

Annual Financial Statements

Etheridge Shire Council

01 July 2017

to

30th June 2018

Etheridge Shire Council

Table of contents

Statement of Comprehensive Income
Statement of Financial Position
Statement of Changes in Equity
Statement of Cash Flows

Notes to the Financial Statements:

- 1 Significant accounting policies
- 2 Analysis of results by function components
- 3 Revenue analysis
- 4 Grants, subsidies, contributions and donations
- 5 Capital income (expense)
- 6 Employee benefits
- 7 Materials and services
- 8 Finance costs
- 9 Cash and cash equivalents
- 10 Trade and other receivables
- 11 Inventories
- 12 Property, plant and equipment
- 13 Trade and other payables
- 14 Borrowings
- 15 Provisions
- 16 Asset revaluation surplus
- 17 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities
- 18 Reconciliation of liabilities arising from finance activities
- 19 Contingent liabilities
- 20 Superannuation
- 21 Commitments for expenditure
- 22 Events after the reporting period
- 23 Transactions with related parties

Management Certificate

Independent Auditor's Report (General Purpose Financial Statements)

Contents Page Current Year Financial Sustainability Statement
Current Year Financial Sustainability Statement
Certificate of Accuracy-for the Current Year Financial Sustainability Statement
Independent Auditor's Report (Current Year Financial Sustainability Statement)
Contents Page Long Term Financial Sustainability Statement
Unaudited Long Term Financial Sustainability Statement
Certificate of Accuracy-for the Long Term Financial Sustainability Statement

Etheridge Shire Council

Statement of Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Income			
Recurrent revenue			
Rates, levies and charges	3a	2,085,014	2,442,809
Fees and charges		281,779	276,961
Rental income		154,041	144,406
Interest received		481,815	553,649
Sales revenue	3b	6,235,078	3,671,673
Grants, subsidies, contributions and donations	4a	10,742,191	10,278,652
		19,979,919	17,368,150
Capital revenue			
Grants, subsidies, contributions and donations	4b	1,252,972	989,761
		1,252,972	989,761
Capital Income/(Expense)			
Capital Income/(Expense)	5	(22,166)	(57,639)
Total income		21,210,725	18,300,272
Expenses			
Recurrent expenses			
Employee benefits	6	6,274,165	5,384,347
Materials and services	7	12,693,536	9,690,749
Finance costs	8	15,117	1,421,361
Depreciation	12	4,364,495	4,546,923
Total expenses		23,347,312	21,043,379
Net result		(2,136,587)	(2,743,107)
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus	12	7,915,825	-
Total other comprehensive income for the year		7,915,825	-
Total comprehensive income for the year		5,779,238	(2,743,107)

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 2018

	Notes	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	9	12,483,384	15,144,334
Trade and other receivables	10	3,872,928	1,857,462
Inventories	11	337,591	348,320
Total current assets		16,693,903	17,350,116
Non-current assets			
Property, plant and equipment	12	188,768,674	181,851,096
Total non-current assets		188,768,674	181,851,096
TOTAL ASSETS		205,462,577	199,201,212
Current liabilities			
Trade and other payables	13	1,370,874	800,470
Borrowings	14	42,497	60,694
Provisions	15	282,075	104,600
Total current liabilities		1,695,446	965,764
Non-current liabilities			
Borrowings	14	71,786	103,542
Provisions	15	161,016	376,815
Total non-current liabilities		232,803	480,358
TOTAL LIABILITIES		1,928,249	1,446,122
NET COMMUNITY ASSETS		203,534,328	197,755,091
Community equity			
Asset revaluation surplus	16	133,415,806	125,499,981
Retained surplus		70,118,523	72,255,110
TOTAL COMMUNITY EQUITY		203,534,329	197,755,091

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 2018

	Notes	Asset Revaluation Surplus	Retained Surplus	Total
		16		
		\$	\$	\$
Balance as at 1 July 2017		125,499,981	72,255,110	197,755,091
Net Result		-	(2,136,587)	(2,136,587)
Other comprehensive income for the year				
Increase in asset revaluation surplus		7,915,825	-	7,915,825
Total comprehensive income for the year		-	(2,136,587)	5,779,238
Balance as at 30 June 2018		133,415,806	70,118,523	203,534,329
Balance as at 1 July 2016		125,499,981	74,998,217	200,498,198
Net Result		-	(2,743,107)	(2,743,107)
Other comprehensive income for the year				
Increase (decrease) in asset revaluation surplus		-	-	-
Total comprehensive income for the year		-	(2,743,107)	(2,743,107)
Balance as at 30 June 2017		125,499,981	72,255,110	197,755,091

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 2018

	2018	2017
Notes	\$	\$
Cash flows from operating activities:		
Receipts from customers	7,912,436	7,562,488
Payments to suppliers and employees	(19,755,296)	(16,041,678)
	<u>(11,842,860)</u>	<u>(8,479,190)</u>
Interest received	481,815	553,649
Rental income	154,041	144,406
Non-capital grants and contributions	10,742,191	10,278,652
Borrowing costs	(10,741)	(14,342)
Net cash (outflow)/inflow from operating activities	17 (475,554)	2,483,174
Cash flows from investing activities:		
Payments for property, plant and equipment	(3,452,587)	(1,611,679)
Proceeds from sale of property, plant and equipment	64,173	111,327
Grants, subsidies, contributions and donations	1,252,972	989,761
Net cash inflow/(outflow) from investing activities	(2,135,443)	(510,591)
Cash flows from financing activities		
Repayment of borrowings	(49,953)	(46,352)
Net cash inflow (outflow) from financing activities	(49,953)	(46,352)
Net increase/(decrease) in cash and cash equivalents held	(2,660,950)	1,926,232
Cash and cash equivalents at beginning of reporting period	15,144,334	13,218,102
Cash and cash equivalents at end of reporting period	9 12,483,384	15,144,334

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

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2018

Note 1: Significant accounting policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

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

1.B Statement of compliance

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

1.C Adoption of new and revised Accounting Standards

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

AASB9 Financial Instruments

AASB9 replaces AASB 139 Financial Instruments Recognition and Measurement, and addresses the classification measurement and disclosure of Financial Assets and Liabilities. Council will apply this standard from 1 July 2018.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects only a small increase in impairment losses however the standard is not expected to have a material impact overall.

AASB15 Revenue from Contracts with Customers

AASB1058 Income of Not-for-Profit Entities and

AASB2016-8 Amendments to Australian Accounting Standards-Australian Implementation Guidance for Not-for Profit Entities.

Council will apply these standards from 1 July 2019. These will replace AASB 118 Revenue, AASB111 Construction Contracts, AASB 1004 Contributions and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15. They contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that revenue is measured and recognised to identify whether they will have a material impact.

Council received a Work for Queensland grant in advance for \$535,000.

The State Government has provided Council with a grant known as Works for Queensland 2017-19. As part of the funding agreement has received 50% of the maximum grant up front to commence works. Future payments will be made by the state to Council after the upfront payment has been expended.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 1: Significant accounting policies

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

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

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

1.E Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST').

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

Note 2a: Analysis of Results by Function Components

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

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.

Water Infrastructure

Providing water supply services.

Environmental Sustainability

To ensure environmental assets and ecosystem services are available for future generations.

Commercial Services

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

This function includes:

- TerrEstrial Centre
- Student Hostel and
- Child Care Facilities

Community and Lifestyle

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 & Einasleigh Clinics.
- Cemeteries
- Swimming Pool
- SES

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2018

Note 2b: Analysis of Results by Function Components

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

Functions	Gross program income				Total income 2017 \$	Gross program expenses		Total expenses 2017 \$	Net result from recurring operations 2017 \$	Net Result 2017 \$	Assets 2017 \$
	Recurring		Capital			Recurring	Capital				
	Grants 2017 \$	Other 2017 \$	Grants 2017 \$	Other 2017 \$							
Organisational Excellence & Governance	7,187,764	2,679,085	-	(57,639)	9,809,210	5,776,853	-	5,776,853	4,089,997	4,032,358	19,294,624
Strategic Planning	-	5,772	-	-	5,772	3,570	-	3,570	2,202	2,202	-
Economic Development	-	25,000	-	-	25,000	165,940	-	165,940	(140,940)	(140,940)	722,031
Infrastructure Services	2,821,936	3,614,834	773,720	-	7,210,490	13,290,905	-	13,290,905	(6,854,135)	(6,080,415)	144,730,723
Water Infrastructure	-	434,133	200,000	-	634,133	478,219	-	478,219	(44,087)	155,913	5,878,722
Environmental Sustainability	92,182	122,873	-	-	215,055	296,580	-	296,580	(81,526)	(81,526)	-
Commercial Services	85,209	202,235	16,041	-	303,484	596,590	-	596,590	(309,147)	(293,106)	-
Community & Lifestyle	91,561	5,567	-	-	97,128	434,722	-	434,722	(337,595)	(337,595)	28,575,112
Total Council	10,278,652	7,089,498	989,761	(57,639)	18,300,272	21,043,380	-	21,043,380	(3,675,230)	(2,743,108)	199,201,212

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

Note	2018	2017
	\$	\$
Note 3: Revenue analysis		
(a) Rates, levies and charges		
Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.		
General rates	1,878,303	2,228,310
Water	280,080	285,631
Water consumption	113,631	106,701
Waste management	31,932	31,695
Garbage charges	101,317	101,954
State Emergency Levy	101,656	(3,103)
Total rates and utility charges	2,506,919	2,751,187
Less: Discounts	(318,392)	(284,879)
Less: Pensioner remissions	(103,513)	(23,499)
Net rates and utility charges	2,085,014	2,442,809

(b) Sales revenue

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

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

Sales of services

Contracts and recoverable works	6,109,277	3,546,195
Private Works	125,802	125,478
Total Sales Revenue	6,235,078	3,671,673

Note 4: Grants, Subsidies, Contributions and Donations

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

(a) Recurrent

State government subsidies and grants	4,364,573	2,044,143
Federal government Subsidies and grants	6,342,618	8,234,509
Donations	35,000	
Total recurrent revenue	10,742,191	10,278,652

(b) Capital

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

State government subsidies and grants	1,252,972	949,761
Federal government subsidies and grants		40,000
Total capital revenue	1,252,972	989,761

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

Note	2018	2017
	\$	\$
(c) Conditions over contributions		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for operating expenditure	-	866,230
Non-reciprocal grants for expenditure on infrastructure	1,568,771	754,230
Note 5: Capital income/(Expense)		
Gain (loss) on the disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	64,173	111,327
Less: Book value of property, plant and equipment disposed	(86,339)	(168,966)
Total capital income/(expense)	(22,166)	(57,639)
Note 6: Employee Benefits		
Total staff wages and salaries	4,921,181	4,219,110
Councillors' remuneration	315,976	309,671
Annual, sick and long service leave entitlements	662,639	639,182
Superannuation	505,508	439,278
	20	
	<u>6,405,304</u>	<u>5,607,240</u>
Other employee related expenses	392,127	318,252
	<u>6,797,431</u>	<u>5,925,492</u>
Less: Capitalised employee expenses	(523,266)	(541,145)
	<u>6,274,165</u>	<u>5,384,347</u>
Total Council employees at reporting date		
Elected members	5	5
Administrative staff	23	23
Child Care	4	4
Depot and outdoors staff	31	31
Total full time equivalent employees	63	63

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

Note	2018	2017
	\$	\$
Note 7: Materials and services		
Administration supplies and consumables	82,390	74,266
Audit of annual financial statements by the Auditor-General of Queensland	94,052	45,732
Communication and IT	339,929	278,858
Consultants	279,254	347,674
Contractor Works-TMR	430,920	687,597
Contract Works-Flood Damage	3,780,271	3,071,166
Contract Works-99A Hann Highway	1,742,480	23,418
Contract Works-99A Hann Highway Project 2	1,453,276	-
Repairs and Maintenance	3,656,615	3,833,005
Other material and services	207,608	860,797
Travel expenses	88,986	115,867
Water operations	310,723	249,149
Work for Queensland Town Beautification	123,457	2,186
Waste management	103,575	101,032
	12,693,536	9,690,749

Note 8: Finance costs

Finance costs charged by Queensland Treasury Corporation	10,741	14,342
Bank charges	4,376	3,633
Impairment of Rates	-	1,403,385
	15,117	1,421,361

The amount of the impairment is referenced in Note 10 Trade and other receivables.

Note 9: Cash and cash equivalents

Cash at bank and on hand	239,010	120,150
Deposits at call	12,244,375	15,024,183
Balance per Statement of Cash Flows	12,483,384	15,144,334

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

Plant Replacement Reserve	822,351	822,351
Future Capital Works Reserve	5,779,339	7,128,193
Capital Works Reserve	1,063,572	1,271,171
Recurrent Expenditure Reserves	4,818,122	1,062,245
Total unspent restricted cash	12,483,384	10,283,960

Cash and deposits are held in Bendigo Bank in normal business cheque accounts.

Cash is also held in Queensland Treasury Corporation in cash management accounts.

Bendigo Bank has a long term credit rating of BBB+ and a short term credit rating of A-2.

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

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

<u>Note</u>	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>
Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.		
In accordance with the <i>Local Government Act 2009</i> and <i>Local Government Regulation 2012</i> , a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Etheridge Shire Council performs a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements. These monies are held in a separate bank account with the Bendigo Bank which is identified as the Etheridge Shire Council Trust Account.		

Trust fund held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	486	27
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(i) Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum exposure.

Note 10: Trade and other 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.

As at 30 June 2018 Council had \$3,801,448 in outstanding receivables with rates receivables being 18% of the total amount of outstanding receivables owed to Council. The reason for Council's rates receivables being so high is due to several assessments being placed into voluntary administration with Council undertaking recoverable actions in accordance with the *Local Government Act 2009* and *Local Government Regulation 2012* to recover the debt.

The Impairment to Rates Receivables in the previous financial year related to one debt which has been formally written off in the 2017/2018 Financial Year.

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

Note	2018	2017
	\$	\$
(a) Current		
Rateable revenue and utility charges	685,724	1,963,155
Other debtors	3,115,724	1,226,410
Prepayments	71,481	71,282
Less Impairment	-	(1,403,385)
Total Current Trade and Other Receivables	3,872,928	1,857,462
Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.		
Fully Performing	1,197,727	316,161
< 30 Days	2,081,942	1,273,544
30 - 60 Days	517,140	260
61-90 Days	4,638	196,215
Total	3,801,447	1,786,180

Note 11: Inventories

(a) Total inventories for distribution

Stores and raw materials are valued at the lower of cost or 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.

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

Plant and equipment stores	284,497	237,317
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(b) House and Land for resale

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

House and Land for resale	53,093	111,003
Total Inventories	337,591	348,320

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2018

Note 12: Property, Plant and Equipment

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

Etheridge Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2018

Note 12: Property, Plant and Equipment

30th June 2017		Land	Buildings	Other Structures	Fleet Plant and Equipment	Furniture and Other Equipment	Road Infrastructure	Water Infrastructure	TerrEstrial Collection	Work In Progress	TOTAL
Basis of measurement		Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value		
Fair value category		Level 2	Level 2 and 3	Level 3			Level 3	Level 3	Level 3		
Opening Balances											
Opening Gross Value		1,743,369	19,767,899	14,067,226	7,853,476	553,903	177,038,906	7,933,795	648,138	1,297,765	230,904,477
Accumulated Depreciation		-	8,967,856	3,008,300	4,085,523	360,437	27,528,248	1,998,808	-	-	45,949,172
Opening Written Down Value		1,743,369	10,800,043	11,058,926	3,767,953	193,466	149,510,658	5,934,987	648,138	1,297,765	184,955,305
Movements during Year											
Additions		-	-	-	-	-	-	-	-	1,611,679	1,611,679
Disposals	5	-	-	-	(120,887)	-	(18,562)	(29,517)	-	-	(168,966)
Depreciation		-	(340,659)	(378,241)	(326,093)	(11,716)	(3,375,868)	(114,346)	-	-	(4,546,923)
Revaluations		-	-	-	-	-	-	-	-	-	-
Transfers between classes		19,388	-	297,527	390,213	-	2,005,994	68,900	-	(2,782,023)	-
Closing Balances											
Closing Gross Value		1,762,757	19,767,899	14,364,753	7,945,096	553,903	178,978,292	7,942,220	648,138	127,422	232,090,480
Accumulated Depreciation		-	9,308,515	3,386,540	4,233,909	372,153	30,856,071	2,082,196	-	-	50,239,383
Closing Written Down Value		1,762,757	10,459,384	10,978,213	3,711,187	181,751	148,122,221	5,860,024	648,138	127,422	181,851,096
Estimated Useful Life (Years)		Not Depreciated	3 -100	5 - 80	2 - 20	3 - 80	5-150	10 - 100	Not Depreciated		
2017 Additions comprise:											
Renewals		-	-	-	-	-	-	-	-	1,141,289	1,141,289
Other additions		-	-	-	-	-	-	-	-	470,391	470,391
Total additions		-	-	-	-	-	-	-	-	1,611,680	1,611,680

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 12: Property, plant and equipment

(a) Recognition

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

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

Land under roads

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

(b) Measurement

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

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

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

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

(c) Depreciation

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

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

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

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

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

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 12: Property, plant and equipment

(d) Impairment of non-current assets

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

(e) Valuation processes

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

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

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

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

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

(f) Valuation techniques used to derive fair values

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

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

There were no transfers between levels during the year.

Land (level 2)

Land fair values were determined by independent valuer Herron Todd and White as at 31 March 2018 and a desktop review has been performed by Council as at 30 June 2018. A review of market data for the period 1 April 2018 to 30 June 2018 was conducted to ensure values are still considered fair value.

Where there is a market for Council assets, fair value has been derived from the sales prices of comparable properties. Where a depth in market can be identified we have assessed the fair value of an asset, as the best estimate of price reasonably obtained in the market at the date of valuation.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 12: Property, plant and equipment

Buildings (level 2 and 3)

The fair values of buildings were determined by independent valuer Herron Todd and White effective 31 March 2018. A review of market data for the period 1 April 2018 to 30 June 2018 was conducted to ensure values are still considered fair value.

Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties.

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

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

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

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

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

Annual reviews of these values are completed to determine material differences. Currently the Australian Bureau Statistic indexes (Ref. ABS Catalogues, 6427.0 Producer Price indexes, Australian Table 17.) are used to do these reviews.

	Levels	2018	2017
Specialised Buildings	3	\$10,557,815	\$8,432,256
Non-Specialised Buildings	2	\$ 2,948,439	\$2,027,128
Building Total		\$ 13,506,254	10,459,348

Water, Roads Infrastructure, Other Structures (level 3)

All council infrastructure assets were recorded at fair value; using written down current replacement cost by independent valuer Shepherd Services Pty Ltd, effective 31 March 2018 and a desktop assessment to 30 June 2018. The desktop assessment included a review of the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 1 April 2018 to 30 June 2018 to ensure no significant material increases to unit rates have occurred and are still considered fair value. A review of asset data was also completed and ensuring all completed capital projects have been correctly recognised.

The valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset. CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve required level of service output within the Council's planning horizon.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 12: Property, plant and equipment continued

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced such as earthworks.

There were some assets where a service percentage was applied to the CRC to represent the proportion of the asset that is providing the desired service level. Of particular note, is the unsealed road asset category.

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

Roads

Current Replacement Cost

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

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. Council assumes that pavements are constructed to depths of 200mm for urban areas and 150mm for rural roads. Council also assumes that all raw materials can be sourced from the local Bolwarra Quarry with a turnaround time of approximately 3 hours.

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

Accumulated depreciation

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

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

Bridges

Current replacement cost

A full valuation of bridges assets was undertaken by independent valuers, Shepherd Services Pty Ltd, effective 31 March 2018. A desktop assessment was performed for the period 1 April 2018 to 30 June 2018 to ensure there were no material movements in fair values. Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. The condition assessments were made using a five point scale with 0 being the lowest and 5 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential. 5 represents an asset at the end of its useful life.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018
Note 12: Property, plant and equipment continued

Drainage infrastructure

Current replacement cost

A full valuation of drainage infrastructure undertaken by independent valuers, Shepherd Services Pty Ltd, effective 31 March 2018. A desktop assessment was performed for the period 1 April 2018 to 30 June 2018 to ensure there were no material movements in fair values. Similar to roads, drainage assets are managed by major components pipes, headwalls, surfaces and pits.

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

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

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were calculated based on condition assessments. The condition assessments were made using a five point scale with 0 being the lowest and 5 being the highest. A 0 condition assessment indicates an asset with a very high level of remaining service potential. 5 represents an asset at the end of its useful life.

Water Assets

Current replacement cost

Water infrastructure fair values were determined by undertaken by independent valuers, Shepherd Services Pty Ltd, effective 31 March 2018. A desktop assessment was performed for the period 1 April 2018 to 30 June 2018 to ensure there were no material movements in fair values. CRC was calculated based on expected replacement costs.

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

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

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

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

TerrEstrial

The Ted Elliot Mineral Collection is owned by the Etheridge Shire Council with the collection comprising over 4,500 specimens.

Based on the nature of the collection and the rarity of some of the mineral specimens it is difficult to determine a true market value for the collection. Council last valued the collection in the 2014/15 Financial Year which was undertaken by an Independent Valuer who has extensive experience in this field and is also an accredited Valuer for the Australian Government Cultural Gifts Program, specializing in Mineral, Fossil, Gold and Meteorite specimens. Mr Barry Kettley of BK Minerals was engaged by Etheridge Shire Council to undertake the revaluation of the Ted Elliot Mineral Collection for the 2017/18 Financial Year. The collection has been valued at "Fair Value"

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

<u>Note</u>	2018 \$	2017 \$
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Note 13: Trade and other 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.

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

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

Current

Creditors and accruals	767,064	269,799
Annual Leave	568,311	516,330
Time in Lieu	35,499	14,341
Total Current Trade and Other Payables	1,370,874	800,470

Note 14: Borrowings

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

All borrowings are in \$A denominated amounts and interest is expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 15 March 2019 to 15 September 2025. There have been no defaults or breaches of the loan agreement during the period.

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

Current

Loans-Queensland Treasury Corporation	42,497	60,694
Total Current Borrowings	42,497	60,694

Non Current

Loans-Queensland Treasury Corporation	71,786	103,542
Total Non-Current Borrowings	71,786	103,542

The QTC loan market value at the reporting date was \$94,494 (2017: \$106,052) for the Water Loan Forsayth and \$34,320 (2017: \$79,351) 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.

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2018

(i) Liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows
	\$	\$	\$	\$
2018				
Trade and other payables	767,064			767,064
Loans - QTC	49,128	57,715	32,464	139,307
	816,192	57,715	32,464	906,371
2017				
Trade and other payables	269,799	-	-	269,799
Loans - QTC	60,694	92,414	46,893	200,001
	330,493	92,414	46,893	469,800

(ii) Interest rate risk

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

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

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

2018

\$

2017

\$

Note 15: Provisions

Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

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

Current

Long service leave	282,075	104,600
Total Current Provisions	282,075	104,600

Non Current

Long service leave	161,016	376,815
Total Non-Current Provisions	161,016	376,815

Long Service Leave

Opening balance at beginning of financial year	481,415	511,593
Long service leave entitlement arising	56,064	65,419
Long service leave entitlement paid	(93,510)	(95,597)
Closing balance at the end of the financial year	443,092	481,415

Note 16: Asset Revaluation Surplus

The closing balance of the Asset Revaluation Surplus comprises the following asset categories:

Land	1,155,505	1,348,613
Buildings	10,632,811	7,364,328
Other Structures	6,989,114	7,006,648
Road Infrastructure	109,357,234	106,593,304
Water Infrastructure	4,981,185	2,965,843
TerrEstrial Collection	299,956	221,245
Balance at the End of the Financial Year	133,415,806	125,499,981

Etheridge Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2018

		2018 \$	2017 \$
Note 17: Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		(2,136,587)	(2,743,107)
Non-cash operating items:			
Depreciation	12	4,364,495	4,546,923
Investing and development activities:			
Net (profit) loss on disposal of non-current assets	5	22,166	57,639
Capital grants and contributions	4b	(1,252,972)	(989,761)
		(1,230,806)	(932,122)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		(2,015,465)	2,009,920
(Increase)/decrease in inventory		10,729	92,612
Increase/(decrease) in payables		570,404	(460,872)
Increase/(decrease) in other provisions		(38,323)	(30,178)
		(1,472,655)	1,611,482
Net cash outflow/inflow from operating activities		(475,553)	2,483,176

Note 18: Reconciliation of liabilities arising from finance activities

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

Note 19: Contingent liabilities

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

Local Government Mutual:

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect of any year that a deficit arises.

As at 30 June 2018 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 \$61,723.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018

Note 20: Superannuation

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefit Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

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

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

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

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Etheridge Shire Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

	Notes	2018	2017
		\$	\$
Superannuation contributions made to the Regional Defined Benefits Fund		486,758	2,525
Other superannuation contributions for employees		18,750	436,753
Total superannuation contributions paid by Council for employees:	6	505,508	439,278
		2019	
		\$	
Contributions council expects to make to the Regional Defined Benefits Fund for 2018-19.		19,406	

Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2018

Note 21: Commitments for expenditure

Contractual commitments

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

	2018	2017
	\$	\$
Karen Remfrey - Management of ESC Student Hostel 01/01/2017 to 31/12/2019.	183,000	366,000
Town Maintenance Contract - Mt Surprise 01/10/2015 to 01/09/2018.	53,257	109,537
Copperfield Town Maintenance Contract - Einasleigh 01/07/2016 to 28/03/2018	-	72,800
Kidston Dam Inspections - Robert M Jones	-	36,722
Total Commitments	236,257	585,059

Note 22: Events after the reporting period

There were no material adjusting events after the balance date.

Etheridge Shire Council
Notes to the Financial Statements
for the financial year ended 30 June 2018

Note 23: Transactions with related parties

(a) Transactions with key management personnel (KMP)

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

	2018	2017
	\$	\$
Short-term employee benefits	1,126,273	1,154,695
Post-employment benefits	18,750	2,525
Long-term benefits	28,288	20,784
Termination benefits	-	-
Total	1,173,311	1,178,004

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

(b) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between council and other related parties are disclosed below:

Details of Transaction	Additional Information	2018	2017
		\$	\$
Purchase of materials and services from entities controlled by	23 (b)(i)	336,939	387,879
Purchase of materials and services from entities controlled by close family members of KMP.	23 (b)(ii)	210,039	208,780
Employee expenses for close family members of KMP	23 (b)(iii)	287,922	292,914

(i) Council purchased the following material and services from entities that are controlled by KMP. All purchases were at arm's length and were in the normal course of Council operations. Council entered into a contract with Councillor Warren Bethel and Ralph and Lorna Bethel a close family member as a Pre-Qualified Supplier for Wet and Dry Hire of Plant and Equipment. This tender was effective on 1 July 2017. This is a continual contract with no total contract value available until completion. The contract was the result of a tender process in accordance with Council's normal procedures and policies. Councillor Warren Bethel was not involved in the decision of awarding this contract. Below is the Contract value to 30 June 2018.

	2018	2017
Groceries and Hardware-Georgetown Roadhouse	\$ 34,668	\$ 16,042
Meat-Georgetown Butchery	\$ 1,382	\$ 2,252
Contracting services-Warren Timothy Bethel	\$ 300,889	\$ 369,585
Total	\$ 336,939	\$ 387,879

(ii) Entities controlled by close family members of KMP.

Ralph and Lorna Bethel	\$ 210,039	\$ 208,780
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Etheridge Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2018

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

Council employs 63 Staff of which only 4 are close family members of KMP.

(c) Outstanding balances

There are no balances outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Amounts owed by entities controlled by key management personnel		Amounts owed by key management personnel	
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
Past due 31-60 days	\$0	\$0	\$0	\$22
Past due 61-90 days	\$0	\$0	\$0	\$0
More than 90 days overdue	\$0	\$0	\$0	\$0
Total Owning	\$0	\$0	\$0	\$22

(d) Loans and guarantees to/from related parties

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

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

Most of the entities and people that are related parties of Council live and operate within the Etheridge Council Shire. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of the Georgetown swimming pool. (No charge)
- Borrowing books from a council library. (No charge)

Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

Etheridge Shire Council

Financial statements

For the year ended 30 June 2018

Management Certificate

For the year ended 30 June 2018

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that:

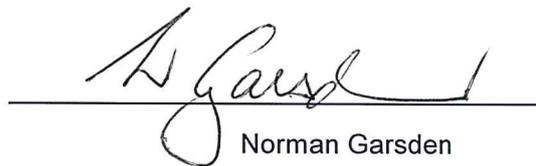
- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 28, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Warren Devlin

Mayor

Date: 18, 09, 2018



Norman Garsden

Chief Executive Officer

Date: 18, 09, 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Etheridge Shire Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Etheridge Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2018, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Etheridge Shire Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations.

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2018:

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



Sri Narasimhan
as delegate of the Auditor-General

25 September 2018

Queensland Audit Office
Brisbane

Etheridge Shire Council

Current Year Financial Sustainability Statement	33
Certificate of Accuracy - for the Current Year Financial Sustainability Statement	34
Independent Auditor's Report (Current Year Financial Sustainability Statement)	35-36

Etheridge Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2018

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

	<u>How the measure is calculated</u>	<u>Actual - Council</u>	<u>Target</u>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-16.9%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	8.8%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-73.9%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Etheridge Shire Council

Certificate of Accuracy
Current-year Financial Sustainability Statement
For the year ended 30 June 2018.

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.



Warren Devlin
Mayor

Date: 18, 09, 2018



Norman Garsden
Chief Executive Officer

Date: 18, 09, 2018

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Etheridge Shire Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Etheridge Shire Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Etheridge Shire Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Etheridge Shire Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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



Sri Narasimhan
as delegate of the Auditor-General

25 September 2018

Queensland Audit Office
Brisbane

Etheridge Shire Council

Long Term Financial Sustainability Statement - Unaudited	38
Certificate of Accuracy - for the Long Term Financial Sustainability Statement	39

Etheridge Shire Council

Long-Term Financial Sustainability Statement

Prepared as at 30 June 2018

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2018	30 June 2019	30 June 2020	31 June 2021	Projected for the years ended					
							31 June 2022	32 June 2023	32 June 2024	33 June 2025	33 June 2026	34 June 2027
Operating surplus ratio	Net result divided by total operating revenue.	Between 0% and 10%	-16.9%	-10.6%	1.7%	1.2%	0.4%	-0.5%	-0.1%	-1.3%	-1.2%	-1.8%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	8.8%	51.5%	64.1%	61.4%	61.5%	66.8%	66.4%	59.6%	49.9%	51.6%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue.	not greater than 60%	-73.9%	-42.6%	-72.2%	-81.9%	-90.7%	-96.9%	-102.8%	-109.0%	-116.6%	-121.6%

Etheridge Shire Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Etheridge Shire Council

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2018

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

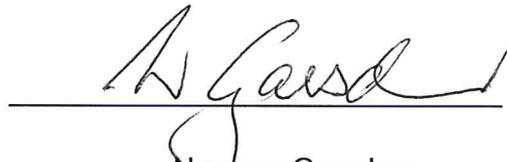
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Warren Devlin

Mayor

Date: 18 / 09 / 2018



Norman Garsden

Chief Executive Officer

Date: 18 / 09 / 2018