, Plant and Equipment is measured at original cost less accumulated depreciation. Adjustments have been made for the revaluation of caravans that were refurbished.

Furniture and Other Equipment

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

Infrastructure

Water Infrastructure

Water and sewerage infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2009.

A review was undertaken as at 30 June 2011 based on relevant indexes and as no material movement has occurred, no revaluations adjustments have been provided for as at 30 June 2011.

Road and Drainage Infrastructure

Road and drainage infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2009.

A review was undertaken as at 30 June 2011 based on relevant indexes and as no material movement has occurred, no revaluations adjustments have been provided for as at 30 June 2011.

Other Structures Infrastructure

Other structures infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2009.

A review was undertaken as at 30 June 2011 based on relevant indexes and as no material movement has occurred, no revaluations adjustments have been provided for as at 30 June 2011.

Natural Disaster

Etheridge Shire Council was included under the NDRRA trigger points as a result of T.C. Yasi. While the impacts if T.C. Yasi were moderate for the Etheridge Shire, Council has been able to undertake a full assessment of Council's asset classes and furthermore it has been able to make the assumption that there was not a major material impact as a result of this event.

Note 14b: Council Property, Plant and Equipment

For the year ended 30 June 2011

		LAND	BUILDINGS	OTHER STRUCTURES	FLEET P & E	FURN & OTHER EQUIP	ROAD INFRAST	WATER INFRAST @	WORK IN PROGRESS	TOTAL
	Note	Revaluation	Revaluation	Revaluation	Cost/ Revaluation	Cost	Revaluation	Revaluation	Cost	
Basis of measurement										
Opening gross value		1,365,532	13,415,212	7,775,874	9,730,513	541,866	91,964,291	5,961,320	2,637	130,757,245
Additions at cost		-	-	-	-	-	-	-	7,223,993	7,223,993
Disposals	9	(5,165)	-	-	(540,460)	-	(138,846)	17,577	-	(702,048)
Revaluation adjustment to the ARS	18	43,205	-	-	104,000	-	-	-	-	147,205
Transfers between classes		18,961	61,285	258,220	831,069	-	1,101,108	36,897	(2,307,540)	-
Closing gross value		1,422,533	13,476,497	8,034,094	10,125,122	541,866	92,926,553	5,980,640	4,919,090	137,426,395
Accumulated Depreciation										
Opening balance		-	3,308,809	965,101	2,858,900	392,938	9,634,005	2,196,604	-	19,356,358
Depreciation provided in period	8	-	95,012	157,463	1,046,415	15,004	512,601	120,518	-	1,947,013
Depreciation on disposals	9	-	-	-	(362,939)	-	(17,189)	(7,865)	-	(387,993)
Revaluation adjustment to the ARS	18	-	-	-	17,234	-	(1,988,707)	-	-	(1,971,473)
Accumulated depreciation at period end		-	3,403,821	1,122,564	3,559,610	407,942	8,140,710	2,309,257	-	18,943,904
Total written down value at period end		1,422,533	10,072,676	691,530	6,565,512	133,924	84,785,843	3,671,383	4,919,090	118,482,490
Residual value		-	4,514,140	1,839,045	3,809,084	2,400	4,949,485	-	-	15,114,154
Range of estimated useful life in years		not depreciated	3-100	5-80	2-20	3-80	1-100	10-100		

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 14b: Council Property, Plant and Equipment For the year ended 30 June 2010

		LAND	BUILDINGS	OTHER STRUCTURES	FLEET P& E	FURN & OTHER EQUIP	ROAD INFRAST	WATER INFRAST @	WORK IN PROGRESS	TOTAL
	Note	Revaluation	Revaluation	Revaluation	Cost/ Revaluation	Cost	Revaluation	Revaluation	Cost	
Basis of measurement										
Opening gross value		215,271	13,072,560	7,415,496	7,738,415	516,514	91,215,008	5,948,207	1,025,300	127,146,411
Additions at cost		-	-	-	-	-	-	-	4,657,548	4,657,548
Disposals	9	(20,551)	-	(41,279)	(1,311,717)	-	-	-	-	(1,373,548)
Revaluation adjustment to the ARS	18	1,068,779	-	16,204	-	-	49,575	-	-	1,134,559
Revaluation adjustment to income	9	-	-	(87,125)	-	-	-	-	-	(87,125)
Transfers between classes		102,033	342,652	472,578	3,303,815	25,712	699,708	13,113	(4,959,611)	-
Closing gross value		1,365,532	13,415,212	7,775,874.00	9,730,513	541,866	91,964,291	5,961,320	2,637	130,757,245
Accumulated Depreciation										
Opening balance		-	3,220,607	880,018	2,485,024	375,834	4,559,134	2,076,581	-	13,597,199
Depreciation provided in period	8	-	88,202	132,583	1,005,630	17,105	851,231	120,023	-	2,214,774
Depreciation on disposals	9	-	-	(7,449)	(631,755)	-	-	-	-	-639,204
Revaluation adjustment to the ARS	18	-	-	608	17,234	-	320,459	-	-	321,067
Impairment adjustment to ARS		-	-	-	-	-	(3,903,181)	-	-	(3,903,181)
Revaluation adjustment to Income	9	-	-	(40,658)	-	-	-	-	-	(40,658)
Accumulated depreciation at period end		-	3,308,809	965,101	28,589,000	392,938	9,634,005	2,195,604	-	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		-	4,514,140	1,839,045	3,809,084	2,400	4,949,485	-	-	15,114,154
Range of estimated useful life in years		not depreciated	3-100	5-80	2-20	3-80	1-100	10-100		

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 15: Trade and other payables

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Current			
Creditors and accruals		4,882,800	721,474
Annual leave		218,575	295,529
Time in Lieu		49,186	46,208
		5,150,561	1,063,211
Non-current			
Annual Leave		110,134	67,196
		110,134	67,196

Note 16: Borrowings

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Current			
Loans - Queensland Treasury Corporation		442,957	423,159
		442,957	423,159
Non-current			
Loans - Queensland Treasury Corporation		2,298,877	2,736,828
		2,298,877	2,736,828
Loans-Queensland Treasury Corporation			
Opening balance at beginning of financial year		3,159,987	3,559,292
Loans raised		0	13,913
Principal Repayments		(418,153)	(413,218)
Book value at end of financial year		2,741,834	3,159,987

The QTC loan market value at the reporting date was \$2,386,432.04 for the Fleet Loan, \$126,811.69 for the Forsyth Water loan and \$286,853.91 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 17: Provisions

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Current			
Long service leave		78,611	51,475
		78,611	51,475
Non-current			
Long service leave		161,725	211,789
		161,725	211,789
(c) Long service leave			
Balance at beginning of financial year		263,264	211,760
Long service leave entitlement arising		(50,064)	66,715
Long service leave entitlement paid		27,136	(15,210)
		240,336	263,265

Note 18: Asset revaluation surplus

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(i) Asset revaluation surplus			
Balance at beginning of financial year		84,196,531	87,293,709
Land and improvements		43,205	1,068,779
Other Structures		0	15,597
Fleet and Plant		86,766	(7,490)
Road, drainage and bridge network		1,988,707	(4,174,065)
Heritage Collection		193,677	0
Balance at end of the year		86,508,886	84,196,531
(ii) Asset revaluation surplus analysis			
Land and improvements		1,142,687	1,099,481
Buildings		6,210,729	6,210,729
Other Structures		3,830,750	3,830,750
Fleet and Plant		86,766	0
Road, drainage and bridge network		74,222,578	72,233,871
Water		821,698	821,698
Heritage Collection		193,677	0
		86,508,886	84,196,531

Furniture and other equipment are not routinely revalued and no asset revaluation surplus account is maintained for this class of assets.

Note 19: Retained surplus

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Retained surplus/(deficit) at the beginning of the financial year		28,802,118	27,445,499
Net result attributable to Council		(11,400,886)	12,334,991
Transfers (to)/from capital reserves for future capital project funding, or from reserves funds that			
Plant Replacement Reserve		(581,912)	0
Capital Works Reserve		(173,100)	144,794
Capital Grants Reserve		0	100,000
		(755,012)	244,794
Transfers (to) recurrent reserves for future capital project funding, or from reserves funds			
Recurrent expenditure reserve		16,673,944	(11,223,166)
Retained surplus at the end of the financial year		33,320,164	28,802,118

Note 20: Other reserves

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
(a) Reserves held for future capital expenditure:			
(ii) Capital Grants Reserve		16,660	16,660
(iii) Plant Replacement Reserve		581,912	0
(iv) Future Capital Works Reserve		1,020,506	1,020,506
(v) Capital Works Reserve		697,481	524,381
		2,316,559	1,561,547
(b) Reserves held for funding future recurrent expenditure:			
(i) Recurrent expenditure reserve		5,895,258	22,569,202
		5,895,258	22,569,202
Total reserves		8,211,817	24,130,749
(c) Movements in capital reserves:			
(i) Capital Grants Reserve			
Balance at beginning of financial year		16,660	116,660
Transfer from retained surplus for future expenditure		0	(17,548)
Transfer to retained surplus/capital funds expended in the period		0	(82,452)
Balance at the end of period		16,660	16,660
(ii) Plant Replacement Reserve			
Balance at beginning of financial year		0	0
Transfer from retained surplus for future expenditure		731,912	0
Transfer to retained surplus/capital funds expended in the period		(150,000)	0
Balance at end of financial year		581,912	0
(iii) Future Capital Works Reserve			
Balance at the beginning of financial year		1,020,506	1,020,506
Transfer from retained surplus for future expenditure		0	0
Transfer to retained surplus/capital funds expended in the period		0	0
Balance at the end of period		1,020,506	1,020,506

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

(iv) Capital works reserve

Balance at the beginning of financial year	524,381	669,176
Transfer (to)/from retained surplus for future expenditure	4,162,581	(11,892)
Transfer to Shire capital expended in the period	(3,989,481)	(132,903)
Balance at the end of period	697,481	524,381

(d) Movements in Recurrent reserves:

(i) Future recurrent expenditure reserve

Balance at beginning of financial year	22,569,202	11,346,035
Transfer from retained surplus for future expenditure	13,280,825	13,930,671
Transfer to the retained surplus funds expended in the period	(29,954,769)	(2,707,504)
Balance at end of financial year	5,895,258	22,569,202

Note 21: Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Net operating result		(11,400,886)	12,334,991
Non-cash operating items:			
Depreciation and amortisation		1,947,013	2,214,774
Revaluation adjustments		0	46,467
Revaluation Fleet & Plant adjustment		0	(7,490)
		1,947,013	2,253,751
Investing and development activities:			
Net (profit)/loss on disposal of non-current assets		47,674	184,594
Net (profit)/loss on Land Sales		(20,148)	0
Capital grants and contributions		(676,040)	(726,637)
		(648,514)	(542,043)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables		7,116,939	(5,747,944)
(Increase) decrease in inventory		(677,486)	128,436
Increase (decrease) in payables		4,130,288	(4,699,450)
Increase (decrease) in other provisions		(22,928)	51,504
		10,546,813	(10,267,454)
Net cash inflow from operating activities		444,426	3,779,245

Note 22: 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 2011 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 \$71,115.46.

Litigation Matters

As at the 30th June 2011 the following cases were filled in the courts naming Etheridge Shire Council as defendant.

Federal Magistrates Court (Brisbane) – Application No. BRG0005/11

In respect of the litigation before the Court at this time, the matter relates to an alleged allegation of Age and Disability Discrimination. Etheridge Shire Council will not be exposed to any financial loss regarding this litigation matter as Etheridge Shire Council has been granted indemnity through it's insurer Local Government Mutual (L.G.M.)

It is not possible to make a reliable determination on the decision date by the Courts, however all submissions by the Claimant and the Defendant (Etheridge Shire Council) are required to be submitted to the courts by the 26 September 2011. The court will then review all of the material and make its decision.

Note 23: Superannuation

The Etheridge Shire Council contributes to the Local Government Superannuation Scheme (Qld). 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 2009.

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 2010 (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 the Local Government Act 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.

<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	419,378	399,837

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 24: Trust funds

	<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		1,202	37,075
		1,202	37,075

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.

Note 25: Financial Instruments

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

Credit risk
Liquidity risk
Interest rate risk

MEASUREMENT METHOD

Ageing analysis
Maturity
Sensitivity 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 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 the Bendigo 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 due to the area being largely grazing.

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

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:

	Note	2011 Actual	2010 Actual
Financial assets		\$	\$
Cash and cash equivalents	10	13,312,127	19,536,473
Receivables - rates	11	18,659	9,508
Receivables - other	11	1,966,190	9,145,672
Other credit exposure	22	71,115	58,265
		15,368,091	28,749,918

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

30-Jun-11

	Fully performing	< 30 days	30 - 60 days	61 - 90 days	Total
Receivables	1,963,426	2,258	0	19,165	1,984,849

30-Jun-10

	Fully performing	< 30 days	30 - 60 days	61 - 90 days	Total
Receivables	8,490,260	651,536	1,236	12,148	9,155,180

(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 16.

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
2011	\$	\$	\$	\$
Trade and other payables	4,882,800	0	0	4,882,800
Loans - QTC	598,096	2,392,384	287,255	3,277,735
	5,480,896	2,392,384	287,255	8,160,535

Etheridge Shire Council

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2010	\$	\$	\$	\$
Trade and other payables	721,474	0	0	721,474
Loans - QTC	598,096	2,392,385	881,793	3,872,274
	1,319,570	2,392,385	881,793	4,593,748

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 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.

	Net carrying amount		Profit		Equity	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Financial Assets	13,312,127	19,536,473	133,121	195,365	133,121	195,365
Net Total		0	133,121	195,365	133,121	195,365

(iv) 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 value hierarchy that reflects the significance of the inputs used in making these measurements:

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 16) and is disclosed below:

	2011 Carrying Amount	Fair Value	2010 Carrying Amount	Fair Value
Financial Liabilities				
Financial liabilities at amortised cost:				
QTC Borrowings	2,741,834	3,277,735	3,159,987	3,872,274
Total	2,741,834	3,277,735	3,159,987	3,872,274

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2011

Note 26: Events after the reporting period

There were no material adjusting events after the balance date.

Note 27: Commitments for expenditure

Contractual commitments

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

		<u>Notes</u>	<u>2011 Actual</u>	<u>2010 Actual</u>
Provision of Ranger Services on the Einasleigh Common	31/08/2009 to 30/08/2011		4,333	30,386
Management of ESC Student Hostel	01/01/2010 to 30/06/2013		194,443	292,275
Town Maintenance Contract – Einasleigh	01/07/2011 to 01/07/2013		54,600	26,048
Town Maintenance Contract – Mt Surprise	01/07/2011 to 01/07/2013		<u>52,000</u>	<u>26,048</u>
Total Commitments			305,376	374,758

