

ETHERIDGE SHIRE COUNCIL  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009

# Etheridge Shire Council

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**Income Statement**  
For the year ended 30 June 2009

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Net rate and utility charges	3	1,755,877	1,066,229
Fees and charges	3	390,645	396,277
Rental income	3	22,508	18,181
Interest received	3	937,020	1,001,827
Sales - contract and recoverable works		6,629,406	3,123,033
Grants, subsidies, contributions and donations	5	13,782,414	4,644,567
<b>Total recurrent revenue</b>		<b>23,517,869</b>	<b>10,250,115</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	5	494,735	251,477
<b>Total capital revenue</b>		<b>494,735</b>	<b>251,477</b>
<b>Total revenue</b>		<b>24,012,604</b>	<b>10,501,591</b>
<b>Gain/(loss) on disposal of non-current assets</b>		<b>6,454</b>	<b>(79,342)</b>
<b>Total income</b>		<b>24,019,058</b>	<b>10,422,249</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	7	(4,310,108)	(3,264,053)
Materials and services	8	(15,934,764)	(5,511,612)
Finance costs	4	(34,207)	(36,164)
Depreciation and amortisation	9	(1,647,431)	(1,448,242)
<b>Total recurrent expenses</b>		<b>(21,926,509)</b>	<b>(10,260,071)</b>
<b>Total expenses</b>		<b>(21,926,509)</b>	<b>(10,260,071)</b>
<b>Net result attributable to council</b>		<b>2,092,549</b>	<b>162,178</b>

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

**Balance Sheet**  
as at 30 June 2009

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Current Assets</b>			
Cash and cash equivalents	10	19,537,693	13,945,738
Trade and other receivables	11	3,455,416	1,147,191
Inventories	12	523,279	230,708
		<b>23,516,388</b>	<b>15,323,637</b>
Non-current assets classified as held for sale	14	0	33,945
<b>Total current assets</b>		<b>23,516,388</b>	<b>15,357,582</b>
<b>Non-current Assets</b>			
Other Assets	13	426,894	426,894
Property, plant and equipment	15	112,523,912	98,250,449
Capital works in progress	16	1,025,300	870,854
<b>Total non-current assets</b>		<b>113,976,106</b>	<b>99,548,196</b>
<b>TOTAL ASSETS</b>		<b>137,492,494</b>	<b>114,905,779</b>
<b>Current Liabilities</b>			
Trade and other payables	17	5,731,648	535,014
Borrowings	18	405,640	30,262
Provisions	19	66,685	21,068
Other			0
<b>Total current liabilities</b>		<b>6,203,973</b>	<b>586,344</b>
<b>Non-current Liabilities</b>			
Trade and other payables	17	98,209	0
Borrowings	18	3,153,652	456,431
Provisions	19	145,075	147,136
<b>Total non-current liabilities</b>		<b>3,396,935</b>	<b>603,567</b>
<b>TOTAL LIABILITIES</b>		<b>9,600,908</b>	<b>1,189,911</b>
<b>NET COMMUNITY ASSETS</b>		<b>127,891,585</b>	<b>113,715,868</b>
<b>Community Equity</b>			
Shire capital		27,284,264	26,301,086
Asset revaluation reserve	20	87,293,709	75,210,540
Retained surplus/(deficiency)		161,235	(862,731)
Other reserves	21	13,152,377	13,066,972
<b>TOTAL COMMUNITY EQUITY</b>		<b>127,891,585</b>	<b>113,715,868</b>

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

**Statement of Cash Flows**  
For the year ended 30 June 2009

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Cash flows from operating activities:</b>			
Receipts from customers		8,895,072	10,603,198
Payments to suppliers and employees		(15,260,533)	(9,632,697)
		<b>(6,365,461)</b>	<b>970,501</b>
Interest received		931,645	1,001,255
Rental income		22,508	18,181
Non capital grants and contributions		11,271,901	720,039
Borrowing costs		(31,010)	(32,076)
<b>Net cash inflow (outflow) from operating activities</b>	<b>28</b>	<b>5,829,583</b>	<b>2,677,900</b>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(4,060,983)	(1,706,465)
Proceeds from sale of property, plant and equipment		109,211	220,231
<b>Net cash inflow (outflow) from investing activities</b>		<b>(3,951,772)</b>	<b>(1,486,234)</b>
<b>Cash flows from financing activities</b>			
Grants, subsidies, contributions and donations		641,545	251,477
Proceeds from borrowings		3,130,096	0
Repayment of borrowings	24	(57,496)	(26,334)
<b>Net cash inflow (outflow) from financing activities</b>		<b>3,714,144</b>	<b>225,143</b>
<b>Net increase (decrease) in cash held</b>		<b>5,591,955</b>	<b>1,416,809</b>
Cash at beginning of reporting period		13,945,738	12,528,929
<b>Cash at end of reporting period</b>	<b>10</b>	<b>19,537,693</b>	<b>13,945,738</b>

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 2009**

	Notes	Shire capital		Asset revaluation reserve		Retained surplus		Other reserves		Total	
		2009		2008		2009		2008		2009	
		Actual		Actual		Actual		Actual		Actual	
Opening balance		26,301,086	26,098,578	75,210,540	52,116,483	(862,731)	(864,915)	13,066,972	13,109,486	113,715,868	90,459,633
Adjustments to opening equity		0	0	0	0	0	0	0	0	0	0
Adjusted opening equity		26,301,086	26,098,578	75,210,540	52,116,483	(862,731)	(864,915)	13,066,972	13,109,486	113,715,868	90,459,633
				Note 31				Note 34			
				2009	2008	2009	2008	2009	2008	2009	2008
				Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Revaluations of property, plant and equipment		0	0	12,083,169	23,094,057	0	0	0	0	12,083,169	23,094,057
Net income recognised directly in equity		0	0	12,083,169	23,094,057	0	0	0	0	12,083,169	23,094,057
Surplus for the period		0	0	0	0	(325,814)	162,178	0	0	2,095,549	162,178
Total recognised income and expense		0	0	12,083,169	23,094,057	(325,814)	162,178	0	0	14,15,718	113,715,868
<b>Transfers to and from reserves</b>											
Transfers to/from capital		983,178	202,508	0	0	(6,454)	(202,508)	(976,724)	0	0	0
Transfers to general reserves		0	0	0	0	(6,531,539)	(513,520)	6,531,539	513,520	0	0
Transfers from general reserves		0	0	0	0	5,469,409	556,034	(5,469,409)	(556,034)	0	0
Total transfers to and from reserves		983,178	202,508	0	0	(1,068,584)	(159,994)	85,406	(42,514)	0	0
Closing balance		27,284,264	26,301,086	87,293,709	75,210,540	161,234	(862,731)	13,152,378	13,066,972	127,891,585	113,715,868

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

#### 1.A Basis of Preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the Local Government Act 1993 and the Local Government Finance Standard 2005.

#### 1.B Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Because the Etheridge Shire 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 this Report does not comply with IFRS. The main impact is in the offsetting of revaluation and impairment gains and losses within a class of assets.

This financial report has been prepared under the historical cost convention except for the revaluation of certain non-current assets.

#### 1.C Individual Entity

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

#### 1.D Adoption of New Accounting Standards.

AASB7 applies for the first time this year. This standard relates to the presentation of information and does not impact on the result or position disclosed.

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the financial year 2008-09 and have not been applied.

AASB3 Business Combinations (March 2008)

AASB8 Operating Segments (Feb 2007)

AASB101 Presentation of Financial Statements (September 2007)

AASB123 Borrowing Costs (June 2007)

AASB127 Consolidated and Separate Financial Statements (March 2008)

AASB 1039 Concise Financial Reports (August 2008)

AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)

AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)

AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)

AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)

AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)

AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)

AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)

AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)

AASB 2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB 139] (August 2008)

AASB 2008-9 Amendments to AASB 1049 for Consistency with AASB 101 (September 2008)

AASB 2008-11 Amendments to Australian Accounting Standard - Business Combinations Among Not-for-Profit Entities [AASB 3] (November 2008)

AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners (December 2008) [AASB 5 & AASB 110]

Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)

Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)

Interpretation 17 - Distributions of Non-cash Assets to Owners (December 2008)

It is not expected that the new standards would have made a substantial difference to the results if they had applied to this accounting period. Most of the changes are matters of presentation.

## 1.E Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Etheridge Shire Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.

## 1.F Currency

The Etheridge Shire Council uses the Australian Dollar as its functional currency and its presentation currency.

## 1.G Constitution

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

## 1.H Date of Authorisation

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed.

The Local Government has the power to amend the Financial Report after it is authorised for issue until the adoption of the report by the Local Government as part of the Annual Report.

## 1.I Changes to Accounting Policies

Unless otherwise stated, accounting policies are the same as for the previous year.

## 1.J 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.



# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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(i) Rates

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.

(ii) Grants and subsidies

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.

(iii) Non-cash contributions

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

(iv) Other revenue including contributions

Other Revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

## 1.K Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked as well as deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the Council's option without penalty and that are subject to a low risk of changes in value.

The Etheridge Shire Council considers all its term deposits, being for periods of less than one year to be cash equivalents.

## 1.L Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, settlement on trade debtors being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off at 30 June.

Loans and advances are recognised at cost. 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 cost.

## 1.N Financial Assets and Financial Liabilities

### *Categorisation*

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

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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<b>Financial Assets</b>	<b>Categorisation</b>
Cash	
Shares	Financial assets available for sale (at cost)
Receivables	Loans and receivables (at amortised cost)
Other financial assets	<i>As applicable</i>
<b>Financial Liabilities</b>	
Payables	Financial liability (at cost)
Borrowings	Financial liability (at amortised cost)
Finance Lease liabilities	Financial liability (at amortised cost)

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

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

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 other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are assumed to approximate their nominal value less estimated credit adjustments.

The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.

Available for sale financial assets are measured at cost, as fair value cannot be reliably measured, therefore no fair value is disclosed.

## **1.0 Inventories**

Stores, raw materials and water held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

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.

Council has decided that it will no longer present information on the increase or decrease in inventory.

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

This amount will now be included with increase or decrease in other operating assets in the reconciliation of result from ordinary activities - Note 26.

## 1.P 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 Income Statement on the signing of a valid unconditional contract of sale.

Land acquired for use by the Council which is no longer required is reclassified within property, plant and equipment to be sold within one year. When this occurs it is transferred to non-current assets held for resale and revalued at fair value less costs to sell.

## 1.Q Investments

Financial institution deposits at call and term deposits are treated as cash equivalents.

Interest and dividend revenues are recognised on an accrual basis.

## 1.R Investment Property

Etheridge Shire Council does not hold investment property primarily for the purpose of earning rentals and/or capital appreciation.

## 1.S 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.

### (i) 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.

### (ii) 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.

Non-monetary assets, including property, plant and equipment, received in the form of contributions and assets received in a local government restructure, are recognised as assets and revenues at fair value by Etheridge Shire 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.

### (iii) Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as

## Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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.

### (iv) Valuation

Land, buildings, major plant and equipment, infrastructure and heritage and cultural 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. All other non-current assets, principally plant and equipment and intangibles, are 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 revaluation may involve the application of a suitable index to the cost elements of each asset, or may involve an independent assessment of the value. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Plant and equipment, other than major plant and equipment, are measured at depreciated cost. The carrying amounts for plant and equipment measured at depreciated cost should not differ materially from their fair value.

### (v) 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 Etheridge Shire Councillor 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 15b.

### (vi) Unfunded depreciation

Etheridge Shire Council has elected fund depreciation expenses for all its assets. Depreciation is funded to meet future replacement capital works.

## 1.T Intangible Assets

Only intangible assets which have a cost exceeding \$10,000 are recognised as intangible assets.

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

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## 1.U 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.

At 30 June 2009, Council had Capital Works in Progress totalling \$1,025,300.

## 1.V 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 department 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 Income Statement, 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 reserve 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.

In relation to each of Council's listed assets, the Council has assessed to discover whether any impairment indicators are in evidence.

## 1.W Leases

Leases of plant and equipment under which the Etheridge Shire Council assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

### (i) Finance leases

Finance leases are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

### (ii) Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

## 1.X 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 2009

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## 1.Y 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 is treated as a payable and not as a provision.

### (ii) Annual leave

A liability for annual leave is recognised. Etheridge Shire Council Australian (Employee Collective) Workplace Agreement 2006 and Etheridge Shire Council Enterprise Bargaining Agreement 2006.

The current portion of annual leave is based on current wage and salary levels and includes related employee oncosts. Under the Council's Enterprise Bargaining agreement, staff may 'cash in' leave at any time. Because of this entitlement, the provision for annual leave is considered a current liability.

### (iii) Sick leave

Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

### (iv) Superannuation

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees.

Details of those arrangements are set out in Note 26.

### (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 interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs as a payable and not as a provision.

## 1.Z Borrowings

Loans payable are measured at amortised cost. Interest is recognised as it accrues.

Borrowing costs are treated as an expense, as assets constructed by the Etheridge Shire Council are generally completed within one year and therefore are not considered to be qualifying assets.

## 1.AA Restoration Provision

The Council has an obligation to meet future costs for the disposal of long lived assets, or for the restoration of land on which they stand. This obligation would be now recognized as a liability and added to the cost of the asset.

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## 1.AB Asset Revaluation Reserve

The asset revaluation reserve 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 this reserve.

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 reserve 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 reserve.

## 1.AC 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.

(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.AD Retained Surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Etheridge Shire Council to spend as it has already been invested in assets used to provide services.

## 1.AE Rounding and Comparatives

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

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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

## **1.AF Financial Risk Management**

The Etheridge Shire 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 and are for a period of less than one year.

The Etheridge Shire Council does not invest in derivatives or other risky investments.

When the Etheridge Shire Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

Details of financial instruments and the associated risks are shown at Note 27b.

## **1.AG 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.

## **1.AH 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.

## **1.AI 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.AJ Judgements and Assumptions**

The Council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.



# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 2a: Analysis of Results by Function Components

The activities relating to the Council's components reported on in Note 2. (a) 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 2009

## Note 2b: Analysis of Results by Function

	Gross	Total	Total	Total	Net result	Net result	Assets
	Recurring income	income	Income	recurring expenses	Expenses	attributable to Council	2009
	2009	2009	2009	2009	2009	2009	2009
<b>Income and expenses defined between recurring and capital are attributed to the following functions:</b>							
Administration	219,124	6,454	225,577	1,246,216	1,566,282	(1,020,639)	6,824,059
Financing Services	6,005,854	0	6,005,854	808,131	808,311	5,197,723	39,669,816
Road Services	16,291,074	196,180	16,487,254	17,577,677	13,920,511	(1,090,422)	86,686,789
Environmental Services	131,328	0	131,328	537,177	537,177	(405,849)	0
Development Services	124,513	0	124,513	469,136	469,136	(344,623)	0
Community Services	550,941	230,954	781,895	944,136	944,136	(162,241)	426,894
Water Supply Services	194,769	67,601	262,370	309,030	309,030	(46,660)	3,888,270
Governance	266	0	266	35,006	35,006	(34,740)	(3,334)
<b>Total Council</b>	<b>23,517,869</b>	<b>501,188</b>	<b>24,019,058</b>	<b>21,926,509</b>	<b>18,589,410</b>	<b>(325,814)</b>	<b>137,492,494</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

	Gross recurring income	Gross capital income	Total Income	Total recurring expenses	Net result Expenses	Net result attributable to Council	Assets
	2008	2008	2008	2008	2008	2008	2008
Administration	301,935	(79,342)	222,594	3,780,956	3,780,956	(3,558,362)	3,253,381
Financing Services	4,477,643	0	4,477,643	466,881	466,881	4,010,762	25,923,962
Road Services	4,935,958	251,477	5,187,435	3,924,172	3,924,172	1,263,263	80,764,572
Environmental Services	86,988	0	86,988	495,265	495,265	(408,277)	0
Development Services	72,947	0	72,947	306,057	306,057	(233,111)	0
Community Services	217,477	0	217,477	962,013	962,013	(744,536)	426,894
Water Supply Services	153,534	0	153,534	283,858	283,858	(130,324)	4,536,771
Governance	3,634	0	3,634	40,870	40,870	(37,237)	200
<b>Total Council</b>	<b>10,250,114</b>	<b>172,135</b>	<b>10,422,249</b>	<b>10,260,071</b>	<b>10,260,071</b>	<b>162,178</b>	<b>114,905,779</b>

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 2009

## Note 3: Revenue analysis

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(a) Rates and charges</b>			
Less: Pensioner remissions & subsidies		(14,495)	(12,793)
General rates		1,726,828	991,775
Separate rates		0	20,000
Water		122,932	110,127
Water consumption		72,671	60,089
Waste management		12,447	11,053
Garbage charges		54,118	43,711
<b>Total rates and utility charge revenue</b>		<b>1,974,501</b>	<b>1,223,962</b>
Less: Discounts		(218,625)	(157,733)
<b>Net rates and utility charges</b>		<b>1,755,877</b>	<b>1,066,229</b>
<b>(b) Fees and charges</b>			
Fees and Charges		390,645	396,277
		<b>390,645</b>	<b>396,277</b>
<b>(c) Rental income</b>			
Investment property rentals		22,508	18,181
		<b>22,508</b>	<b>18,181</b>
<b>(d) Interest received</b>			
Interest received from investments		930,724	1,000,122
Interest from overdue rates and utility charges		6,296	1,705
		<b>937,020</b>	<b>1,001,827</b>
<b>(e) Sales - Contract and recoverable works</b>			
Contracts and recoverable works		6,574,587	2,911,159
Private Works		54,819	161,458
Shared Services		0	50,416
		<b>6,629,406</b>	<b>3,123,033</b>
		<b>9,735,455</b>	<b>5,605,548</b>

## Note 4: Finance costs

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Finance costs charged by Queensland Treasury Corporation		31,010	32,076
Bank charges		3,197	4,088
		<b>34,207</b>	<b>36,164</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 5: Grants, Subsidies, Contributions and Donations

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(a) Recurrent - government grants, subsidies, and other contributions are analysed as follows</b>			
General purpose grants		3,490,936	2,466,985
Government subsidies and grants		10,286,478	2,177,582
Donations		5,000	0
<b>Total recurrent revenue</b>		<b>13,782,414</b>	<b>4,644,567</b>
<b>(b) Capital - government grants and subsidies, and other contributions are analysed as follows</b>			
Government subsidies and grants		494,735	251,477
<b>Total capital revenue</b>		<b>494,735</b>	<b>251,477</b>
<b>(c) Conditions over contributions</b>			
Contributions and grants which were recognised as revenues during the reporting period and which were obtained on the condition they be expended in a manner specified by the contributor but had not been expended at the reporting date.			
Grants for expenditure on infrastructure		927,686	212,043
Contributions and grants which were recognised as revenues during a previous reporting period and were expended during the current reporting period in accordance with Council's obligations.			
Grants expended on infrastructure		3,591,701	238,654
		<b>4,519,387</b>	<b>450,697</b>

## Note 6: Capital income

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Gain (loss) on the disposal of non-current assets</b>			
<b>(a) Proceeds from the sale of property, plant and equipment</b>			
		109,211	220,231
Less: Book value of property, plant and equipment disposed		(102,757)	(299,573)
			<b>(79,342)</b>
<b>Total gain (loss) on the disposal of non-current assets</b>		<b>6,454</b>	<b>(79,342)</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 7: Employee costs

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Total staff wages and salaries		3,652,059	2,784,097
Councillors' remuneration		154,627	70,263
Annual, sick and long service leave entitlements		471,866	435,246
Superannuation	26	313,114	239,100
		<b>4,591,66</b>	<b>3,528,706</b>
Other employee related expenses		86,857	88,722
		<b>4,678,523</b>	<b>3,617,428</b>
Less: Capitalised employee expenses		(368,415)	(353,375)
		<b>4,310,108</b>	<b>3,264,053</b>

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

### Total Council employees at period end

Elected members	5	5
Administrative staff	20	13.56
Child Care	2	.80
Depot and outdoors staff	60	37.78
<b>Total full time equivalent employees</b>	<b>87</b>	<b>57.14</b>

## Note 8: Materials and services

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Administration supplies and consumables		76,570	35,825
Audit services		34,995	26,340
Communications and IT		199,975	148,605
Consultants		272,400	30,774
Power		9,854	8,147
Repairs and maintenance		2,171,169	1,673,918
Travel		21,933	20,737
Other material and services		12,971,412	3,367,402
Water		132,791	182,810
Waste		43,665	17,054
		<b>15,934,764</b>	<b>5,511,612</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 9: Depreciation and amortisation

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(a) Depreciation of non-current assets</b>			
Buildings		227,633	190,430
Plant and Equipment		499,272	382,494
Furniture and Other Equipment		22,451	27,617
Other Structures		127,979	125,244
Road, drainage and bridge network		676,915	653,740
Water		93,180	68,717
<b>Total depreciation of non-current assets</b>		<b>1,647,431</b>	<b>1,448,242</b>

## Note 10: Cash and cash equivalents

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Cash at bank and on hand		62,682	183,234
Deposits at call		12,941,010	3,149,502
Term deposits		6,534,000	10,613,002
<b>Balance per Cash Flow Statement</b>		<b>19,537,693</b>	<b>13,945,738</b>

There were no externally imposed expenditure restrictions at reporting date.

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 AA+.

## Note 11: Trade and other receivables

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(a) Current</b>			
Rateable revenue and utility charges		12,157	9,842
Other debtors		3,366,485	1,056,312
Prepaid Expenses		76,774	81,037
		<b>3,455,416</b>	<b>1,147,191</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 12: Inventories

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Current</b>			
<b>Inventories for distribution:</b>			
Plant and equipment stores		299,235	230,708
<b>Total inventories for distribution</b>		<b>299,235</b>	<b>230,708</b>
<b>House &amp; Land held for resale</b>			
House & Land purchased for development and sale		224,044	0
<b>Total inventories</b>		<b>523,279</b>	<b>230,708</b>

## Note 13: Other financial assets

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Non-current</b>			
Other Assets TerrEstrial Mineral Collections		426,894	426,894
		<b>426,894</b>	<b>426,894</b>

## Note 14: Non-current assets classified as held for sale

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Land held for resale		0	33,945
		<b>0</b>	<b>33,945</b>

Etheridge Shire Council has decided it would sell this land in the 2008/2009 financial year. The sold allotments were transferred to current inventory in that year.



# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 15a: Property, Plant and Equipment Valuations

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

### Land

Land has been included at fair value as at 30 June 2008 after indexing the past valuations of Australian Pacific Valuers (there was no percentage increase as the index value was determined to be nil).

Land under infrastructure and reserve land does not have a value for the purpose of the Etheridge Shire Council's financial statements.

Another full revaluation of land is scheduled for the 2009-2010 financial year.

### Buildings

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

### Plant and Equipment

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

### Furniture and Other Equipment

Furniture & Other Equipment is measured at original cost less accumulated depreciation.

### Infrastructure

#### Water Infrastructure -

Included at the written down current replacement cost as at 30 June 2009 as determined by Shepherd Services Pty Ltd.

#### Road and Drainage Infrastructure -

Included at the written down current replacement cost as at 30 June 2009 as determined by Shepherd Services Pty Ltd. The internal transfers in the Note 15B relate to Asset Codes RDGREENSPKACCES1 and RDGREENSPKACCESS.

#### Other Structures

Included at the written down current replacement cost as at 30 June 2009 as determined by Shepherd Services Pty Ltd. The internal transfers in the Note 15B relate to Asset Codes RDGREENSPKACCES1 and RDGREENSPKACCESS.

### Proposed Independent Valuation

Council has a policy of ensuring the carrying value of its assets reflects fair value. It has had a comprehensive review of its assets during 2008-2009.





# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 16: Capital works in progress

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Capital works in progress at		1,025,300	870,854
		<b>1,025,300</b>	<b>870,854</b>

## Note 17: Trade and other payables

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Current</b>			
Creditors and accruals		5,462,698	250,393
Annual leave		232,411	228,618
Other entitlements		36,540	56,003
		<b>5,731,648</b>	<b>535,014</b>

## Note 18: Borrowings

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Current</b>			
Loans QTC		405,640	30,262
		<b>405,640</b>	<b>30,262</b>
<b>Non-current</b>			
Loans		3,153,652	456,431
		<b>3,153,652</b>	<b>456,431</b>

## Note 19: Provisions

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Current</b>			
Other		66,685	21,068
		<b>66,685</b>	<b>21,068</b>
<b>Non-current</b>			
Long service leave		145,075	147,136
		<b>145,075</b>	<b>147,136</b>
<b>(c) Long service leave</b>			
Opening balance		147,136	177,222
Long service leave entitlement arising		38,412	94,319
Long service leave entitlement paid		(18,485)	(105,980)
Adjustment to current portion		(21,988)	(18,426)
<b>Balance at the end of the period</b>		<b>145,075</b>	<b>147,136</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 20: Asset revaluation reserve

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(i) Asset revaluation reserve</b>			
Movements in the asset revaluation reserve were as follows:			
Balance at beginning of the period		75,210,540	52,116,483
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings		3,153,033	1,011,039
Road, drainage and bridge network		6,337,560	20,655,204
Water		(711,530)	763,052
Other Structures		3,304,106	664,762
		<b>12,083,169</b>	<b>23,094,057</b>
<b>Balance at end of the year</b>		<b>87,293,709</b>	<b>75,210,540</b>
<b>(ii) Asset revaluation reserve analysis</b>			
The closing balance of the asset revaluation reserve is comprised of the following asset categories:			
Land and improvements		30,702	30,702
Buildings		6,210,729	3,057,697
Plant and equipment		7,490	7,490
Road, drainage and bridge network		76,407,937	70,070,377
Water		821,698	1,533,228
Other Structures		3,815,154	511,047
		<b>87,293,709</b>	<b>75,210,541</b>

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

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 21: Other reserves

Notes	2009 Actual	2008 Actual
<b>(a) Summary of reserves held for future capital expenditure:</b>		
(i) Constrained works reserve	0	0
(ii) Capital Grants Reserve	116,660	0
(iii) Plant Replacement Reserve	0	633,244
(iv) Future capital works reserve	1,020,506	1,192,087
(v) Capital Works Reserve	669,176	596,140
	<b>1,806,342</b>	<b>2,421,471</b>
<b>(b) Summary of reserves held for future recurrent expenditure:</b>		
(i) Recurrent expenditure reserve	11,346,035	10,645,501
	<b>11,346,035</b>	<b>10,645,501</b>
<b>Total reserves</b>	<b>13,152,377</b>	<b>13,066,972</b>
<b>(c) Movements in capital reserves are analysed as follows:</b>		
<b>(i) Capital Grants reserve</b>		
Transfer from retained earnings for future	116,660	0
<b>Balance at the end of period</b>	<b>116,660</b>	<b>0</b>
<b>(ii) Plant Replacement Reserve</b>		
Balance at the beginning of period	633,244	633,244
Transfer to retained earnings funds expended in the period	(633,244)	0
<b>Balance at the end of period</b>	<b>0</b>	<b>633,244</b>
<b>(iii) Future capital works reserve</b>		
Balance at the beginning of period	1,192,087	1,192,087
Transfer from retained earnings for future expenditure	171,900	0
Transfer to retained earnings funds expended in the period	(343,481)	0
<b>Balance at the end of period</b>	<b>1,020,506</b>	<b>1,192,087</b>
<b>(iv) Capital Works Reserve</b>		
Balance at the beginning of period	596,140	612,043
Transfer from retained earnings for future expenditure	73,036	301,477
Transfer to retained earnings funds expended in the period	0	(317,380)
<b>Balance at the end of period</b>	<b>669,176</b>	<b>596,140</b>
<b>(v) Recurrent reserves:</b>		
Balance at the beginning of period	10,645,501	10,672,112
Transfer from retained earnings for future expenditure	6,169,943	212,043
Transfer to retained earnings funds expended during the year	(5,469,409)	(238,654)
<b>Balance at the end of period</b>	<b>11,346,035</b>	<b>10,645,501</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 22: Shire capital

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Calculation of retained surplus</b>			
Cash and cash equivalents		19,537,693	13,945,738
Less: Reserves (other than Asset Revaluation Reserve)		(13,152,377)	(13,066,972)
Less: Funded depreciation carried forward		(869,190)	(799,499)
Less: Funded employee entitlements (non-current)		(145,075)	(147,136)
Less: Unspent loan funds		(1,632,387)	0
Less: Working cash requirement (proportion of rates to first collection date)		(3,573,429)	(794,862)
<b>Retained surplus/(Deficit)</b>		<b>165,235</b>	<b>(862,731)</b>
<b>Total capital and surplus</b>		<b>27,449,499</b>	<b>25,438,355</b>
<b>Capital account</b>		<b>27,284,264</b>	<b>26,301,086</b>
Capital account opening balance		26,301,086	26,098,578
Transfer to/(from) capital		983,178	202,508
<b>Closing balance</b>		<b>27,284,264</b>	<b>26,301,086</b>

## Note 23: Retained surplus

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Retained surplus/(deficit) at the beginning of the financial year		(862,731)	(864,915)
Result from ordinary activities		2,092,549	162,178
Transfers (to) from capital reserves for future capital project funding, or from reserves funds			
Future capital works reserve		(171,900)	0
Plant Replacement Reserve		(6,454)	79,342
Capital Works Reserve		(73,036)	(14,469)
Capital Grants Reserve		(116,660)	(251,477)
<b>Transfers (to) from recurrent reserves for recurrent reserve funding, or from reserves funds</b>			
Recurrent Reserves		(700,534)	26,611
<b>Retained surplus at the end of the financial year</b>		<b>161,235</b>	<b>(862,731)</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 24: Loans

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>(i) Queensland Treasury Corporation</b>			
Opening balance		486,693	537,888
Principal repayments		(57,496)	(26,334)
<b>Book value at period end</b>		<b>3,559,292</b>	<b>486,693</b>
Classified as:			
Non-current		3,153,652	456,431
Current		405,640	30,262
		<b>3,559,292</b>	<b>486,693</b>

The loan market value at the reporting date was \$3,111,652.18 for the Fleet Loan, \$130,723.68 for the Forsyth Water Loan and \$332,752.37 for the Depot Administration Building Loan.

The loans are guaranteed by the Queensland State Government.

## Note 25: Contingent liabilities

Etheridge Shire Council has reviewed its situation and finds there are no contingent liabilities which require disclosure.

The Etheridge Shire 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, 2008 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

### Local Government Workcare

The Etheridge Shire Council is a member of the Queensland 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 \$ 50,919.86.



# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Note 26: Superannuation

<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
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### 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 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 AASB119. 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.

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.

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. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contributions is limited to 6% of the relevant employee's salary.

In its letter to Council dated 5 June 2009 the trustee advised that "at this stage, there is no requirement for Councils to contribute any additional contributions." The letter further stated that "any additional contributions above 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, councils may be asked to pay 18% contributions instead of 12% for a period, then contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate."

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 2008 (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 general purpose financial report discloses that the most recent actuarial assessment of the scheme was undertaken as at 1 July 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

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 amount of superannuation contributions paid by Etheridge Shire Council to the scheme in this period for the benefit of employees was \$313,114 (and \$239,100 in 2008).

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 27: Trust funds

<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	43,065	42,986
	<b>43,065</b>	<b>42,986</b>

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 Bendigo Bank which is identified as the Etheridge Shire Council Trust Account.

## Note 28: Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities

<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
<b>Result from ordinary activities</b>	<b>(2,092,549)</b>	<b>162,178</b>
<b>Non-cash operating items:</b>		
Depreciation and amortisation	1,647,431	1,448,242
	<b>1,647,431</b>	<b>1,448,242</b>
<b>Investing and development activities:</b>		
Net (profit) loss on disposal of non-current assets	(6,454)	79,342
	<b>(6,454)</b>	<b>79,342</b>
<b>Financing activities:</b>		
Grants and contributions	(641,545)	(251,477)
	<b>(641,545)</b>	<b>(251,477)</b>
<b>Changes in operating assets and liabilities:</b>		
(Increase) decrease in receivables	(2,312,487)	1,432,871
(Increase) decrease in other operating assets	(288,309)	(155,974)
Increase (decrease) in payables	5,294,843	(21,074)
Increase (decrease) in other provisions	43,556	(16,207)
	<b>2,737,602</b>	<b>1,239,616</b>
<b>Net cash inflow from operating activities</b>	<b>5,829,584</b>	<b>2,677,901</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Note 29: Financial risk management

### Note 27:

#### Financial Risk Management

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.

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 analysis
Credit Risk	Ageing analysis

#### (i) Credit Risk

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). 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 other regulated banks and whilst not capital guaranteed, the likelihood of a credit failure is remote.

By the nature of the Councils 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.

The following table represents the Council's maximum exposure to credit risk:

	2009	2008
<b>Financial Assets</b>	\$	\$
Cash and cash equivalents – Bendigo Bank	56,522.42	176,198
Cash and cash equivalents - QTC	5,339,737.88	3,149,502
Cash and cash equivalents – bank	6,534,000.00	10,613,002
Cash and cash equivalents – other ADI	12,157.27	9,842
Receivables - rates	4,153,114.21	1,137,348
Receivables - other		
<b>Total</b>	<b>16,095,531.78</b>	<b>15,085,892</b>

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

## Past due or impaired

Debts outstanding less than 30 days are expected to be received within Trading Terms and are fully recoverable.

No provision for Doubtful Debts has been made because Council believes all outstanding debts will be fully recovered.

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.

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

	Fully Performing			Past due		Impaired	Total
	\$	Less than 30 days	30-60 days	61-90 days	\$		
Receivables							
		\$	\$	\$	\$	\$	\$
		5,266,510	410,665	166,549			5,843,724

## (f) Liquidity Risk

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

The Corporation 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 Borrowings Note 18.

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:

## Financial Liabilities

### Depot Administration/Water/Fleet

	0 to 1 year	1 to 5 years	Over 5 years	Total
2009	\$ 601,061	\$ 2,392,385	\$ 1,420,758	\$ 4,414,204
2008	58,410	233,642	421,096	713,149

## Financing Arrangements

Etheridge Shire Council does not operate an overdraft account.

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Etheridge Shire Council Management Certificate

This general purpose financial report has 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 local government considers the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
- (ii) the financial statements and supporting notes present the Council's income, equity, balance sheet and cash flows as required by the Local Government Act 1993.



.....  
Warren Devlin  
Mayor

Date: 24-09-2009



.....  
Les Edmestone  
Chief Executive Officer

Date: 24-09-2009

# Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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## Etheridge Shire Council Independent Audit 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 balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement 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 applicable 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.

### Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of Etheridge Shire Council for the financial period ended 30 June 2009 included on Council's website. The Council is responsible for the integrity of the Etheridge Shire Council website. I have not been engaged to report on the integrity of Etheridge Shire Council website. The auditor's report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Etheridge Shire Council to confirm the information included in the audited financial report presented on this website.

### Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the Auditor-General Act 2009. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the Financial Administration and Audit Act 1977.

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

## Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2009

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 QAO 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 2008 to 30 June 2009 and of the financial position as at the end of that year.

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

Date: 3/10/09

Townsville