

Audited Financial Statements 2011|2012





Etheridge Shire Council

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For the year ended 30 June 2012

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Etheridge Shire Council

Statement of Comprehensive Income

For the year ended 30 June 2012

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3a	2,159,239	1,963,485
Fees and charges	3b	319,138	362,797
Rental income	3c	178,326	145,837
Interest received	3d	583,789	806,370
Sales revenue	3e	2,201,579	7,247,415
Grants, subsidies, contributions and donations	4a	13,134,820	9,820,530
Total recurrent revenue		18,576,890	20,346,432
Capital revenue			
Grants, subsidies, contributions and donations	4b	1,150,837	676,040
Total capital revenue		1,150,837	676,040
Total income		19,727,727	21,022,472
Expenses			
Recurrent expenses			
Employee benefits	5	(4,822,208)	(4,882,343)
Materials and services	6	(11,418,569)	(25,382,893)
Finance costs	7	(158,392)	(183,584)
Depreciation and amortisation	8	(2,605,463)	(2,224,234)
Total recurrent expenses		(19,004,632)	(32,673,055)
Capital Expenses			
Capital Expenses	9	(19,754)	(27,525)
		(19,754)	(27,525)
Total expenses		(19,024,387)	(32,700,580)
Net operating surplus		703,340	(11,678,107)
Other comprehensive income			
Increase / (decrease) in asset revaluation surplus		8,608,725	2,312,356
Total other comprehensive income for the year		8,608,725	2,312,356
Total comprehensive income for the year		9,312,065	(9,365,751)

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



Etheridge Shire Council

Statement of Financial Position

For the year ended 30 June 2012

Notes	2012 \$	2011 \$	1 July 2010 * \$	
Current assets				
	Cash and cash equivalents	8,254,597	13,312,127	19,536,473
	Trade and other receivables	2,283,765	2,086,421	9,203,360
12	Inventories	1,373,771	1,782,125	1,115,443
	Total current assets	11,912,134	17,180,672	29,855,276
Non-current assets				
	Other financial assets	620,571	620,571	426,894
	Property, plant and equipment	135,691,329	125,828,498	119,024,115
	Total non-current assets	136,311,900	126,449,069	119,451,009
	TOTAL ASSETS	148,224,033	143,629,741	149,306,285
Current liabilities				
	Trade and other payables	855,748	5,150,561	1,063,211
16	Borrowings	470,122	442,957	423,159
17	Provisions	74,039	78,611	51,475
	Total current liabilities	1,399,909	5,672,129	1,537,845
Non-current liabilities				
	Trade and other payables	139,397	110,134	67,196
16	Borrowings	1,828,942	2,298,877	2,736,828
17	Provisions	156,843	161,725	211,789
	Total non-current liabilities	2,570,736	2,570,736	3,015,813
	TOTAL LIABILITIES	3,525,092	8,242,865	4,553,658
	NET COMMUNITY ASSETS	144,698,942	135,386,876	144,752,627
Community equity				
	Asset revaluation surplus	95,117,612	86,508,886	84,196,531
	Retained surplus/(deficiency)	40,503,514	40,666,173	36,425,347
19b	Reserves	9,077,816	8,211,817	24,130,749
	TOTAL COMMUNITY EQUITY	144,698,942	135,386,876	144,752,627

*Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2010. Details are disclosed in Note 21.

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



Etheridge Shire Council

Statement of Cash Flows

For the year ended 30 June 2012

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Cash flows from operating activities:			
Receipts from customers		6,141,545	18,122,555
Payments to suppliers and employees		(21,769,428)	(28,270,923)
		(15,627,882)	(10,148,368)
Interest received		583,789	806,370
Rental income		178,326	145,837
Non-capital grants and contributions		13,134,820	9,820,530
Borrowing costs		(155,326)	(179,943)
Net cash inflow (outflow) from operating activities	20	(1,886,274)	444,426
Cash flows from investing activities:			
Payments for property, plant and equipment		(4,065,556)	(7,223,993)
Proceeds from sale of property, plant and equipment		186,234	297,334
Grants, subsidies, contributions and donations		1,150,837	676,040
Net cash inflow (outflow) from investing activities		(2,728,486)	(6,250,619)
Cash flows from financing activities			
Repayment of borrowings		(442,770)	(418,153)
Net cash inflow (outflow) from financing activities		(442,770)	(418,153)
Net increase (decrease) in cash and cash equivalents held			
		(5,057,530)	(6,224,346)
Cash and cash equivalents at beginning of reporting period		13,312,127	19,536,473
Cash and cash equivalents at end of reporting period	10	8,254,597	13,312,127

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



Etheridge Shire Council

Statement of Changes in Equity

	Asset revaluation surplus	Retained Surplus	Reserves	Total
Note	18		19	
	\$	\$	\$	\$
Balance as at 1 July 2011	86,508,886	40,666,172	8,211,817	135,386,876
Net operating surplus		703,340	-	703,340
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		-	-	8,608,725
Total comprehensive income for the year		41,369,512	8,211,817	144,698,942
Transfers to and from reserves				
Transfers to/from capital	-	-	-	-
Transfers to reserves		(2,875,937)	2,875,937	-
Transfers from reserves		2,009,938	2,009,938	-
Total transfers to and from reserves		(865,999)	865,999	-
Balance as at 30 June 2012	95,117,612	40,503,514	9,077,816	144,698,942
Balance as at 1 July 2010	84,196,531	28,802,118	24,130,749	137,129,398
Effect of correction of error	-	7,623,229	-	7,623,229
Restated balances	84,196,531	36,425,347	24,130,749	144,752,627
Net operating surplus	-	(11,678,107)	-	(11,678,107)
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		-	-	2,312,356
Total comprehensive income for the year		24,747,240	24,130,749	135,386,876
Transfers to and from reserves				
Transfers to/from capital	-	-	-	-
Transfers to reserves	-	(14,295,737)	14,295,737	-
Transfers from reserves	-	30,214,669	(30,214,669)	-
Total transfers to and from reserves		15,918,932	(15,918,932)	-
Balance as at 30 June 2011	86,508,886	40,666,172	8,211,817	135,386,876

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

Etheridge Shire Council

Notes to and forming part of the Unaudited Financial Statements for the year ending 30 June 2012

Note 1: Summary of significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2011 to 30 June 2012 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government (Finance, Plans and Reporting) Regulation 2010*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.C Individual entity

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

1.D Constitution

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

1.E Date of authorisation

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

1.F Currency

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

1.G Adoption of new and revised Accounting Standards

AASB 128 <i>Investments in Associates and Joint Ventures</i> (replaces the existing standard)	1 January 2013
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2013
AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	1 July 2013
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2013

Note 1: Summary of significant accounting policies

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	1 January 2013
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements	1 July 2013
AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments	1 July 2012
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	1 July 2013
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1 January 2013
AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 July 2013
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (AASB 1)	1 January 2013
AASB 2011-13 Amendments to Australian Accounting Standard - Improvements to AASB 1049	1 July 2012
Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
AASB2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	1 July 2013
AASB2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities [AASB 7 & AASB 132]	1 January 2013
AASB2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 January 2014
AASB2012-4 Amendments to Australian Accounting Standards – Government Loans [AASB 1]	1 January 2013
AASB2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	1 January 2013

AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9, which replaces AASB 139 *Financial Instruments: recognition and measurement*, is effective for reporting periods beginning on or after 1 January 2013 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Consolidation Standards

The AASB issued a suite of six related accounting standards which are effective for annual reporting periods beginning on or after 1 January 2013. These standards aim to improve the accounting requirements for

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 Separate Financial Statements

Note 1: Summary of significant accounting policies

AASB 128 Investments in Associates and Joint Ventures

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

Aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles. The AASB is still considering whether these standards need to be modified for application by not-for-profit entities. Consequently, not-for-profit entities are not currently permitted to apply these standards prior to the mandatory application date. As Council is a not-for-profit entity, no assessment has been made of the potential impact. An assessment of the impact will be made when the not-for-profit requirements are finalised.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 applies to reporting periods beginning on or after 1 January 2013. The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of, such assets and liabilities.

The Etheridge Shire Council has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies don't comply, changes will be necessary. While the Council is yet to complete this review, no significant changes are anticipated, based on the fair value methodologies presently used. Therefore, and at this stage, no consequential material impacts are expected for the Etheridge Shire Council's property, plant and equipment in 2013-14.

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

Amendments to AASB 101 Presentation of Financial Statements

The AASB 101 Amendments require Council to group items presented in other comprehensive income into those that, in accordance with other standards: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012. The Council's management expects this will change the current presentation of items in other comprehensive income; however, it will not affect the measurement or recognition of such items.

Amendments to AASB 119 Employee Benefits

A revised version of AASB 119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits". Had Etheridge Shire Council applied the revised standard this year annual leave currently classified as a "short-term benefit" would have been reclassified as a "long-term benefit". However, no reported amounts would have been amended as the Council already discounts the annual leave liability to present value in respect of amounts not expected to be settled within 12 months (refer Note 1.X).

The concept of "termination benefits" is clarified and the recognition criteria for liabilities for terminations benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to the AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

Etheridge Shire Council

Notes to and forming part of the Unaudited Financial Statements for the year ending 30 June 2012

Note 1: Summary of significant accounting policies

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Etheridge Shire Council contributes to the Local Government Superannuation Scheme (Qld) as disclosed in note 23. The revised standard will require Etheridge Shire Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme.

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

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

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

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

Investment Property - Note 1.Q.

Valuation and depreciation of property, plant and equipment - Note 1.R and Note 14.

Impairment of property, plant and equipment - Note 1.U and Note 14.

Provisions - Note 1.X and Note 17.

Contingencies - Note 22.

1.I Revenue

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

Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the Unspent capital grants reserve. Council spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

Non-cash contributions

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

Etheridge Shire Council

Notes to and forming part of the Unaudited Financial Statements for the year ending 30 June 2012

Note 1: Summary of significant accounting policies

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

Cash Contributions

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

Rental income

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

Interest and dividends

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

Sales revenue

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

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

Fees and Charges

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

1.J Financial assets and financial liabilities

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

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

Financial assets

Cash and cash equivalents (Note 1.K)

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

Financial liabilities

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

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

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

Etheridge Shire Council

Notes to and forming part of the Unaudited Financial Statements for the year ending 30 June 2012

Note 1: Summary of significant accounting policies

The fair value of financial instruments is determined follows:

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

The fair value of borrowings, as disclosed in Note 16 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 25.

1.K Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.L Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

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

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

1.M Other Financial Assets

Other Financial Assets are recognised at valuation.

1.N Inventories

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

Inventories held for distribution are:

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

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

Note 1: Summary of significant accounting policies

1.O Land Held for Resale

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. As inventory this land is measured at the lower of cost or net realisable value. Inventory items are always treated as current assets.

1.P Investments

Term deposits for 30 days are reported as investments, with deposits of less than 30 days being reported as cash equivalents. At 30 June 2012 Council holds no 30 day Term Deposits.

1.Q Investment property

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

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

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

The Etheridge Shire Council does not have any investment property.

1.R Property, plant and equipment

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

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

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

Acquisition of assets

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

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

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational

Etheridge Shire Council

[Notes to and forming part of the Unaudited Financial Statements for the year ending 30 June 2012](#)

Note 1: Summary of significant accounting policies

capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment*. Other plant and equipment and work in progress are measured at cost.

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

In the intervening years, Council uses internal engineers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with the XYZ index for region A, published by the Department of Public Works. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and major plant asset classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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 sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 14a.

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

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

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

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

Major plant

The Council has determined that plant which has an individual cost in excess of \$1m is of high value to the Council. Plant which meets these criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete.

Capital work in progress

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

Depreciation

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.

Note 1: Summary of significant accounting policies

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

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

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

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

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 depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14b.

Land under roads

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

Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the state pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

1.S Intangible assets

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

1.T Biological assets

The Etheridge Shire Council does not own or maintain any biological assets.

1.U Impairment of non-current assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

Note 1: Summary of significant accounting policies

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

1.V Leases

At this stage the Etheridge Shire Council purchases all assets and currently does not utilise lease financing.

1.W Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

1.X Liabilities - employee benefits

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

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 15 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 15 as a payable.

Sick leave

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

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 23.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 17 as a provision.

Note 1: Summary of significant accounting policies

1.Y Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

In accordance with the *Local Government (Finance, Plans and Reporting) Regulation 2010* 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.

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

1.Z Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus.

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1.AA Retained surplus

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

1.AB Reserves

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

(i) Capital Grant Reserve

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

(ii) Plant Replacement Reserve

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

(iii) Capital Works Reserve

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

Note 1: Summary of significant accounting policies

(iv) Recurrent Expenditure Reserve

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

1.AC National competition policy

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

1.AD Rounding and comparatives

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

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

1.AE Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 24.

1.AF Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

Note 2a: Analysis of Results by Function Components

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

Organisational Excellence & Governance

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

Strategic Planning

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

Economic Development

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

Infrastructure Services

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

Water Infrastructure

Providing water supply services.

Environmental Sustainability

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

Commercial Services

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

This function includes:

- TerrEstrial
- Student Hostel and
- Child Care

Community and Lifestyle

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

This function includes:

- Libraries
- Shire and public halls
- Public health services including Mt Surprise Clinic.
- Cemeteries
- Swimming Pool

Note 2b: Analysis of Results by Function

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

Year ended 30 June 2012

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2012	2012	2012	2012		2012	2012				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Organisational Excellence & Governance	4,443,277	2,579,973	-	-	7,023,250	2,544,692	19,754	2,564,446	4,478,558	4,458,804	32,350,492
Strategic Planning	-	16,956	-	-	16,956	39,313	-	39,313	(22,356)	(22,356)	-
Economic Development	-	-	-	-	-	103,967	-	103,967	(103,967)	(103,967)	-
Infrastructure Services	8,493,405	2,289,246	649,779	-	11,432,431	14,775,715	-	14,775,715	(3,993,064)	(3,343,284)	98,942,842
Water	-	237,930	-	-	237,930	417,177	-	417,177	(179,248)	(179,248)	34,670
Environmental Sustainability	84,500	88,172	448,429	-	621,101	324,307	-	324,307	(151,636)	296,794	228,456
Commercial Services	83,957	225,089	18,901	-	327,947	458,473	-	458,473	(149,426)	(130,525)	-
Community & Lifestyle	29,680	4,705	33,727	-	68,111	340,988	-	340,988	(306,603)	(272,877)	16,945,703
Total Council	13,134,820	5,442,071	1,150,837	-	19,727,727	19,004,632	19,754	19,024,387	(427,742)	703,340	148,224,033

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

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

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2011	2011	2011	2011		2011	2011				
\$	\$	\$	\$	\$	\$	\$	\$	\$			
Organisational Excellence & Governance	3,178,320	2,673,159	-	-	5,851,479	2,787,890	27,525	2,815,415	3,063,589	3,036,063	17,180,672
Strategic Planning	-	10,095	-	-	10,095	13,519	-	13,519	(3,423)	(3,423)	-
Economic Development	-	500	-	-	500	61,975	-	61,975	(61,475)	(61,475)	1,422,533
Infrastructure Services	6,497,890	7,379,622	371,500	-	14,249,013	28,309,854	-	28,309,854	(14,432,344)	(14,060,841)	103,465,276
Water	-	213,638	-	-	213,638	431,806	-	431,806	(218,168)	(218,168)	4,291,954
Environmental Sustainability	-	85,972	172,410	-	258,382	309,051	-	309,051	(223,078)	(50,668)	151,177
Commercial Services	95,650	158,951	-	-	254,601	431,613	-	431,613	(177,012)	(177,012)	-
Community & Lifestyle	48,670	3,965	132,129	-	184,764	327,346	-	327,346	(274,711)	(142,583)	17,118,129
Total Council	9,820,530	10,525,902	676,040	-	21,022,472	32,673,055	27,525	32,700,580	(12,326,623)	(11,678,107)	143,629,741

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 3: Revenue analysis

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
(a) Rates and charges			
General rates		2,158,952	1,970,236
Water		179,125	156,354
Water consumption, rental and sundries		87,811	81,799
Waste management		21,392	20,760
Garbage charges		66,898	62,370
Total rates and utility charge revenue		2,514,178	2,291,519
Less: Discounts		(335,576)	(320,352)
Less: Pensioner remissions		(19,363)	(7,682)
Net rates and utility charges		2,159,239	1,963,485
(b) Fees and charges			
Building and development fees		16,211	10,095
Licences and registrations		6,836	9,705
TerrEstrial Centre		56,776	62,263
Child Care Centre		77,908	27,145
Hostel Fees		52,229	69,543
Einasleigh Common		3,603	2,064
House & Land Sales		-	500
Other fees and charges		105,575	181,482
		319,138	362,797
(c) Rental income			
Other rental income		178,326	145,837
		178,326	145,837
(d) Interest received			
Interest received from term deposits		580,553	804,050
Interest from overdue rates and utility charges		3,236	2,320
		583,789	806,370
(e) Sales revenue			
Sales of services			
Contract and recoverable works		2,140,278	7,035,672
Private Works		61,301	211,743
Total sales revenue		2,201,579	7,247,415

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 4: Grants, Subsidies, Contributions and Donations

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
(a) Recurrent			
General purpose grants		-	3,174,820
State Government subsidies and grants		5,136,420	6,462,090
Commonwealth government subsidies and grants		7,998,399	176,620
Donations		-	7,000
Total recurrent revenue		13,134,820	9,820,530
(b) Capital			
State Government subsidies and grants		1,086,135	676,040
Federal Government subsidies and grants		64,702	-
Total capital revenue		1,150,837	676,040

(c) Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but not had been expended at the reporting date:

Non-reciprocal grants for expenditure on infrastructure	4,462,269	7,428,148
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Note 5: Employee costs

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Total staff wages and salaries		4,213,193	4,496,925
Councillors' remuneration		169,077	167,020
Annual, sick and long service leave entitlements		427,791	378,575
Superannuation	23	397,849	419,378
		5,207,911	5,461,898
Other employee related expenses		122,040	162,130
		5,329,951	5,624,028
Less: Capitalised employee expenses		(507,743)	(741,685)
		4,822,208	4,882,343

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

Total Council employees at period end

Elected members	5	5
Administrative staff	18.2	23
Child Care	3.2	2
Depot and outdoors staff	37	46
Total full time equivalent employees	63.4	76

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 6: Materials and services

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Administration supplies and consumables		99,458	84,597
Audit of annual financial statements by the Auditor-General of Queensland		29,568	50,400
Communications and IT		251,403	264,937
Consultants		131,810	199,524
Contractor Works		726,651	3,231,799
Contract Works-Flood Damage 2009		-	2,860,179
Contract Works-Flood Damage 2010		-	235,164
Contract Works-Flood Damage 2011		5,156,155	248,893
Contract Works-Flood Damage 2012		1,757,425	-
Einasleigh River Bridge		294,797	12,415,332
Auslink-Department Main Roads		2,139,439	4,184,851
Repairs Maintenance & Power		608,623	501,786
Other materials and services		(199,774)	820,035
Camping Maintenance Expense		-	8,273
Travel		106,961	114,485
Water		224,613	71,192
Waste		91,440	91,447
		11,418,569	25,382,893

Note 7: Finance costs

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Finance costs charged by Queensland Treasury Corporation		155,326	179,943
Bank charges		3,066	3,641
		158,392	183,584

Note 8: Depreciation and amortisation

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
(a) Depreciation of non-current assets			
Buildings		94,556	95,012
Plant and Equipment		968,941	1,046,415
Furniture and Other Equipment		13,702	15,003
Other Structures		172,819	157,463
Road, drainage and bridge network		1,243,351	789,822
Water		112,094	120,518
Total depreciation of non-current assets		2,605,463	2,224,234

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 9: Capital income

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		186,234	266,382
Less: Book value of property, plant and equipment disposed of		(205,995) (19,761)	(314,055) (47,673)
Gain (loss) on the disposal of land held for resale			
Proceeds from the sale of land		278,291	30,952
Less: Cost to develop land		(278,284)	(10,804)
		7	20,148
Revaluation decrement			
Revaluation down of property, plant and equipment		-	-
Total capital expenses		(19,754)	(27,525)

Note 10: Cash and cash equivalents

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011</u>
<u>Actual</u>			
Cash at bank and on hand		156,735	(122,585)
Deposits at call		8,097,862	11,315,788
Term deposits		-	2,118,924
Balance per Cash Flow Statement		8,254,597	13,312,127

There were no externally imposed expenditure restrictions at reporting date.

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

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

Bendigo Bank has a short term credit rating of A-2.

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

Note 11: Trade and other receivables

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
(a) Current			
Rateable revenue and utility charges		8,092	18,659
Other debtors		2,057,101	1,911,494
GST recoverable		109,723	54,696
Prepayments		108,850	101,572
		2,283,765	2,086,421

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

Note 12: Inventories

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Current			
Total inventories for distribution			
Plant and equipment stores		454,873	387,196
Total inventories for distribution:		454,873	387,196
House and Land for resale			
House and Land for resale		918,898	1,394,929
Total House and Land for resale		918,898	1,394,929
Total inventories		1,373,771	1,782,125

Note 13: Other financial assets

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Non-current			
Other Assets TerrEstrial Mineral Collections		620,571	620,571
		620,571	620,571

Note 14a: Property, Plant and Equipment Valuations

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

Land and improvements

Land has been included at current market value as at 30 June 2012 as determined by AssetVal Pty Ltd Registered Valuers.

Buildings

Buildings have been included at their written down current replacement cost as valued by AssetVal Pty Ltd, as at 30 June 2012.

A review was undertaken of relevant current construction cost (e.g. Rawlinsons, Cordells) taking consideration of allowance for regional isolation and other remote area factors in order to calculate the current replacement cost, and fair value is based on direct comparison method.

Fleet

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

Furniture and Other Equipment

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

Infrastructure

Water Infrastructure

Water infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2012.

Road and Drainage Infrastructure

Road and drainage infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2012.

Other Structures Infrastructure

Other structures infrastructure held by Etheridge Shire Council were independently valued at fair value by Shepherd Service Pty Ltd, Consulting Engineer as at 30 June 2012.

Natural Disaster

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

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 14b: Council Property, Plant and Equipment

Etheridge Shire Council		LAND	BUILDINGS	OTHER	FLEET P & E	FURNITURE &	ROAD	WATER	WIP	Total
Note 14b: Council Property, Plant and Equipment	Note			STRUCTURES		OTHER EQUIPMENT	INFRAST @	INFRAST @		
For the year ended 30 June 2012		FAIR VALUE	FAIR VALUE	FAIR VALUE	COST	COST	FAIR VALUE	FAIR VALUE		
Asset Values										
Basis of measurement										
Opening gross value		1,422,533	13,476,497	8,034,094	10,125,121	541,866	107,097,589	5,980,640	4,919,089	151,597,429
Additions at cost		-	-	-	-	-	-	-	4,065,557	4,065,557
Disposals	9	-183,045	-	-	-31,275	-89,306	-	-11,700	-	-315,326
Revaluation adjustment to the ARR	18	466,348	3,359,445	240,712	-	-	9,283,108	766,163	-	14,115,776
Revaluation adjustment to income		-	-	-	-	-	-	-8,360	-	-8,360
Transfers between classes		21,764	80,658	97,967	932,524		6,952,400	226,956	-8,312,269	-
Closing gross value		1,727,600	16,916,600	8,372,773	11,026,370	452,560	123,333,097	6,953,699	672,377	169,455,076
Accumulated Depreciation										
Opening balance		-	3,403,822	1,122,565	3,559,609	407,942	14,965,737	2,309,257	-	25,768,932
Depreciation provided in period	8	-	94,556	172,819	968,941	13,702	1,243,351	112,094	-	2,605,463
Depreciation on disposals	9	-	-	-	-21,275	-85,416	-	-6,239	-	-112,930
Revaluation adjustment to the ARR	18	-	3,085,422	244,467	-	-	2,658,886	-481,726	-	5,507,050
Revaluation adjustment to Income		-	-	-	-	-	-	-4,768	-	-4,768
Accumulated depreciation at period end		-	6,583,800	1,539,851	4,507,275	336,228	18,867,974	1,928,618	-	33,763,746
Total written down value at period end		1,727,600	10,332,800	6,832,921	6,519,095	116,332	104,465,123	5,025,081	672,377	135,691,329
Residual value		-	1,468,700	482,799	3,225,334	2,400	3,360,699	-	-	8,539,932
Estimated useful life (years)		Not depreciated	3-100	5-80	2-20	3-80	1-100	10-100	3-112	

Etheridge Shire Council

Notes to and forming part of the Financial Statements for the year ending 30 June 2012

Note 14b: Council Property, Plant and Equipment

Etheridge Shire Council		LAND	BUILDINGS	OTHER	FLEET P&E	FURNITURE &	ROAD	WATER	WIP	Total
Note 14b: Council Property, Plant and Equipment				STRUCTURES		OTHER				
For the year ended 30 June 2011		FAIR VALUE	FAIR VALUE	FAIR VALUE	COST	EQUIPMENT COST	INFRAST @ FAIR VALUE	INFRAST @ FAIR VALUE		
Asset Values										
Basis of measurement										
Opening gross value		1,365,532	13,415,212	7,775,874	9,730,513	541,866	106,135,327	5,961,320	2,637	144,928,281
Additions at cost		-	-	-	-	-	-	-	7,223,993	7,223,993
Disposals	9	-5,165	-	-	-540,460	-	-138,846	-17,577	-	-702,049
Revaluation adjustment to the ARR	18	43,205	-	-	104,000	-	-	-	-	147,205
Transfers between classes		18,961	61,285	258,220	831,069	-	1,101,108	36,897	-2,307,541	-
Closing gross value		1,422,533	13,476,497	8,034,094	10,125,122	541,866	107,097,589	5,980,640	4,919,090	151,597,431
Accumulated Depreciation										
Opening balance		-	3,308,809	965,101	2,858,900	392,938	16,181,811	2,196,604	-	25,904,163
Depreciation provided in period	8	-	95,012	157,463	1,046,415	15,003	789,822	120,518	-	2,224,234
Depreciation on disposals	9	-	-	-	-362,939	-	-17,189	-7,865	-	-387,994
Revaluation adjustment to the ARR	18	-	-	-	17,234	-	-1,988,707	-	-	-1,971,473
Revaluation adjustment to Income		-	-	-	-	-	-	-	-	-
Accumulated depreciation at period end		-	3,403,821	1,122,565	3,559,610	407,942	14,965,737	2,309,257	-	25,768,932
Total written down value at period end		1,422,533	10,072,676	6,911,529	6,565,512	133,924	92,131,852	3,671,383	4,919,090	125,828,499
Residual value		-	4,514,140	1,839,045	3,809,084	2,400	4,949,485	-	-	15,114,154
Estimated useful life (years)		Not depreciated	3-100	5-80	2-20	3-80	1-100	10-100		

Etheridge Shire Council

Note 15: Trade and other payables

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Current			
Creditors and accruals		574,618	4,882,800
Annual leave		245,753	218,575
Time in Lieu		35,377	49,186
		855,748	5,150,561
Non-current			
Annual Leave		139,397	110,134
		139,397	110,134

Note 16: Borrowings

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Current			
Loans-Queensland Treasury Corporation		470,122	442,957
		470,122	442,957
Non-current			
Loans-Queensland Treasury Corporation		1,828,942	2,298,877
		1,828,942	2,298,877
Loans-Queensland Treasury Corporation			
Opening balance at beginning of financial year		2,741,834	3,159,987
Principal Repayments		(442,770)	(418,153)
Book value at end of financial year		2,299,064	2,741,834

The QTC loan market value at the reporting date was \$2,032,437.90 for the Fleet Loan, \$133,362.93 for the Water Loan Forsyth and \$269,758.65 for the Depot Administration Building Loan. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Etheridge Shire Council

Note 17: Provisions

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Current			
Long service leave		74,039	78,611
		74,039	78,611
Non-current			
Long service leave		156,843	161,725
		156,843	161,725
(c) Long service leave			
Balance at beginning of financial year		240,336	263,264
Long service leave entitlement arising		(4,881)	(50,064)
Long service leave entitlement paid		(4,572)	27,136
		230,882	240,336

Note 18: Asset revaluation surplus

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Balance at beginning of financial year		86,508,886	84,196,531
Land and improvements		466,348	43,205
Buildings		274,022	-
Other Structures		(3,755)	-
Fleet and Plant		-	86,766
Road, drainage and bridge network		6,624,222	1,988,707
Water		1,247,889	-
TerMineral		-	193,677
		95,117,612	86,508,886
(ii) Asset revaluation surplus analysis			
Land and improvements		1,609,035	1,142,687
Buildings		6,484,752	6,210,729
Other Structures		3,796,583	3,830,750
Fleet and Plant		86,766	86,766
Road, drainage and bridge network		80,641,187	74,222,578
Water		2,305,612	821,698
TerMineral		193,677	193,677
		95,117,612	86,508,886

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

Etheridge Shire Council

Note 19: Other reserves

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
(a) Reserves held for future capital expenditure:			
(i) Capital Grants Reserve		-	16,660
(ii) Plant Replacement Reserve		681,912	581,912
(iii) Future capital works reserve		1,266,166	1,020,506
(iv) Capital Works Reserve		875,601	697,481
		2,823,679	2,316,559
(b) Reserves held for funding future recurrent expenditure:			
(i) Recurrent expenditure reserve		6,254,137	5,895,258
		6,254,137	5,895,258
Total reserves		9,077,816	8,211,817
(c) Movements in capital reserves:			
(i) Future Capital Works Reserve			
Balance at beginning of financial year		1,020,506	1,020,506
Transfer from retained surplus for future expenditure		245,660	-
Balance at end of financial year		1,266,166	1,020,506
(iii) Capital Grants Reserve			
Balance at beginning of financial year		16,660	16,660
Transfer to the retained surplus/capital funds expended in the period		(16,660)	-
Balance at end of financial year		-	16,660
(ii) Plant Replacement Reserve			
Balance at beginning of financial year		581,912	-
Transfer from retained surplus for future expenditure		100,000	731,912
Transfer to the retained surplus/capital funds expended in the period		-	(150,000)
Balance at end of financial year		681,912	581,912
(iv) Capital Works Reserve			
Balance at beginning of financial year		697,481	524,381
Transfer from retained surplus for future expenditure		212,517	4,162,581
Transfer to the retained surplus/capital funds expended in the period		(34,397)	(3,989,481)
Balance at end of financial year		875,601	697,481
(d) Movements in recurrent reserves:			
(i) Future recurrent expenditure reserve			
Balance at beginning of financial year		5,895,258	22,569,202
Transfer from retained surplus for future expenditure		2,313,424	13,280,825
Transfer to retained surplus		(1,954,545)	(29,954,769)
Balance at end of financial year		6,254,137	5,895,258

Etheridge Shire Council

Note 20: Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities

	<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Net operating surplus		703,340	(11,678,107)
Non-cash operating items:			
Depreciation and amortisation		2,605,463	2,224,233
		2,605,463	2,224,233
Investing and development activities:			
Net (profit) loss on disposal of non-current assets		19,762	47,674
Net (profit)/loss on Land Sales		(7)	(20,148)
Capital grants and contributions		(1,150,837)	(676,040)
		(1,131,082)	(648,514)
Changes in operating assets and liabilities:			
(Increase) decrease in receivables		(197,344)	7,116,939
(Increase) decrease in inventory		408,353	(677,486)
Increase (decrease) in payables		(4,265,550)	4,130,288
Increase (decrease) in other provisions		(9,454)	(22,928)
		(4,063,995)	10,546,813
Net cash inflow from operating activities		(1,886,274)	444,426

Etheridge Shire Council

Note 21: Correction of error

In the process of valuing the Council's assets at 30 June 2012, it was discovered that certain culverts and roads had been omitted from previous financial reports. This error has been corrected by adjusting the opening balances at 1 July 2010 and the comparative amounts for 2010-11.

Not Previously Recognised Assets

For the year ended 30 June 2012, Council undertook an extensive process to identify and revalue each individual asset across the Shire. During this process, a significant number of assets were identified that were not previously included in the Council asset register. All road and water assets were identified and GPS details included on Council's Mapping system. Video evidence assisted to identify the new assets and also devalue assets.

Current capitalisation methodologies have improved over the last year and we believe this sort of situation will be avoided in the future valuations.

The adjustments are as follows:

	As at 30 June 2011	As at 1 July 2010
Gross value of roads added	14,171,035	14,171,035
Accumulated depreciation	(6,825,027)	(6,547,806)
Net value	7,346,008	7,623,229

	Period ended 30 June 2011
Statement of Comprehensive Income	
Increase in depreciation charge	277,221
Decrease in net result attributable to Council	277,221
Statement of Financial Position	
Increase in property, plant and equipment	7,346,008
Increase in retained surplus	7,346,008

The depreciation charge for the period ended 30 June 2012 was calculated after the error was discovered and therefore did not need correction.

A restated Statement of Financial Position has been included in the financial statements as at **1 July 2010**.

Etheridge Shire Council

Note 22: Contingent liabilities

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

Local Government Mutual:

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

As at 30 June 2012 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare:

The Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$77,841.00.

Litigation Matters

As at the 30th June 2012 the following cases were filed in the courts naming Etheridge Shire Council as defendant.

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

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

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

Etheridge Shire Council

Note 23: Superannuation

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

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

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

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

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

The audited general purpose financial report of the scheme as at 30 June 2011 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

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

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

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

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

Notes	2012 Actual	2011 Actual
The amount of superannuation contribution	397,849	419,378

Note 24: Trust funds

<u>Notes</u>	<u>2012 Actual</u>	<u>2011 Actual</u>
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	8,594	1,202

Etheridge Shire Council performs a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements. These monies are held in a separate bank account with the Bendigo Bank which is identified as the Etheridge Shire Council Trust Account.

Note 25: Financial instruments

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

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management.

These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council. The Council minimises its exposure to financial risk in the following ways:

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

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

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

RISK EXPOSURE

Credit risk
Liquidity risk
Interest rate risk

MEASUREMENT METHOD

Ageing analysis
Maturity analysis
Sensitivity analysis

(i) Credit risk exposure

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

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

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

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation and deposits held with other banks or financial institutions.

The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with the Bendigo bank and whilst not capital guaranteed, the likelihood of credit failure is remote.

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

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

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

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

	Note	2012 Actual	2011 Actual
Financial assets		\$	\$
Cash and cash equivalents	10	8,254,597	13,312,127
Receivables - rates	11	8,092	18,659
Receivables - other	11	2,166,824	1,966,190
Other credit exposure-Guarantee	22	77,841	71,115
		10,507,354	15,368,091

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

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

30-Jun-12

	Fully performing	< 30 days	30 - 60 days	61 - 90 days	Impaired	Total
Receivables	2,141,573	33,275	67	-	-	2,174,915

30-June-11

	Fully performing	< 30 days	30 - 60 days	61 - 90 days	Impaired	Total
Receivables	1,982,085	2,258	-	506	-	1,984,849

(ii) Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the note 16.

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

	0 to 1 Years	1 to 5 Years	Over 5 Years	
2012	\$	\$	\$	\$
Trade and other payables	574,618	-	-	574,618
Loans - QTC	598,096	1,881,502	197,774	2,677,373
	1,172,714	1,881,502	197,774	3,251,991
2011				
Trade and other payables	4,882,800	-	-	4,882,800
Loans - QTC	598,096	2,392,384	287,255	3,277,735
	5,480,896	2,392,384	287,255	8,160,535

(iii) Interest rate risk

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

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

Interest rate risk in other areas is minimal.

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

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

	Net carrying amount		Profit		Equity	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Financial Assets	8,254,597	13,312,127	82,546	133,121	82,546	133,121
Net Total	8,254,597	13,312,127	82,546	133,121	82,546	133,121

The Council does not recognise any financial assets or financial liabilities at fair value in its Statement of Financial Position.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any provision value hierarchy that reflects the significance of the inputs used in making these measurements:

The fair value of Borrowings is notified by the Queensland Treasury Corporation. It is calculated using discounted cash flow analysis and the effective interest rate (refer Note 16) and is disclosed below:

	2012 Carrying Amount	Fair Value	2011 Carrying Amount	Fair Value
Financial Liabilities				
Financial liabilities at amortised cost:				
QTC Borrowings	2,299,064	2,677,373	2,741,834	3,277,736
Total	2,299,064	2,677,373	2,741,834	3,277,736

Note 26: Commitments for expenditure

Contractual commitments

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

	Notes	2012 Actual	2011 Actual
Provision of Ranger Services on the Einasleigh Common	31/08/2009 to 30/08/2012	4,333	4,333
Management of ESC Student Hostel	01/01/2010 to 30/06/2013	97,221	194,443
Town Maintenance Contract – Einasleigh	01/07/2011 to 01/07/2013	27,300	54,600
Town Maintenance Contract – Mt Surprise	01/07/2012 to 01/07/2014	<u>52,000</u>	<u>52,000</u>
Total Commitments		180,854	305,376

Note 27: Events after the reporting period

There were no material adjusting events after the balance date.

Management Certificate

Management Certificate For the year ended 30 June 2012


These general purpose financial statements have been prepared pursuant to Section 102 of the *Local Government (Finance, Plans and Reporting) Regulation 2010* (the Regulation) and other prescribed requirements.

In accordance with Section 161 of the Regulation we certify that these general purpose financial statements:

- (i) have been prepared in accordance with the relevant accounting documents; and
- (ii) accurately reflect the local government's financial performance and position for the financial year.

In addition we certify that, in our opinion:

- (i) the prescribed requirements of the *Local Government Act 2009* and associated Regulations for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 38, have been prepared in accordance with Australian accounting standards (including Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board); and
- (iii) the general purpose financial statements present a true and fair view of the Council's and the consolidated entity's financial position as at 30 June 2012 and of their financial performance and cash flows for the financial year ended on that date.



Will Atwood
Mayor

Date: 2, 11 2012



Lewellyn Rojahn
Chief Executive Officer

Date: ____/____/____

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Etheridge Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Etheridge Shire Council, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government (Finance, Plans and Reporting) Regulation 2010*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Etheridge Shire Council for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report of Etheridge Shire Council for the year ended 30 June 2012. Where the financial report is included on Etheridge Shire Council's website the Council is responsible for the integrity of Etheridge Shire Council's website and I have not been engaged to report on the integrity of Etheridge Shire Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.


DEREK CAMPBELL
(As Delegate of the Auditor-General of Queensland)

Townsville

Date: 12th November 2012