

# Etheridge Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020

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**Unearthing Etheridge's future to create a future beyond Rates, Roads & Rubbish**

General Purpose Financial Statements  
for the year ended 30 June 2020

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## General Purpose Financial Statements for the year ended 30 June 2020

### Understanding Council's Financial Statements

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#### Introduction

Each year, individual Local Governments across Queensland are required to present a set of audited Financial Statements to their Council & Community.

#### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2020.

The format of the Financial Statements complies with both the accounting & reporting requirements of Australian Accounting Standards.

#### About the Management Certificate

The Financial Statements must be certified by both the Mayor and the Chief Executive Officer as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the Financial Statements.

#### About the Primary Financial Statements

The Financial Statements incorporate 4 "primary" financial statements:

##### **1. A Statement of Comprehensive Income**

A summary of Council's financial performance for the year, listing all income & expenses. The combined Other Comprehensive Income records items such as changes in the fair values of Council's Property, Plant & Equipment and Financial Instruments.

##### **2. A Statement of Financial Position**

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

##### **3. A Statement of Changes in Equity**

The overall change for the year (in dollars) of Council's "net wealth".

##### **4. A Statement of Cash Flows**

Indicates where Council's cash came from and where it was spent.

#### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the 4 Primary Financial Statements.

#### About the Auditor's Reports

Council's Financial Statements are required to be audited by the Queensland Audit Office. The audit of many Queensland Councils is contracted to Audit firms that specialise in Local Government.

The Auditor provides an audit report which gives an opinion on whether the Financial Statements present fairly the Council's financial performance & position.

#### Who uses the Financial Statements?

The Financial Statements are publicly available documents & must be presented at a Council meeting after the date of the Audit Report.

# Etheridge Shire Council

## Statement of Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3a	2,313,383	2,195,522
Fees and charges	3b	379,508	304,683
Sales revenue	3d	12,395,566	9,435,399
Grants, subsidies, contributions and donations	3e	10,278,670	13,378,504
<b>Total recurrent revenue</b>		<b>25,367,127</b>	<b>25,314,108</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	3e	7,661,741	1,791,434
<b>Total capital revenue</b>		<b>7,661,741</b>	<b>1,791,434</b>
<b>Other income</b>			
Rental income	3c	122,358	145,648
Interest received	3c	236,895	511,115
<b>Total other income</b>		<b>359,253</b>	<b>656,763</b>
<b>Total income</b>		<b>33,388,121</b>	<b>27,762,305</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	4	6,148,951	6,027,675
Materials and services	5	16,624,263	13,125,785
Finance costs		8,513	10,532
Depreciation and amortisation:			
- Property, plant and equipment	10	3,932,770	3,817,705
<b>Total recurrent expenses</b>		<b>26,714,497</b>	<b>22,981,697</b>
<b>Other expenses</b>			
Capital expenses	6	186,609	1,221,396
<b>Total other expenses</b>		<b>186,609</b>	<b>1,221,396</b>
<b>Total expenses</b>		<b>26,901,106</b>	<b>24,203,093</b>
<b>Operating result</b>		<b>6,487,016</b>	<b>3,559,212</b>
<b>Net result</b>		<b>6,487,016</b>	<b>3,559,212</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase/(decrease) in asset revaluation surplus	10	-	(377,776)
<b>Total other comprehensive income for the year</b>		<b>-</b>	<b>(377,776)</b>
<b>Total comprehensive income for the year</b>		<b>6,487,016</b>	<b>3,181,435</b>

# Etheridge Shire Council

## Statement of Financial Position

as at 30 June 2020

	Notes	2020 \$	2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	14,083,783	16,319,149
Receivables	8	2,826,341	3,004,476
Inventories	9	394,944	409,998
<b>Total current assets</b>		<b>17,305,068</b>	<b>19,733,623</b>
<b>Non-current assets</b>			
Property, plant and equipment	10	201,627,189	190,959,774
<b>Total non-current assets</b>		<b>201,627,189</b>	<b>190,959,774</b>
<b>TOTAL ASSETS</b>		<b>218,932,257</b>	<b>210,693,397</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	1,255,403	2,270,966
Contract liabilities	11	3,285,234	-
Borrowings	13	10,305	9,623
Provisions	14	346,531	279,379
<b>Total current liabilities</b>		<b>4,897,473</b>	<b>2,559,968</b>
<b>Non-current liabilities</b>			
Borrowings	13	52,260	62,379
Provisions	14	1,309,222	1,355,286
<b>Total non-current liabilities</b>		<b>1,361,482</b>	<b>1,417,665</b>
<b>TOTAL LIABILITIES</b>		<b>6,258,955</b>	<b>3,977,633</b>
<b>Net community assets</b>		<b>212,673,302</b>	<b>206,715,764</b>
<b>COMMUNITY EQUITY</b>			
Asset revaluation surplus	15	133,038,030	133,038,030
Retained surplus/(deficiency)		79,635,272	73,677,734
<b>Total community equity</b>		<b>212,673,302</b>	<b>206,715,764</b>

# Etheridge Shire Council

## Statement of Changes in Equity for the year ended 30 June 2020

Notes	Asset revaluation surplus \$	Retained surplus \$	Total equity \$
<b>2020</b>			
<b>Balance as at 1 July 2019</b>	133,038,030	73,677,734	<b>206,715,764</b>
Adjustment on initial application of AASB 15 / AASB 1058	-	(529,478)	<b>(529,478)</b>
<b>Restated balance as at 1 July 2019</b>	<b>133,038,030</b>	<b>73,148,256</b>	<b>206,186,286</b>
<b>Net result</b>	-	6,487,016	<b>6,487,016</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>6,487,016</b>	<b>6,487,016</b>
<b>Balance as at 30 June 2020</b>	<b>133,038,030</b>	<b>79,635,272</b>	<b>212,673,302</b>
<b>2019</b>			
<b>Balance as at 1 July 2018</b>	133,415,806	70,118,522	<b>203,534,328</b>
<b>Net result</b>	-	3,559,212	<b>3,559,212</b>
Other comprehensive income			
- Increase/(decrease) in asset revaluation surplus	10 (377,776)	-	<b>(377,776)</b>
<b>Other comprehensive income</b>	<b>(377,776)</b>	-	<b>(377,776)</b>
<b>Total comprehensive income for the year</b>	<b>(377,776)</b>	<b>3,559,212</b>	<b>3,181,435</b>
<b>Balance as at 30 June 2019</b>	<b>133,038,030</b>	<b>73,677,734</b>	<b>206,715,763</b>

# Etheridge Shire Council

## Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		15,059,734	13,275,682
Payments to suppliers and employees		<u>(24,333,086)</u>	<u>(18,792,803)</u>
		(9,273,352)	(5,517,122)
<b><u>Receipts:</u></b>			
Interest received		236,895	502,572
Rental income		122,358	145,648
Non capital grants and contributions		11,278,165	13,378,504
Other		257,833	-
<b><u>Payments:</u></b>			
Borrowing costs		(8,513)	(6,846)
<b>Net cash - operating activities</b>	19	<u><u>2,614,202</u></u>	<u><u>8,502,756</u></u>
<b>Cash Flows from investing activities</b>			
<b><u>Receipts:</u></b>			
Proceeds from sale of property, plant and equipment		44,682	24,136
Grants, subsidies, contributions and donations		9,946,662	1,791,434
<b><u>Payments:</u></b>			
Payments for property, plant and equipment		(14,831,476)	(6,440,280)
<b>Net cash - investing activities</b>		<u><u>(4,840,132)</u></u>	<u><u>(4,624,709)</u></u>
<b>Cash flows from financing activities</b>			
<b><u>Payments:</u></b>			
Repayment of borrowings		(9,436)	(42,282)
<b>Net cash flow - financing activities</b>		<u><u>(9,436)</u></u>	<u><u>(42,282)</u></u>
<b>Net increase/(decrease) for the year</b>		<u><u>(2,235,366)</u></u>	<u><u>3,835,765</u></u>
<b>Add cash and cash equivalents - beginning of year</b>		16,319,149	12,483,384
<b>Cash and cash equivalents - closing</b>	7	<u><u><b>14,083,783</b></u></u>	<u><u><b>16,319,149</b></u></u>

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 1. Summary of Significant Accounting Policies

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#### (a) Basis of preparation

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

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and investment property.

#### (b) New and revised Accounting Standards adopted during the year

Etheridge Shire Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019. The Standards having impact on reported positions, performance and cash flow were those relating to Revenue recognition and timing.

Refer to the change in accounting policy Note 21 for transition disclosures for *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities* and *AASB 16 Leases*.

#### (c) Estimates and Judgements

Councils make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

- Valuation and depreciation of Property, Plant & Equipment - Note 10
- Impairment of Property, Plant and Equipment - Note 10
- Provisions - Note 14
- Contingent Liabilities - Note 17
- Revenue - Note 3

#### (d) Comparatives

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and, therefore the comparative information is presented using previous standards relating to revenue and lease.

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date, which is when a reporting date commences after January 2020 and, where their application will have a material reporting relevance on Council's Financial Statements. At this point in time it is not anticipated these standards will apply to Council.

#### (e) Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.



### Note 2(a). Council functions - component descriptions

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**Details relating to the Council's functions / activities reported in Note 2(b) are as follows:**

#### **Delivering organisational excellence and governance**

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

#### **Improving communication infrastructure and mechanisms within the Shire**

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

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

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

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

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

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

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

#### **Managing the natural assets, environment and economy for tourism and economic development**

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

#### **Commercial services**

Council will build appropriate infrastructure and conduct commercial services aligned to local and regional priorities, e.g. road construction, road maintenance, irrigable water supplies, swimming pool operations, refuse collection, student hostel, child care and tourist services.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 2(b). Council functions - analysis of results by function

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>2020</b>											
Organisational excellence and governance	4,520,168	2,445,454	-	-	6,965,622	(3,849,912)	(186,609)	(4,036,522)	3,115,710	2,929,100	205,226,183
Improving shire communications infrastructure and mechanisms	-	-	-	-	-	(261,991)	-	(261,991)	(261,991)	(261,991)	-
Equitable social infrastructure	46,353	102,082	535,000	-	683,435	(947,962)	-	(947,962)	(799,527)	(264,527)	-
Resilient transport infrastructure	5,116,563	12,173,679	742,005	-	18,032,247	(18,043,469)	-	(18,043,469)	(753,227)	(11,222)	(27,747)
Delivering reliable potable and irrigation water	366,394	365,553	6,364,736	-	7,096,683	(2,160,778)	-	(2,160,778)	(1,428,831)	4,935,905	13,614,323
Natural assets, environment and economy	-	143,094	-	20,000	163,094	(700,513)	-	(700,513)	(557,419)	(537,419)	-
Commercial services	229,192	217,848	-	-	447,040	(749,871)	-	(749,871)	(302,831)	(302,831)	119,499
<b>Total</b>	<b>10,278,670</b>	<b>15,447,710</b>	<b>7,641,741</b>	<b>20,000</b>	<b>33,388,121</b>	<b>(26,714,496)</b>	<b>(186,609)</b>	<b>(26,901,105)</b>	<b>(988,116)</b>	<b>6,487,016</b>	<b>218,932,258</b>

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net Result from recurring operations	Net result	Total assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
<b>2019</b>											
Organisational excellence and governance	5,612,836	2,236,597	-	-	7,849,433	(3,930,007)	(29,563)	(3,959,570)	3,919,426	3,889,863	21,451,563
Communication infrastructure and mechanisms within the Shire	-	-	-	-	-	(391,421)	-	(391,421)	(391,421)	(391,421)	27,872,367
Equitable social infrastructure	40,363	127,468	535,000	-	702,831	(965,135)	-	(965,135)	(797,304)	(262,304)	1,415,098
Resilient transport infrastructure	5,864,909	9,516,818	856,434	-	16,238,161	(14,875,806)	-	(14,875,806)	505,921	1,362,355	148,461,932
Reliable potable and irrigation water	1,602,400	365,491	400,000	-	2,367,891	(1,357,893)	-	(1,357,893)	609,998	1,009,998	10,644,024
Natural assets, environment and economy	-	152,746	-	-	152,746	(1,875,065)	-	(1,875,065)	(1,722,319)	(1,722,319)	726,850
Commercial services	257,996	193,248	-	-	451,244	(778,203)	-	(778,203)	(326,959)	(326,959)	-
<b>Total</b>	<b>13,378,504</b>	<b>12,592,368</b>	<b>1,791,434</b>	<b>-</b>	<b>27,762,306</b>	<b>(24,173,530)</b>	<b>(29,563)</b>	<b>(24,203,093)</b>	<b>1,797,342</b>	<b>3,559,213</b>	<b>210,571,834</b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 3. Revenue

Notes	2020 \$	2019 \$
<b>(a). Rates, levies and charges</b>		
<b>2020 accounting policy</b>		
Rates and annual charges are recognised as income when council earns the right to entitlement, which is at the commencement of the rating period.		
Prepaid rates, being rates received prior to reporting date, if any, are recognised as a financial liability until the commencement of the rating period.		
<b>2019 accounting policy</b>		
Rates were recognised as income at the commencement of the rating period. Prepaid rates received prior to this date, were recognised as revenue at the time of receipt.		
General rates	2,170,599	2,068,475
Water consumption	401,832	404,477
Waste management	141,617	134,044
Emergency Fire and Rescue Levy	(32,465)	(48,831)
<b>Total rates and utility charge revenue</b>	<b>2,681,583</b>	<b>2,558,165</b>
Less: discounts and concession remissions	(368,200)	(362,643)
<b><u>TOTAL RATES, LEVIES AND CHARGES</u></b>	<b><u>2,313,383</u></b>	<b><u>2,195,522</u></b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 3. Revenue (continued)

	2020	2019
Notes	\$	\$
<b>(b). Fees and charges</b>		
<b>2020 accounting policy</b>		
Revenue, arising from fees and charges, is recognised when the performance obligation is completed and the customer receives the benefit of the contracted goods and services provision.		
The performance obligation relates to the specific services provided to customers. Generally, full payment is expected at the time of service provision but definitely within 30 day terms of such service provision.		
There is no material obligation for Council in relation to refunds or returns.		
Licences, granted by Council, are generally annual or low value and licence revenue is recognised at the time of granting the licence.		
<b>2019 accounting policy</b>		
Fees and charges were recognised when Council was unconditionally entitled to those funds. Generally this was upon lodgement of the relevant applications or documents or when the service was provided.		
Licences, registrations and other fees and charges	4,827	5,310
TerrEstrial Centre	41,707	56,841
Childcare centre	114,351	57,715
Hostel fees	51,950	58,733
Einisleigh Common	4,212	4,545
Other fees and charges	162,461	121,539
<b><u>TOTAL FEES AND CHARGES</u></b>	<b><u>379,508</u></b>	<b><u>304,683</u></b>

# Etheridge Shire Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 3. Revenue (continued)

	2020	2019
Notes	\$	\$
<b>(c). Rental income and Interest received</b>		
Rental income	122,358	145,648
Interest received:		
On term deposits	220,941	457,564
On overdue rates and charges	15,954	53,551
<b>Subtotal interest received</b>	<b>236,895</b>	<b>511,115</b>
<b><u>TOTAL RENTAL AND INTEREST</u></b>	<b><u>359,253</u></b>	<b><u>656,763</u></b>

### (d). Sales revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and associated costs are recognised by reference to the stage of completion of the contracted activity, based on costs incurred at reporting date. Where consideration is received in advance of activity provision, it is included in other liabilities until the activity is performed, when it is then recognised as revenue. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

#### **Sale of services**

Contract and recoverable works	12,370,037	9,401,684
Private and other works	25,529	33,715
<b><u>TOTAL SALES REVENUE</u></b>	<b><u>12,395,566</u></b>	<b><u>9,435,399</u></b>

### (e) Grants, subsidies, contributions and donations

#### **2020 accounting policy**

##### ***Grant income under AASB 15***

Where grant income arises from an agreement which is enforceable and contains specific performance obligations, then the revenue is recognised when control of each performance obligations is transferred / satisfied.

The performance obligations are varied based on the agreement but can include completion to specification and standard, or within a certain timeframe etc. Payment terms vary depending on the conditions of the grants. Grants may be received upfront for some agreements or on achievement of certain completion criteria.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 3. Revenue (continued)

Notes	2020 \$	2019 \$
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(e) Grants, subsidies, contributions and donations (continued)

Performance obligations are considered to ensure revenue recognition reflects the transfer of control over the asset and, within some grant agreements, there may be performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, general input methods, being either cost or time incurred, are considered an appropriate method to recognise the transfer of benefit.

**Grant income under AASB 1058**

Assets arising from grants within the scope of AASB 1058, are recognised at the fair value of the asset when transferred. Council recognises any associated liability or equity item relationships, accompanying the asset transfer, in accordance with this standard.

Once the assets and liabilities have been recognised, then income is recognised for any remaining asset value at the time the asset is received.

**Capital grants**

**2020 accounting policy**

Capital grants received by Council to enable the acquisition of items of property, plant and equipment, which will be under Council's control and is an enforceable agreement are recognised as revenue when the purchase obligation has been completed. Capital grants for construction projects are recognised as revenue, generally as the construction progresses in accordance with costs incurred. This is considered the most appropriate measure of matching the timing revenue with the project costs.

**2019 accounting policy**

Grants, subsidies, donations and contributions, which are considered non-conditional, are recognised as revenue when Council obtains control of these funds, which is usually upon receipt. Where grants are received, that are reciprocal in nature, revenue is recognised as the performance obligations under the funding agreement are fulfilled. Council did not receive any reciprocal grants during the 2018-19 year.

(i) Recurrent

State government subsidies and grants	4,495,156	7,602,561
Commonwealth government subsidies and grants	5,760,162	5,771,836
Donations	23,352	4,107
<b><u>TOTAL RECURRENT GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u></b>	<b><u>10,278,670</u></b>	<b><u>13,378,504</u></b>

# Etheridge Shire Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 3. Revenue (continued)

Notes	2020 \$	2019 \$
<b>(e) Grants, subsidies, contributions and donations (continued)</b>		
<b>(ii) Capital</b>		
Capital revenue includes grants and subsidies received and tied to specific projects for the replacement or upgrade of existing, non-current, assets and investment in new assets.		
State government subsidies and grants	722,603	1,278,300
Commonwealth government subsidies and grants	6,939,138	513,134
<b><u>TOTAL CAPITAL GRANTS, SUBSIDIES, CONTRIBUTIONS AND DONATIONS</u></b>	<b><u>7,661,741</u></b>	<b><u>1,791,434</u></b>

#### (iii) Conditions over contributions

Council has adopted the new accounting standard in respect of recognising the unexpended portion of received grants subject to specific conditions as Contract Liabilities rather than direct to Revenue. This note reference is to acknowledge that Council did recognise the transitional arrangement during the prior year. Refer Note 11 Contract balances for current year treatment.

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 expenditure on infrastructure received	-	3,463,522
	-	<u>3,463,522</u>

### Note 4. Employee benefits

Wages and salaries		4,851,463	4,943,428
Councillors remuneration		329,833	321,143
Annual, personal and long-service leave entitlements		716,710	740,600
Superannuation	18	526,835	511,630
		<u>6,424,841</u>	<u>6,516,801</u>
Other employee related expenses		278,003	310,796
		<u>6,702,844</u>	<u>6,827,597</u>
Less: capitalised employee expenses		(553,893)	(799,922)
<b><u>TOTAL EMPLOYEE BENEFITS</u></b>		<b><u>6,148,951</u></b>	<b><u>6,027,675</u></b>

Councillor remuneration includes salary and allowances paid in respect of carrying out their duties.

# Etheridge Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 4. Employee benefits (continued)

	Notes	2020 No.	2019 No.
<b>Additional information:</b>			
Total Council employees at the reporting date:			
Elected members		5	5
Administration staff		17	22
Depot and Works staff		31	32
Child care		5	5
<b>Total full time equivalent employees</b>		<b>59</b>	<b>64</b>

### Note 5. Materials and services

	Notes	2020 \$	2019 \$
Consumables		434,160	580,737
Professional services		154,266	308,348
Contract works		9,852,728	6,780,884
Gilbert River project		1,334,721	557,706
Repairs and maintenance		1,174,194	1,391,130
Other materials and services		3,137,829	1,801,391
Water and waste management		536,365	1,705,589
<b>TOTAL MATERIALS AND SERVICES</b>		<b>16,624,263</b>	<b>13,125,785</b>

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$60,000 (2019: \$58,672).

In 2020 line items have been reclassified to provide more relevant information. 2019 comparatives have similarly been reclassified to maintain consistent comparability across periods.

### Note 6. Capital expenses

#### (a) Loss on disposal of non-current assets

Proceeds from the disposal of property, plant and equipment		44,682	24,136
Less: book value of disposed fleet plant	10	(50,499)	-
Less: book value of property, plant and equipment disposed	10	(180,792)	(53,699)
<b>Loss on disposal of non-current assets</b>		<b>186,609</b>	<b>29,563</b>

#### (b) Provision for restoration of land

Recognition of refuse restoration provision	14	-	1,191,833
		-	1,191,833
<b>TOTAL CAPITAL EXPENSES</b>		<b>186,609</b>	<b>1,221,396</b>



# Etheridge Shire Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 7. Cash and cash equivalents

	2020	2019
Notes	\$	\$
<p>Cash and cash equivalents in the statement of cash flows includes cash on hand; all cash and cheques receipted but not banked at year end; at-call deposits held with financial institutions, which are considered not at risk to changes in value.</p>		
<b>Cash and cash equivalents</b>		
Cash at bank and on hand	71,070	132,789
Deposits at call	14,012,714	16,186,360
<b><u>TOTAL CASH AND CASH EQUIVALENTS</u></b>	<b><u>14,083,783</u></b>	<b><u>16,319,149</u></b>

#### Restricted cash and cash equivalents

Council's cash and cash equivalents are subject to internal and external restrictions, limiting amounts available for discretionary or future use.

Internally and external imposed expenditure restrictions at the reporting date:

Internally constrained funds	9,227,207	9,460,800
Externally constrained funds	4,785,507	6,725,561
<b>Total unspent restricted cash</b>	<b><u>14,012,714</u></b>	<b><u>16,186,361</u></b>

#### Constrained funds

Future capital works	3,659,254	-
Future constrained works	1,126,253	-
Future recurrent expenditure	2,869,102	132,788
<b>Total</b>	<b><u>7,654,609</u></b>	<b><u>132,788</u></b>

Cash and deposits at call are held with Bendigo Bank in standard business banking accounts. This bank currently enjoys a Standard and Poor's short term credit rating of A1+ and long term rating of AA-.

#### Trust funds

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties.

Council performs a custodial role in respect of these monies and, because they cannot be used for other Council purposes, they are not considered revenue and not recognised as Council assets.

#### Trust funds held for outside parties

Monies collected or held on behalf of external parties	<u>159</u>	<u>372</u>
	<b><u>159</u></b>	<b><u>372</u></b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 8. Receivables

	2020	2019
	Notes	Notes
	\$	\$
<p>Receivables, loans and advances are amounts owed to Council at year end. They are recognised at the amount due at the time of sale, service delivery or advance. Settlement of receivables is required within 30 days from invoice date. Security is not normally obtained.</p> <p>Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. Any such bad debts, recovered in a subsequent period, will be recognised as revenue.</p> <p>The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.</p> <p>Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.</p> <p>Council does not impair rate receivables as it is empowered under the provisions of the <i>Local Government Act 2009</i> to recover any outstanding rate debt from proceeds on disposal of the rateable property.</p>		
Rates and charges	164,035	84,337
Debtor receivables	1,012,988	2,505,335
BAS receivable	40,853	121,565
Accrued revenue receivables	1,608,465	255,012
Prepayments	-	38,227
<b><u>TOTAL CURRENT RECEIVABLES</u></b>	<b><u>2,826,341</u></b>	<b><u>3,004,476</u></b>

Note 9. Inventories

**Inventories Held for Distribution**

Inventories are generally unused consumable items held for own use and include general stores and parts and materials for operational repair and replacement or particular items held for projects and works use.

Inventory value is measured as the weighted average cost of carrying value less adjustments, where necessary, for any change in this value and then reflect the lower of average cost and net realisable value.

Inventories are charged to expense or works as utilised, at their carry value.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories (continued)

	Notes	2020 \$	2019 \$
<b>Land Held for Resale</b>			
Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value and, being an inventory item, is classified as a current asset. Proceeds from the sale will be recognised as sales revenue on the signing of a legal, unconditional contract of sale.			
<b>(a) Inventories held for sale</b>			
Real estate for resale		53,093	53,093
		<u>53,093</u>	<u>53,093</u>
<b>(b) Inventories held for distribution</b>			
Plant and equipment stores		341,851	356,905
		<u>341,851</u>	<u>356,905</u>
<b><u>TOTAL CURRENT INVENTORIES</u></b>		<u>394,944</u>	<u>409,998</u>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Property, plant and equipment

30 June 2020		Land	Buildings	Other structures	Fleet plant and equipment	Furniture and other equipment	Road infrastructure	Water infrastructure	TerrEstrial collection	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement basis	Note	Cost	Fair value	Fair value	Cost	Cost	Fair value	Fair value	Fair value	Cost	
Opening gross balance		1,674,065	22,245,275	14,160,815	9,749,919	559,377	173,682,081	12,086,606	726,850	3,160,438	<b>238,045,426</b>
Additions - other		-	-	-	-	-	-	-	-	14,831,478	<b>14,831,478</b>
Disposals	6	-	-	-	(126,251)	-	(281,764)	(3,452)	-	-	<b>(411,467)</b>
Transfers at cost		-	2,136,714	7,054	316,160	14,893	1,789,793	21,227	-	(4,285,841)	-
<b>Total gross value of property, plant and equipment</b>		<b>1,674,065</b>	<b>24,381,989</b>	<b>14,167,870</b>	<b>10,066,079</b>	<b>574,270</b>	<b>175,190,110</b>	<b>12,104,380</b>	<b>726,850</b>	<b>13,706,076</b>	<b>252,591,689</b>
Opening accumulated depreciation		-	9,383,244	4,025,525	4,874,874	393,938	25,225,130	3,182,942	-	-	<b>47,085,653</b>
Depreciation expense		-	720,975	474,754	450,662	14,062	2,060,565	211,752	-	-	<b>3,932,770</b>
Disposals	6	-	-	-	(75,750)	-	(101,514)	(2,910)	-	-	<b>(180,174)</b>
<b>Total accumulated depreciation of property, plant and equipment</b>		-	<b>10,104,219</b>	<b>4,500,279</b>	<b>5,376,036</b>	<b>408,001</b>	<b>27,184,180</b>	<b>3,391,784</b>	-	-	<b>50,964,500</b>
<b>Total net book value of property, plant and equipment</b>		<b>1,674,065</b>	<b>14,277,770</b>	<b>9,667,591</b>	<b>4,690,043</b>	<b>166,269</b>	<b>148,005,930</b>	<b>8,712,596</b>	<b>726,850</b>	<b>13,706,076</b>	<b>201,627,189</b>
<b>*Asset additions comprise</b>											
Renewals		-	-	-	-	-	-	-	-	264,366	<b>264,366</b>
Other additions		-	-	-	-	-	-	-	-	14,567,112	<b>14,567,112</b>
<b>Total asset additions</b>		-	-	-	-	-	-	-	-	<b>14,831,478</b>	<b>14,831,478</b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Property, plant and equipment

30 June 2019		Land	Buildings	Other structures	Fleet plant and equipment	Furniture and other equipment	Road infrastructure	Water infrastructure	TerrEstrial collection	Work in progress	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Measurement basis	Note	Cost	Fair value	Fair value	Cost	Cost	Fair value	Fair value	Fair value	Cost	
Opening gross balance		1,651,500	22,186,750	14,085,935	8,973,664	541,621	171,741,217	11,306,933	726,850	509,755	<b>231,724,225</b>
Additions - new		-	-	-	-	-	-	-	-	5,491,175	<b>5,491,175</b>
Additions - other		-	-	-	-	-	-	-	-	949,105	<b>949,105</b>
Disposals	, 6	-	-	-	(90,487)	-	(40,254)	(6,775)	-	-	<b>(137,516)</b>
Revaluation increments to equity (ARS)		-	-	-	-	-	12,329	6,108	-	-	<b>18,437</b>
Work in progress transfers		22,565	58,525	74,880	866,742	17,756	1,968,789	780,340	-	(3,789,597)	-
<b>Total gross value of property, plant and equipment</b>		<b>1,674,065</b>	<b>22,245,275</b>	<b>14,160,815</b>	<b>9,749,919</b>	<b>559,377</b>	<b>173,682,081</b>	<b>12,086,606</b>	<b>726,850</b>	<b>3,160,438</b>	<b>238,045,427</b>
Opening accumulated depreciation		-	8,680,496	3,201,063	4,454,066	381,183	23,242,881	2,995,862	-	-	<b>42,955,551</b>
Depreciation expense		-	702,748	428,249	473,543	12,755	2,007,199	193,211	-	-	<b>3,817,705</b>
Disposals	, 6	-	-	-	(52,735)	-	(24,950)	(6,131)	-	-	<b>(83,816)</b>
Revaluation decrements to equity (ARS)		-	-	396,213	-	-	-	-	-	-	<b>396,213</b>
<b>Total accumulated depreciation of property, plant and equipment</b>		-	<b>9,383,244</b>	<b>4,025,525</b>	<b>4,874,874</b>	<b>393,938</b>	<b>25,225,130</b>	<b>3,182,942</b>	-	-	<b>47,085,653</b>
<b>Total net book value of property, plant and equipment</b>		<b>1,674,065</b>	<b>12,862,031</b>	<b>10,135,290</b>	<b>4,875,045</b>	<b>165,439</b>	<b>148,456,951</b>	<b>8,903,664</b>	<b>726,850</b>	<b>3,160,438</b>	<b>190,959,774</b>
<b>*Asset additions comprise</b>											
Renewals		-	-	-	-	-	-	-	-	949,105	<b>949,105</b>
Other additions		-	-	-	-	-	-	-	-	5,491,174	<b>5,491,174</b>
<b>Total asset additions</b>		-	-	-	-	-	-	-	-	<b>6,440,279</b>	<b>6,440,279</b>

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Property, plant and equipment (continued)

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(a) Recognition

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

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

**Land under roads**

Land under the roads and reserve land which falls under the *Land Act 1994* or 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 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 directly attributable to bringing the asset to a location and condition capable of being used by Council.

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 or for significantly less than fair value are initially recognised at their 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.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Property, plant and equipment (continued)

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(c) Depreciation (continued)

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

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

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

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 annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date.

**Key judgements and estimates**

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful lives to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

(d) Impairment

Property, plant and equipment 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) Major Plant

Plant with a cost in excess of \$5,000, which is prone to a high degree of price fluctuations or in danger of becoming obsolete, is classified as major plant. This asset class primarily includes specialised earthmoving equipment.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Property, plant and equipment (continued)

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(f) Valuation

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

**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 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 three (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 engineers and consulting asset managers to assess the cost assumptions for useful and remaining lives for all infrastructure assets. These results are then considered in combination with appropriate cost indices for the region from the Australian Bureau of Statistics. Together these are used to form the basis of a management valuation for infrastructure asset classes during these periods.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are appropriate. Further details in relation to valuers, the methods of valuation and the key assumptions used in valuing each different asset class are disclosed below.

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.

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

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities,

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly,

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).



Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Property, plant and equipment (continued)

(f) Valuation (continued)

(i) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair value measurement using:		Total
		Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
		\$	\$	\$
<b>2020</b>				
<b>Property, plant and equipment</b>				
Land	30/06/18	1,674,065	-	1,674,065
Buildings	30/06/18	2,566,904	11,710,866	14,277,770
Other structures	30/06/18	-	9,667,590	9,667,590
Road infrastructure	30/06/18	-	148,005,929	148,005,929
Water infrastructure	30/06/18	-	8,712,596	8,712,596
TerrEstrial collection		-	726,850	726,850
<b>Total property, plant and equipment</b>		<b>4,240,969</b>	<b>178,823,831</b>	<b>183,064,800</b>
<b>2019</b>				
<b>Property, plant and equipment</b>				
Land	30/06/18	1,674,065	-	1,674,065
Buildings	30/06/18	2,757,872	10,104,360	12,862,232
Other structures	30/06/18	-	10,135,290	10,135,290
Road infrastructure	30/06/18	-	148,456,952	148,456,952
Water infrastructure	30/06/18	-	8,903,664	8,903,664
TerrEstrial collection		-	726,850	726,850
<b>Total property, plant and equipment</b>		<b>4,431,937</b>	<b>178,327,116</b>	<b>182,759,053</b>

(ii) Transfers between levels 1, 2 and 3 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

The major change in Buildings asset value between years was the commissioning of the Georgetown Sports Stadium during the last quarter of 2019, together with the capitalisation of a few, completed, smaller structures.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Property, plant and equipment (continued)

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#### (f) Valuation (continued)

##### (iii) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e.. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

#### Land (level 2)

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

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

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

A desktop review has been performed by Herron Todd and White as at 30 June 2020. A desktop review of market data for the period 30 June 2019 to the 30 June 2020 was conducted which found very few sales in the four towns. This analysis shows no evidence of any movement in the market since the comprehensive valuation, and therefore adoption of the 2018 values can still be made and relied upon.

#### Buildings (level 2 and 3)

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

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

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Property, plant and equipment (continued)

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#### (f) Valuation (continued)

#### (iii) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Buildings (level 2 and 3) (continued)

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 similar 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.

A desktop review has been performed by Herron Todd and White as at 30 June 2020. A review of market data for the period 30 June 2019 to the 30 June 2020 was conducted which found very few sales amongst the four towns. This analysis, based on little evidence of market movement since the comprehensive valuation, suggested adoption of the 2018 values could still be relied upon.

##### Water, Roads Infrastructure, Other Assets (level 3)

###### Roads

###### **Current Replacement Cost**

All council infrastructure assets were fair valued using written down current replacement cost by independent valuer Shepherd Services Pty Ltd, effective the 31st March 2018 and a desktop assessment to 30 June 2020.

The desktop assessment included a review the Australian Bureau Statistics indices (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 30 June 2018 to 30 June 2020 to ensure no significant material increases to unit rates have occurred and are still considered fair value. A review of asset data was also completed and ensuring completed capital projects have been accounted for and included in Council's accounting system.

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, service costs and overhead allocations. Council assumes that pavements are constructed to depths of 200mm for urban areas and 150mm for rural roads.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Property, plant and equipment (continued)

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#### (f) Valuation (continued)

#### (iii) Valuation techniques used to derive level 2 and level 3 fair values (continued)

#### Water, Roads Infrastructure, Other Assets (level 3) (continued)

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 March 31, 2018. Each bridge was assessed individually, with the valuation varying according to deck area, condition and size. Construction estimates were determined on a similar basis to roads. A desktop assessment to June 2020 has been completed and included a review the Australian Bureau Statistics indices (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 30 June 2018 to 30 June 2020 to ensure no significant material increase to unit rates have occurred and are still considered fair value.

#### **Accumulated depreciation**

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

#### Drainage infrastructure

#### **Current replacement cost**

A full valuation of drainage infrastructure undertaken by independent valuers, Shepherd Services Pty Ltd, effective March 31, 2018. Similar to roads, drainage assets are managed by major components pipes, headwalls, surfaces and pits. A desktop assessment to 30 June 2020 has been completed and included a review the Australian Bureau Statistics indices (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 30 June 2018 to the 30 June 2020 to ensure no significant material increases to unit rates have occurred and are still considered fair value.

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Property, plant and equipment (continued)

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#### (f) Valuation (continued)

##### (iii) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Water, Roads Infrastructure, Other Assets (level 3) (continued)

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

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

##### **Accumulated depreciation**

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

##### Water Assets

##### **Current replacement cost**

Water infrastructure fair values were determined by independent valuers, Shepherd Services Pty Ltd, effective March 31, 2018. CRC was calculated based on expected replacement costs. A desktop assessment to 30 June 2020 has been completed and included a review the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Indexes, Australia Table 17) for the period 30 June 2018 to the 30 June 2020 to ensure no significant material increases to unit rates have occurred and are still considered fair value.

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

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

##### **Accumulated depreciation**

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

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 10. Property, plant and equipment (continued)

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#### (f) Valuation (continued)

#### (iii) Valuation techniques used to derive level 2 and level 3 fair values (continued)

#### Water, Roads Infrastructure, Other Assets (level 3) (continued)

##### Other Assets

##### **Current replacement cost**

The Other Asset class, which includes small shelters, play equipment, fencing, and various airstrip and remaining land improvement assets. Fair values were determined by independent valuers, Shepherd Services Pty Ltd, effective March 31, 2018. CRC was calculated based on expected replacement costs, where unit rates were developed from a combination of past construction project averages, from first principals' calculations or indexation. A desktop assessment to June 30, 2020 has been completed and included a review of the Australian Bureau Statistics indexes (Ref. ABS Catalogues, 6427.0 Producer Price Index, Australia Table 17) for the period 30 June 2018 to the 30 June 2020 to ensure no significant material increase to unit rates have occurred and are still considered fair value.

##### **Accumulated depreciation**

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

Where site inspections were not conducted, the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

##### **Terrestrial Mineral Collection**

The Terrestrial Mineral Collection is valued at acquisition cost.

##### **Roads, Stormwater, Aerodromes Asset Class Indexation Review**

To determine what indexes might be required to be applied against the asset stock, we have completed a review utilising the Australian Bureau of Statistics indexes. The review found that the estimated cumulative index from ABS, from June 2018 to June 2020 for Roads, Drainage, Bridges and Aerodromes was 2.87%. Further Analysis has been completed based on actual project costings. After the unit rate analysis, it was considered not material for this financial year.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 11. Contract balances

Where the invoiced amounts billed to customers are based on the achievement of agreed milestones established in the contract, the amounts recognised as revenue, in a given period, do not necessarily coincide with the amounts billed to or certified by the customer.

Project expenditure incurred, under customer agreement, prior to transfer of the asset to the customer, is treated as contract asset work in progress. Consideration received from the customer is recognised as revenue, once Council's right to the transferred asset amount is considered unconditional.

When a contribution amount is received from a customer prior to Council transferring the asset to the customer, Council recognises the surplus of the contribution, in excess of the amount expended, as a contract liability.

(a) Contract assets

Council does not hold contract assets outside it's Work in Progress (WIP) register. Where work is being performed under service contract the expense is capitalised into WIP, until agreed milestones are achieved, costs incurred are agreed and the service contract is converted to an invoice under receivables.

Grants received for construction of Council owned assets are held as Contract Liabilities. Accumulated expenditure is similarly held in WIP until either agreed milestones have been reached or the project is completed. As these stages are agreed, funds can be released, in whole or part, and the Contract liability can be unwound to the comparable extent.

	Notes	2020 \$	2019 \$
<b>(b) Contract liabilities</b>			
Grants received to construct Council assets	(i)	2,284,921	-
Deposits advanced for future service contracts	(ii)	1,000,313	-
<b><u>TOTAL CONTRACT LIABILITIES</u></b>		<b><u>3,285,234</u></b>	<b><u>-</u></b>

- (i) Funds received for Charleston dam; Terrestrial Centre upgrade; Gilbert river
- (ii) Funds advanced for 2019-20 flood and monsoonal damage

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 11. Contract balances (continued)

Notes	2020 \$	2019 \$
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(c) Significant changes in contract balances

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously similar revenues were recognised upon receipt and therefore there was no effect on the statement of financial position.

Note 12. Payables

Creditors are recognised when goods or services are received, at the contracted amounts agreed. Such agreed amounts are unsecured and generally settled within 30 day terms or by agreement

Creditors and accruals	620,619	1,765,007
Unearned income (rates received in advance)	50,975	-
Annual Leave	535,570	493,583
Time in lieu	48,239	12,376
<b><u>TOTAL CURRENT PAYABLES</u></b>	<u>1,255,403</u>	<u>2,270,966</u>

In prior years, the BAS receivable /(payable) has always been shown as a Payables regardless. Commencing in 2020, if the net BAS payment is receivable it will be shown as part of Council's Receivables and only as Payable, if a net payable. The BAS receivable includes the employee income tax deduction (PAYG-W) payable and a claimable GST receivable on contractor and operational expenditure and fuel tax rebates less a GST payable on applicable grants and operational income.



Notes to the Financial Statements  
for the year ended 30 June 2020

Note 13. Borrowings

Notes	2020 \$	2019 \$
<p>Borrowings are initially recognised at the agreed contract amount plus any directly attributable, transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly in arrears.</p> <p>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 date for the Forsyth water treatment facility is September 2025. There have been no defaults or breaches of the loan agreement during the period.</p> <p>The loan market value at reporting date was \$ 74,217, representing the market value of the debt, if Council repaid it at that time. As Council intends to carry the debt for its term, no provision for loss is required to be made in these accounts.</p> <p>Council adopts an annual debt policy that sets out Council's 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 guidelines and ensure that sustainability indicators remain within acceptable levels at all times.</p>		
Current		
Loans - Queensland Treasury Corporation	10,305	9,623
<b><u>TOTAL CURRENT BORROWINGS</u></b>	<u>10,305</u>	<u>9,623</u>
Non-current		
Loans - Queensland Treasury Corporation	52,260	62,379
<b><u>TOTAL NON-CURRENT BORROWINGS</u></b>	<u>52,260</u>	<u>62,379</u>

Note 14. Provisions

Liabilities are recognised for employee cost payables such as wages and salaries, personal, annual and long service leave entitlements accrued, in respect of services provided up to reporting date.

**Employee cost payables**

Short-term benefits, expected to be wholly settled within 12 months, are calculated on current wage and salary levels, including associated entitlements. Where it is anticipated these entitlements will not be wholly settled within the next 12 months, the payables liability is calculated on projected future wage levels, together with associated on-costs, discounted to current values.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 14. Provisions (continued)

	2020	2019
	Notes	\$
<b>Long service leave</b>		
<p>The provision for long service leave represents 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 liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.</p>		
<b>Refuse and quarry sites rehabilitation</b>		
<p>Council has established and maintains a provision for the restoration of the four township landfill sites at the end of their useful lives. Council estimates these sites will close between 2034 and 2039 and the restoration program will continue over the subsequent thirty years.</p>		
<p>The provision for landfill restoration is calculated as the present value of the anticipated future costs associated with their closure, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. Uncertainties surrounding these assumptions may result in actual future expenditure differing from amounts currently provided. The long term nature of the liability, is the main significant uncertainty in estimating the provision for these costs that will be incurred. The rehabilitation provision is reviewed at least annually and updated based on the facts and circumstances available at the time. Changes in the provision are charged against comprehensive income for that year.</p>		
<p>Advice received from Council's valuer suggests no change to this provision in the current year as costs are difficult to assess and cost levels have remained static. The valuers propose to review the provision level and projected restoration costs as part of their total asset valuation assessment during the forthcoming year.</p>		
<b>Current</b>		
Long service leave	346,531	279,379
<b><u>TOTAL CURRENT PROVISIONS</u></b>	<u>346,531</u>	<u>279,379</u>

# Etheridge Shire Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 14. Provisions (continued)

	2020	2019
Notes	\$	\$
<b>Non-current</b>		
Long service leave	117,390	163,454
Refuse site rehabilitation	1,191,832	1,191,832
<b><u>TOTAL NON-CURRENT PROVISIONS</u></b>	<b><u>1,309,222</u></b>	<b><u>1,355,286</u></b>

#### Details of movements in provisions:

##### Refuse restoration

Balance at beginning of financial year	1,191,832	-
Additional provision	-	1,191,832
Balance at end of financial year	<u>1,191,832</u>	<u>1,191,832</u>

##### Refuse rehabilitation provision

This is the present value of the estimated costs of restoring the refuse disposal site as to a useable state at the end of their useful lives. The sites are expected to close in 2034 and projected rehabilitation costs of \$1,816,292 will be incurred in 2064 allowing for a period of settlement. No change has been made to this provision during the year.

### Note 15. Asset revaluation surplus

Balance at end of financial year	<u>133,038,030</u>	<u>133,038,030</u>
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The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

Councils valuers have proposed, given the current economic, low inflationary environment and with no material changes in production costs, not to record any changes in valuation for this year. It is proposed to conduct a full valuation of assets during the forthcoming year.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 16. Commitments for expenditure

	2020	2019
Notes	\$	\$
<b>Contractual commitments at end of financial year but not recognised in the financial statements are as follows:</b>		
Management of ESC Student Hostel <sup>1</sup>	70,350	61,000
Town maintenance contract - Mt Surprise <sup>2</sup>	48,703	14,157
Town maintenance contract - Einasleigh <sup>3</sup>	29,746	57,420
	<u>148,799</u>	<u>132,577</u>

<sup>1</sup>. Contract: 01/01/2017 to 31/12/2020

<sup>2</sup>. Contract: 01/10/2015 to 01/09/2018. Contract extended monthly until 30/09/2020.

<sup>3</sup>. Contract: 23/04/2018 to 30/04/2020

Note 17. 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 it is 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 to any year that a deficit arises.

As at 30 June 2020 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 worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity by way of a bank guarantee in favour of LGW, drawn against deposits held with QTC to cover shortfall funding in the event the self insurance licence was cancelled and there were insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers regulator may exercise any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$ 72,071 (2019: \$71,288).

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 18. Superannuation

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Council makes contributions to compliant, employee choice superannuation funds under the Superannuation Guarantee Legislation and the Choice of Funds Act. Generally these funds are of the Accumulation style and as there are no current employee members of LGIASuper Regional Defined Benefits Fund, Council has discontinued contributions to this scheme.

Council contributes at the current SGL rate of 9.5% of an employees eligible gross ordinary earnings before overtime. Where employees choose to make an additional contribution of 6% of eligible earnings, Council increases its current SGL contribution to 12%.

During the course of the 2019 financial year, existing members of a defined benefit plan chose to either exit the plan or rolled benefits to externally managed, accumulation style funds.

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	Notes	2020 \$	2019 \$
Superannuation contributions made to the Regional Defined Benefits Fund		-	12,299
Superannuation contributions to employee approved funds		526,835	499,331
Total superannuation contributions paid by Council for employees	4	<u>526,835</u>	<u>511,630</u>

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# Etheridge Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 19. Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	Notes	2020 \$	2019 \$
Net operating result from income statement		6,487,016	3,559,212
<b>Non-cash items</b>			
Depreciation and amortisation		3,932,770	3,817,705
Changes in accounting policy		(529,477)	-
		<u>3,403,293</u>	<u>3,817,705</u>
<b>Investing and development activities</b>			
Net (profit)/loss on disposal of assets		186,609	29,563
Capital grants and contributions		(9,946,664)	(1,791,434)
		<u>(9,750,055)</u>	<u>(1,761,871)</u>
<b>Changes in operating assets and liabilities:</b>			
(Increase)/decrease in receivables		178,135	990,016
(Increase)/decrease in inventories		15,054	(72,407)
Increase/(decrease) in payables		(1,144,388)	778,528
Increase/(decrease) in contract liabilities		3,285,234	-
Increase/(decrease) in employee leave entitlements		21,088	-
Increase/(decrease) in other provisions		-	1,191,574
Increase/(decrease) in other liabilities		128,825	-
		<u>2,483,948</u>	<u>2,887,711</u>
Net cash provided from/(used in) operating activities from the statement of cash flows		<u>2,614,202</u>	<u>8,502,757</u>

### Note 20. Reconciliation of liabilities arising from finance activities

	As at 30-Jun-19 \$	Cashflows \$	As at 30-Jun-20 \$
Loans	72,002	(9,436)	62,566
	<u>72,002</u>	<u>(9,436)</u>	<u>62,566</u>
	As at 30-Jun-18 \$	Cashflows \$	As at 30-Jun-19 \$
Loans	114,283	(42,282)	72,002
	<u>114,283</u>	<u>(42,282)</u>	<u>72,002</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Changes in accounting policy

During the year ended 30 June 2020, Council has adopted *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of Not-for-Profit Entities*. Council is not contracted into any material Lease arrangements and therefore does not consider itself subject to *AASB 16 Leases*.

The comparatives have not been restated on adoption of AASB 15 / AASB 1058 and therefore prior year comparative information is presented using the previous standards relating to revenue.

The impacts of adopting these standards and associated transition disclosures are provided below:

**Revenue standards - AASB 15 and AASB 1058**

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.
- Council has not recognised either contract assets or contract liabilities in their 2019 financial statements. All recognition has taken place in the 2020 year, resulting in an adjustment to retained earnings.

	Carrying amount per statement of comprehensive income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Notes			

**Comparison of affected financial statement lines between AASB 15 / 1058 and previous revenue standards**

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

**Statement of comprehensive income for the year ended 30 June 2020**

**Revenue**

Rates, levies and charges	i	(50,977)	50,977	-
<b>Net revenue</b>		<b>(50,977)</b>	<b>50,977</b>	<b>-</b>
<b>Net total</b>		<b>(50,977)</b>	<b>50,977</b>	<b>-</b>

i - Rates received in advance for the 2020-21 rates year.

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 21. Changes in accounting policy (continued)

	Carrying amount per statement of financial position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied Dr / (Cr) \$
Notes			
<b>AASB 15 / 1058 and previous revenue standards</b>			
<b>(continued)</b>			
<b>Statement of financial position at 30 June 2020</b>			
Receivables	50,977	(50,977)	-
<b>Total current assets</b>	<b>50,977</b>	<b>(50,977)</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>50,977</b>	<b>(50,977)</b>	<b>-</b>
Contract liabilities	(3,285,234)	3,285,234	-
<b>Total current liabilities</b>	<b>(3,285,234)</b>	<b>3,285,234</b>	<b>-</b>
<b>TOTAL LIABILITES</b>	<b>(3,285,234)</b>	<b>3,285,234</b>	<b>-</b>
<b>Net community assets</b>	<b>3,234,257</b>	<b>(3,234,257)</b>	<b>-</b>
Retained surplus	(73,427,833)	529,478	(73,148,256)
<b>Total community equity</b>	<b>(73,427,833)</b>	<b>529,478</b>	<b>(73,148,256)</b>

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

**Statement of cash flows for the year ended 30 June 2020**

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.



## Notes to the Financial Statements

for the year ended 30 June 2020

### Note 22. Events after the reporting period

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Council is unaware of any material or significant "non adjusting events" that should be disclosed, but note the following impacts on Council operations:

1. Council has received and given acceptance to the resignation of the previous CEO, David Munro, to be effective September 30, 2020. A new CEO, Ken Timms, has now been appointed effective October 6, 2020.
2. Council is very aware of the advised requirements to protect staff members and the community and public against Covid-19 contagion<sup>(1)</sup>. As at the date of signing these financial statements, given the continuing involvement of this bio risk, Council is unable to provide a reliable forecast of the financial or economic it may have on staff, the community or the general public.

Fortunately, Council has not experienced any significant impact to operations or delivery of supplies or contractor engagements, to date, including travel restrictions.

However, Council was cognisant of the unreported impact this event may have had upon ratepayers, and consequently, voluntarily extended the Rates Assessment due date by an additional 15 days.

<sup>(1)</sup> No staff or community have reported any suspected illness.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Transactions with related parties

(a) Related parties

Transactions with related parties

		Amount of transactions during year	Outstanding balance (incl. commitments)	Terms and conditions	Provisions for doubtful debts on outstanding	Doubtful debts expense recognised
	Details	\$	\$		\$	\$
<b>2020</b>						
Purchase of materials and services from entities controlled by close family members of KMP	1	38,924	-	Commercial terms and conditions	-	-
Employee expenses for close family members of KMP	2	224,191	-		-	-
		<u>263,115</u>	<u>-</u>		<u>-</u>	<u>-</u>

- 1 Georgetown Butchery; The Lynd Roadhouse; Georgetown Roadhouse; Wirra Earthmoving
- 2 Multiple reimbursements for Council incurred consumable expenses

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

All were employed through an arm's length process.

They are paid in accordance with the Award for the job they perform.

Transactions with related parties

		Amount of transactions during year	Outstanding balance (incl. commitments)	Terms and conditions	Provisions for doubtful debts on outstanding	Doubtful debts expense recognised
	Details	\$	\$		\$	\$
<b>2019</b>						
Purchase of materials and services from entities controlled by KMP	1	25,465	-		-	-
Purchase of materials and services from entities controlled by close family members of KMP	2	112,178	-	Commercial terms and conditions	-	-
Employee expenses for close family members of KMP		236,155	-		-	-
		<u>373,798</u>	<u>-</u>		<u>-</u>	<u>-</u>

- 1 Groceries and Hardware - Georgetown Roadhouse and Meat - Georgetown Butchery
- 2 Ralph and Lorna Bethel

# Etheridge Shire Council

## Notes to the Financial Statements for the year ended 30 June 2020

### Note 23. Transactions with related parties (continued)

	2020	2019
	\$	\$
<b>(b) Key management personnel</b>		
<b>Transactions with key management personnel</b>		
KMP are the Mayor, Councillors, Council's Chief Executive Officer, Director of Engineering and the Director of Corporate and Communities.		
The compensation paid to key management personnel for comprises:		
Short-term employee benefits	640,050	780,415
Long-term benefits	45,819	29,792
<b>Total</b>	<u>685,869</u>	<u>810,207</u>

### (c) Loans and guarantees to/from related parties

There are no loans or guarantees provided to or held with related parties.

### (d) Commitments to/from other related parties

There are no specific commitments or contracts for future transactions. Unspecified transactions may occur during course of business.

### (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

### General Purpose Financial Statements for the year ended 30 June 2020

### Management Certificate for the year ended 30 June 2020

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulations) 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 Regulations 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 2 to 42, 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.



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Barry Hughes

**MAYOR**



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Ken Timms

**CHIEF EXECUTIVE OFFICER**

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Etheridge Shire Council

### Report on the audit of the financial report

#### Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2020, 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 2020, 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 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Etheridge Shire Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report

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

The councillors are 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.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

- 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

11 December 2020

Queensland Audit Office  
Brisbane

## Current Year Financial Sustainability Statement for the year ended 30 June 2020

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	Actual 2020	Target 2020
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### Measures of financial sustainability

Council's performance at 30 June 2020 against key financial ratios and targets.

### Performance indicators

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#### 1. Operating surplus ratio

$\frac{\text{Net result (excluding capital items)}^{(1)}}{\text{Total operating revenue (excluding capital items)}^{(2)}}$	<b>-3.84%</b>	<b>0 - 10%</b>
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

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#### 2. Asset sustainability ratio

$\frac{\text{Capital expenditure on the replacement of assets (renewals)}^{(3)}}{\text{Depreciation expense}}$	<b>7.56%</b>	<b>more than 90%</b>
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

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#### 3. Net financial liabilities ratio

$\frac{\text{Total liabilities less current assets}}{\text{Total operating revenue (excluding capital items)}^{(2)}}$	<b>-43.91%</b>	<b>less than 60%</b>
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

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### 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 2020.

Current Year Financial Sustainability Statement (continued)  
for the year ended 30 June 2020

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Notes

- <sup>(1)</sup> Includes only recurrent revenue and recurrent expenditure disclosed in the income statement. Excludes capital revenue grants, contributions, donations and subsidies received for capital acquisitions, capital income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to note 5 for exclusions), and any capital expenditure such as write-off of assets, movements in provisions for restoration and rehabilitation and revaluation decrements that hit the statement of comprehensive income.
- <sup>(2)</sup> Includes only recurrent revenue disclosed in the income statement. Excludes capital revenue grants, contributions donations and subsidies received for capital acquisitions. Also excludes any capital income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to note 5 for exclusions).

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These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Racing and Multicultural Affairs.



## Etheridge Shire Council

### Current Year Financial Sustainability Statement for the year ended 30 June 2020

### Certificate of Accuracy for the year ended 30 June 2020

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.



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Barry Hughes

**MAYOR**



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Ken Timms

**CHIEF EXECUTIVE OFFICER**

## 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 financial sustainability statement of Etheridge Shire Council (the council) for the year ended 30 June 2020 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 2020 has been accurately calculated.

#### Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Etheridge Shire Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement**

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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

11 December 2020

Queensland Audit Office  
Brisbane

## Etheridge Shire Council

### Unaudited Long-Term Financial Sustainability Statement

prepared as at 30 June 2020

	Target 2020	Actual 2020	2021	2022	2023	2024	Forecast					
							2025	2026	2027	2028	2029	2030

#### Measures of financial sustainability

Council's performance at 30 June 2020 against key financial ratios and targets.

#### Performance indicators

##### 1. Operating surplus ratio

Net result (excluding capital items) <sup>(1)</sup>

Total operating revenue (excluding capital items) <sup>(2)</sup>

0 - 10%	-3.84%	-19.90%	1.70%	1.00%	-0.10%	-1.20%	-0.80%	-2.00%	-2.20%	-2.40%	-1.80%
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An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

##### 2. Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) <sup>(3)</sup>

Depreciation expense

> 90%	7.56%	110.70%	70.30%	75.80%	74.80%	66.70%	55.50%	57.00%	52.10%	74.80%	75.80%
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An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

##### 3. Net financial liabilities ratio

Total liabilities less current assets

Total operating revenue (excluding capital items) <sup>(2)</sup>

< 60%	-43.91%	-52.20%	-71.60%	-78.30%	-83.50%	-89.30%	-97.50%	-100.80%	-104.60%	-124.10%	-141.90%
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An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

### Unaudited Long-Term Financial Sustainability Statement (continued)

prepared as at 30 June 2020

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#### **Etheridge Shire Council 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.

Council aims to operate within a set of conservative guide-posts to ensure we are financially sustainable in the short, medium and long term. As part of our financial strategy, we have adopted seven key financial performance indicators to guide our financial health. In addition to the financial indicators, we have the above three sustainability indicators that have been set by the Department of Local Government, Community Recovery and Resilience to help monitor the long-term sustainability of all councils across Queensland. Throughout the financial year, these indicators are calculated and reported on monthly at Council meetings, as part of a full suite of financial reports. Should there be any deviation outside these parameters, the executive management and Council will be fully informed and may take corrective action as required.

The table above summarises how we performed against set targets for the seven key financial performance indicators established in our financial strategy. In summary, we achieved or bettered six of the financial targets, performing strongly in our ability to generate cash from day-to-day operations, meeting all financial commitments in the financial year, and keeping debt to conservative and manageable levels. This was achieved while maintaining community services and making ongoing investment in community infrastructure. Our operating result in this period was adversely affected by the impacts of water reform and this issue is outlined in more detail in the coming pages.

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#### Notes

- (1) Includes only recurrent revenue and recurrent expenditure disclosed in the income statement. Excludes capital revenue grants, contributions, donations and subsidies received for capital acquisitions, capital income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to Note 5 for exclusions), and any capital expenditure such as write-off of assets, movements in provisions for restoration and rehabilitation and revaluation decrements that hit the statement of comprehensive income.
- (2) Includes only recurrent revenue disclosed in the income statement. Excludes capital revenue grants, contributions donations and subsidies received for capital acquisitions. Also excludes any capital income items such as profit from the sale of: property, plant and equipment, financial assets, real estate and investment properties (refer to Note 5 for exclusions).

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These ratios are the relevant measures of financial sustainability required to be reported under section 178(1) of the *Local Government Regulation 2012*.

Definitions are sourced from the Financial Management (Sustainability) Guideline issued by the Department of Local Government, Racing and Multicultural Affairs.

# Etheridge Shire Council

## Unaudited Long-Term Financial Sustainability Statement

### Certificate of Accuracy

for the long-term financial sustainability statement prepared as at 30 June 2020

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.



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Barry Hughes

**MAYOR**



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Ken Timms

**CHIEF EXECUTIVE OFFICER**