



# MURWEH SHIRE COUNCIL

**Annual Report 2013-2014**

## **Index**

Mayor's Message

Chief Executive Officer's Message

Community Financial Report

Councillor's remuneration schedule

Councillor's meeting attendance

Conduct and performance of councillors

Administrative complaints

Overseas travel

Grant Expenditure to Community Groups

Other Contents

- (i) Corporate and operational plans
- (ii) Registers and public documents
- (iii) Concessions for rates and fees
- (iv) Internal audit
- (v) Competitive neutrality
- (vi) Senior staff remuneration
- (vii) Public Sector Ethics Act 1994

### Attachments

Annual Financial Statements 30 June 2014

Auditor General's Report

## Message from the Mayor

It is with a saddened heart I present this report on behalf of my fellow Councillors for the year ended 30th June 2014 in recognition of the tragic passing of one of our Councillors in Cr Trevor Eckel, who although a first term Councillor was heavily involved in the community and will be sorely missed by all.

Our rural community is still battling an oppressive drought with these effects now also impacting the business sector. There is a desperate need for rain across much of Australia and we hope it comes soon.

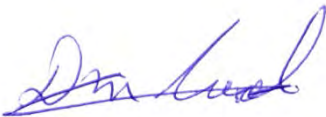
During the year several major projects were completed most notably the flooded roads repairs at a cost of around \$50M and the Bradley's Gully mitigation works around \$16M and trust with the completion of the mitigation works it will be sometime before the towns of Charleville and Augathella will experience further severe flooding.

Other works completed during the year include major new kerb, channelling and footpaths in Morven, Augathella and Charleville \$460K, Charleville Streets reseals \$400K, Khyber, Mt. Maria and Nebine Roads improvements \$800K, New skate Park Augathella \$110K, together with replacement of Plant and Equipment \$1M.

Council was again pleased to help with many minor projects and events run by the numerous clubs and their tireless volunteers across the Shire.

It is appropriate that I take this opportunity to thank my deputy, Councillor Annie Liston and Councillors Russell, Alexander and Eckel (deceased) for their hard work and dedication to our community during the year.

I would also like to express my appreciation to our Chief Executive Officer and Council staff for their assistance and efforts during the year.



Denis Cook  
MAYOR



## **Chief Executive Officer's Report**

This last twelve months has seen the Council complete the largest capital works program undertaken in its history with the completion of the flooded roads repair and mitigation works together with several smaller projects throughout the year for a total cost of around \$70M.

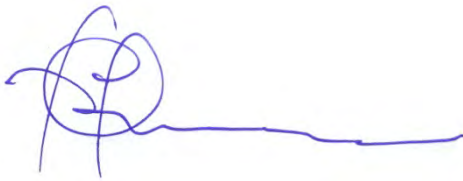
Council revenues have remained consistent with council rates and charges increased by 4% for the ninth consecutive year producing a reasonable bottom line result. Next year with all large projects now complete, will see the Council return to business as usual.

Numerous staff changes have eventuated this year with a number of experienced staff availing of the opportunity to seek retirement and unfortunately this trend is likely to continue in the next year.

Council extends their best wishes to those staff as many of them have been long standing and experienced employees. This will inevitably provide opportunities for other staff to be up skilled.

A wide range of statutory compliance issues were dealt with and met during the year and our tenth consecutive unqualified audit was delivered.

I am very fortunate to have a large team of experienced staff who are dedicated to the Council and community. I would also take this opportunity to thank our Mayor Denis Cook and Councillors for their support and guidance during the year.



C D Blanch PSM MLGMA  
Chief Executive Officer

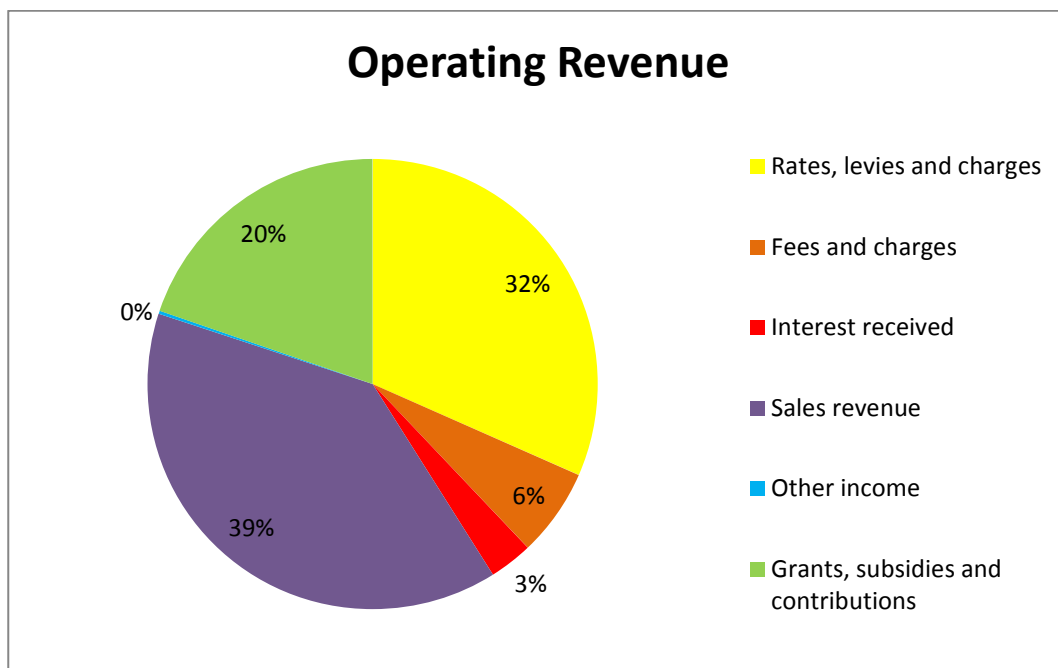


## Community Financial Report (section 184 Local Government Regulation 2012)

An analysis of the revenue compared to expenditure is as follows:

As in previous years the proportion of grant revenue is relatively high. However this year it is higher than normal due to the amounts received from the Queensland Reconstruction Authority (\$48M) for repairs to the rural roads caused by floods in recent years. Council is resolute in maintaining its commitment to seek external funds to supplement local funds in helping to develop and maintain the Shire's infrastructure assets.

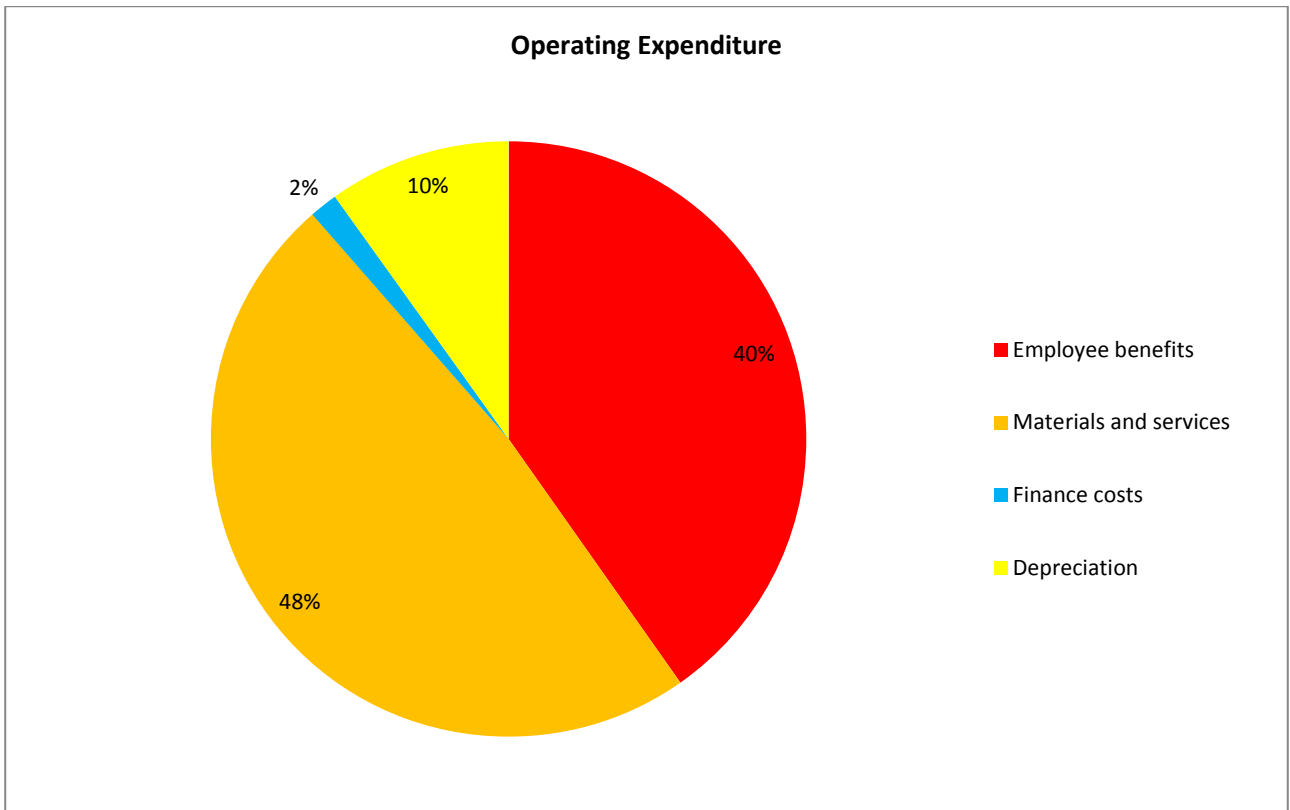
There is much evidence of these improvements in the shire such as the completion of the Bradley's Gully flood mitigation works in this financial year, improvements to recreational facilities, the continued improvements being made to rural and urban roads, the continued maintenance of the water and sewerage reticulation systems, as well as support for the tourism industry.



In relation to expenses; employee costs make up 40% and materials and services make up 48% of Council's operating costs. However within materials and services 38% relates to flood repairs to rural roads funded by external grants. Employee costs include staff and related employee expenses while materials and services include such items as general operating items to maintain and operate various services for the shire.

Depreciation consists of 4% of all operating costs.

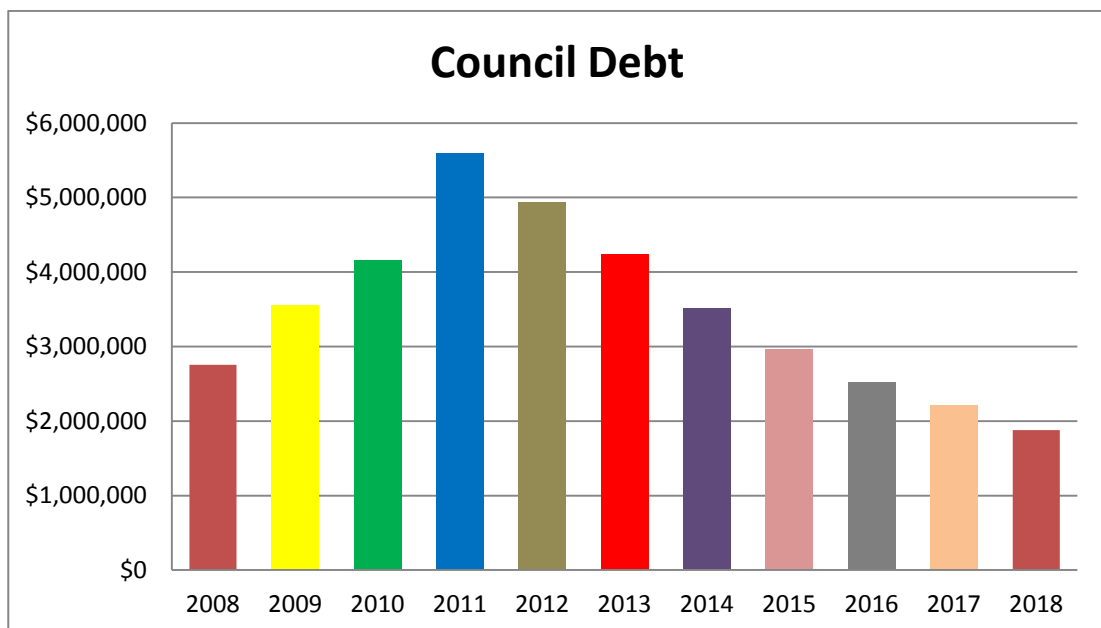




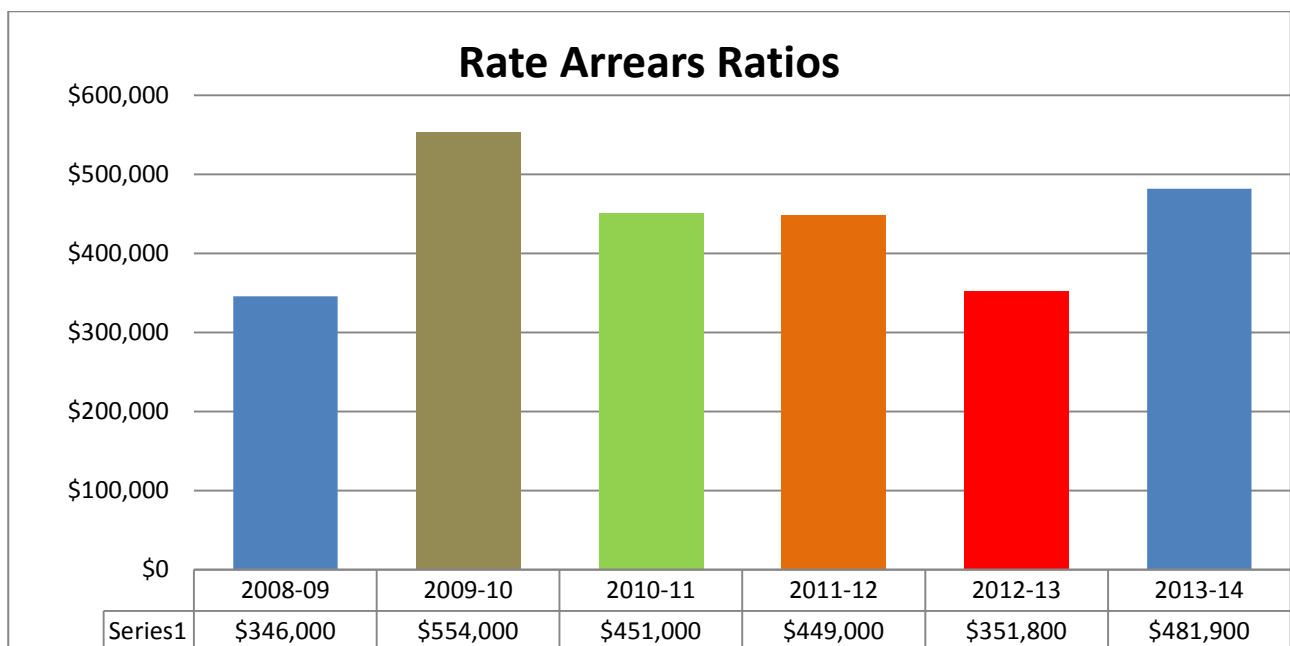
While depreciation is a non-cash item, it is used as a guide to help Council retain sufficient funds to help meet the costs of future replacement of plant and equipment, roads and other facilities in the Shire.

Other ways to fund new assets, or upgrades to existing assets is to borrow. Borrowing of funds should be used for long term assets in order to reduce inter-generational inequity. Council is always prudent in deliberations concerning borrowed funds.

A summary of the level of Council debt is expressed in the figures below, which indicates that debt reached a peak in 2011 and is now on the decrease.



The following graph provides a comparison of the level of Council's outstanding rates over the last six (6) years. The graph shows that Council's effort in recovering these amounts has continued to improve since 2009-10, however the current drought has caused a degree of economic distress in the community leading Council to reduce levies to 2.5% for the 2014/15 financial year.



Council is fully committed to effectively managing the finances of the Shire. Revenue required to provide a high level of service, in accordance with the Corporate and Operational Plans is continually being challenged and new sources of revenue remain difficult to obtain especially in the current economic climate. Cost savings and cutbacks can be achieved but not without impacting other areas of the Shire.

After nearly 10 years of drought followed by severe floods in 2010, 2011, and 2012 and then followed by a further drought the Council faces the challenge of continuing to operate financially while remaining fiscally responsible.

**Particular Resolutions** (section 185 Local Government Regulations 2012)

Council did not resolve to make any changes to the policies referred to in sections 250(1) and 206 (2) of the Regulation.

**Councillors** (section 186 Local Government Regulations 2012)

In accordance with section 42 (5) of the *Local Government (Operations) Regulations 2010* it was resolved that the rates of remuneration for the Mayor, Deputy Mayor, and Councillors would be based upon the recommendations of the Local Government Tribunal effective from 1 January 2013.

The Local Government Regulations 2010 were superseded by the Local Government Regulations 2012 on 14 December 2012.

## Remuneration schedule

The levels of remuneration as published in the Queensland Government Gazette 14 December 2012 are based upon the recommendations of the Local Government Tribunal and are effective from 1 January 2013.

Category 2	Position	Remuneration	Telephone	Travelling
	Mayor	\$73,803.00	\$2,000.00	
	Deputy Mayor	\$38,659.00	\$1,000.00	
	Councillors	\$31,630.00	\$1,000.00	\$3,600.00*

\* The travel allowance is paid to Augathella and Morven based Councillors

The remuneration is paid in twelve equal instalments at the end of each calendar month.

Councillor remuneration and meeting attendance – 1 July 2013 to 30 June 2014

Councillor	Meeting Attendance	Remuneration	Superannuation/ Expenses Incurred	Total Remuneration
Cr D. Cook	9	\$66,454.80	\$9,348.24	\$75,803.04
Cr A. Liston	11	\$37,477.73	\$2,181.19	\$39,658.92
Cr C. Russell	9	\$34,056.12	\$2,173.80	\$36,229.92
Cr P. Alexander	10	\$30,672.12	\$1,957.80	\$32,629.92
Cr T. Eckel	9	\$30,672.12	\$1,957.80	\$32,629.92

## Conduct and performance of councillors (section 186 (d), (e), (f) Local Government Regulation 2012

Description	Number
Total number of breaches of the local government's code of conduct committed by Councillors as decided during the year by the local government.	Nil
The name of each Councillor decided during the year by the local government to have breached the code, and details of any penalty imposed.	Nil
The number of complaints about alleged code of conduct breaches by Councillors, other than frivolous or vexatious complaints, that were referred to the conduct review panel during the year by the local government or the Chief Executive Officer under chapter 3, part 3A.	Nil
The number of recommendations made to the local government by the conduct review panel during the year that were adopted, or not adopted, by the local government.	Nil



The number of complaints resolved under the local government's general complaints process during the year and the number of those complaints that related to a breach by a Councillor of the local government's code of conduct.	Nil
The number of complaints made to the ombudsman, and notified to the local government, during the year about decisions made by the local government in relation to enforcement of its code of conduct.	Nil

**Administrative complaints** (section 187 Local Government Regulations 2012)

The following is a brief summary of the Council adopted policy "General Complaints Management Policy and Procedures".

The policy is broken down into three stages:

- (i) Preliminary procedures
- (ii) Complaint process
- (iii) Review by Ombudsman or other complaints entities

It is the Council's intent to provide a level of customer service that does not attract complaints, but acknowledges the rights of persons to provide feedback, both positive and negative, on its services and / or to lodge a complaint about a decision or other action Council takes.

The complaints process has been instituted to ensure that, to the greatest practical extent, any complaint is dealt with fairly, promptly, professionally, in confidence subject to any legal requirement, and in a manner respectful to the complainant.

Administrative complaints made during the 2013/2014 financial year	Nil
Number of complaints resolved under the complaints management process	Nil
Number of complaints not resolved under the complaints management process	Nil

There were no administrative complaints made in the 2013/2014 financial year.

**Overseas travel** (section 188 Local Government Regulation 2012)

No overseas travel was undertaken during the financial year.

## **Grant Expenditure to Community Groups** (section 189 Local Government Regulation 2012)

In accordance with section 189 of the *Local Government Regulation 2012*, the following information is provided concerning expenditure on grants to community organisations. The Council does not operate discretionary funds.

Description	Amount
Expenditure on grants to community organizations	\$326,351
Total	\$326,351

## **Other Contents** (section 190 Local Government Regulation 2012)

### **Corporate and operational plans**

Council is required to adopt a Corporate Plan to guide Council's decision making. This document establishes the framework and identifies goals, objectives and strategies to be pursued by Council to meet the aspirations and needs of the community. The plan is developed in consultation with the community and can be revised at any time during the life of the plan to ensure council is following its strategic direction.

The Operational Plan is prepared annually and outlines Council's work program for the next financial year including costs and completion timelines, this document is subject to quarterly reviews and must be consistent with the Council's Corporate Plan.

In accordance with legislative requirements, Council reviewed the operational plan on four occasions relevant to the financial period and on each occasion Council considered an assessment of its progress in the implementation of the operational plan as being satisfactory. Council receives a written assessment of the implementation of the operational plan at the end of each quarter.

### **Registers and public documents**

Item	Description	Access
Register of personal interests of Councillors and Senior Officials	To record certain financial and other personal interests of relevant individuals.	Councillor's interests are available on Council's website.
Investment Register	Record details of Council's investments	Available to any person
Register of Local Planning Policies	To record the current policies as set by Council	Available to any person
Register of Delegations of Authority by Council.	To record all powers delegated by the Local Government or the Chief Executive Officer's delegated powers.	Available to any person

Item	Description	Access
Register of Delegations of Authority by the CEO.	To record all powers delegated by the CEO.	Available to any person
Register of Local Laws	To record all local laws set by Council	Available to any person
Register of Policies	To record the current policies as set by Council	Available to any person
Register of Roads	To record the details of the shire roads.	Available to any person
Contract Register	To record the details of all contracts.	Available on Council's website.
Register of Legal Documents	To hold a record of all legal documents.	Available to any person
Register of Charges	To record all charges levied by Council.	Available to any person
Building Application Register	To record the details of all applications.	Available to any person
Cemetery Register	To record all burial sites	Available to any person
Corporate & Operational Plan	To document the goals and strategies set by Council for the period specified in each plan.	Available on Council's website.
Annual Report	To document the financial position and report on attainment of goals specified in the Corporate Plan and Operational Plan.	Available on Council's website.

### **Concessions for rates and charges granted by Council**

- (i) A 10 % discount on rates if paid by the due date
- (ii) Age pensioners in receipt of a full pension and having a Commonwealth Government Concession Card receive a remission up to \$340.00 per annum.
- (iii) Council considers requests from Community organizations for the waiver of fees for the use of community facilities.

## **Internal audit**

Council is now a category three local government and is required to have an audit committee which is currently being established.

## **Competitive Neutrality**

Council has not been required to issue any investigation notices in the financial year under section 49 of the competitive neutrality complaints procedures.

Council has not been required to respond to any Queensland Competition Authority recommendations as per section 52 (3).

## **Senior staff remuneration (Local Government Act 2009 section 201)**

One (1) senior contract employee with a total remuneration package in the range of \$150,000 - \$199,000

Two (2) senior contract employees with a total remuneration package in the range of \$100,000 - \$149,000

## **Public Service Ethics 1994 (section 23)**

Council has implemented the code of conduct and undertaken regular education, training and review of procedures.



# Murweh Shire Council

## Financial statements

### For the year ended 30 June 2014

<b>Table of contents</b>	<b>PAGE</b>
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
Notes to the financial statements	
1 Significant accounting policies	5
2 Analysis of results by function	15
3 Revenue analysis	17
4 Grants, subsidies, contributions and donations	17
5 Capital income	18
6 Employee benefits	18
7 Materials and services	18
8 Finance costs	18
9 Depreciation and amortisation	19
10 Cash and cash equivalents	19
11 Trade and other receivables	19
12 Inventories	19
13 Property, plant and equipment	20
14 Fair value measurement	22
15 Trade and other payables	31
16 Borrowings	31
17 Provisions	31
18 Finance lease	31
19 Asset revaluation surplus	32
20 Commitments for expenditure	32
21 Contingent liabilities	33
22 Superannuation	33
23 Trust funds	34
24 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities	34
25 Correction of error	35
26 Events after the reporting period	36
27 Financial instruments	37
Management Certificate	
Independent Auditor's Report (General Purpose Financial Statements)	

**Murweh Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2014

	Note	2014 \$ 000's	2013 \$ 000's
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3(a)	5,926	5,867
Fees and charges	3(b)	1,182	1,107
Interest received	3(c)	581	387
Sales revenue	3(d)	7,314	5,003
Other income	3(e)	42	48
Grants, subsidies, contributions and donations	4(a)	3,696	15,605
		<u>18,741</u>	<u>28,017</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	50,141	13,958
<b>Total revenue</b>		<u>68,882</u>	<u>41,975</u>
<b>Total Income</b>		<u>68,882</u>	<u>41,975</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	8,110	7,879
Materials and services	7	9,394	17,467
Finance costs	8	299	321
Depreciation and amortisation	9	2,694	1,978
		<u>20,497</u>	<u>27,645</u>
<b>Capital expenses</b>	5	162	104
<b>Total expenses</b>		<u>20,659</u>	<u>27,749</u>
<b>Net Result</b>		<u>48,223</u>	<u>14,226</u>
<b>Other comprehensive income items that will not be reclassified to net result</b>			
Increase (Decrease) in asset revaluation surplus	19	5,582	1,725
<b>Total comprehensive income for the year</b>		<u>53,805</u>	<u>15,951</u>

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

**Murweh Shire Council**  
**Statement of Financial Position**  
as at 30 June 2014

	Note	2014 \$	2013 \$	1 July 2012 \$
<b>Current assets</b>		000's	000's	000's
Cash and cash equivalents	10	3,227	8,567	11,116
Trade and other receivables	11	8,525	3,532	2,743
Inventories	12	305	290	239
<b>Total current assets</b>		<u>12,057</u>	<u>12,389</u>	<u>14,098</u>
<b>Non-current assets</b>				
Property, plant and equipment	13	173,052	102,970	98,559
Work in Progress	13	83	14,643	1,145
<b>Total non-current assets</b>		<u>173,135</u>	<u>117,613</u>	<u>99,704</u>
<b>Total assets</b>		<u>185,192</u>	<u>130,002</u>	<u>113,802</u>
<b>Current liabilities</b>				
Trade and other payables	15	5,104	3,197	2,327
Borrowings	16	671	713	686
Provisions	17	1,136	1,233	1,194
<b>Total current liabilities</b>		<u>6,911</u>	<u>5,143</u>	<u>4,207</u>
<b>Non-current liabilities</b>				
Borrowings	16	3,096	3,531	4,241
Provisions	17	173	121	99
<b>Total non-current liabilities</b>		<u>3,269</u>	<u>3,652</u>	<u>4,340</u>
<b>Total liabilities</b>		<u>10,180</u>	<u>8,795</u>	<u>8,547</u>
<b>Net community assets</b>		<u>175,012</u>	<u>121,207</u>	<u>105,255</u>
<b>Community equity</b>				
Asset revaluation surplus	19	64,370	58,788	57,062
Retained surplus/(deficiency)		110,642	62,419	37,702
Other reserves		-	-	10,491
<b>Total community equity</b>		<u>175,012</u>	<u>121,207</u>	<u>105,255</u>

Council has made a retrospective restatement as a consequence of a correction of an error and therefore in accordance with with AASB101 has presented a statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2012. Details are disclosed in Note 13 and 25.

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

**Murweh Shire Council**  
**Statement of Changes in Equity**  
For the year ended 30 June 2014

	Asset revaluation surplus	Retained surplus	Other Reserves	Total
Note	19			
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>Balance as at 1 July 2013</b>	58,788	62,419	-	121,207
Net result	-	48,223	-	48,223
Other comprehensive income / (loss) for the year	-	-	-	-
Increase / (decrease) in asset revaluation surplus	5,582	-	-	5,582
<b>Total comprehensive income for the year</b>	64,370	110,642	-	175,012
<b>Balance as at 30 June 2014</b>	<b>64,370</b>	<b>110,642</b>	<b>-</b>	<b>175,012</b>
<b>Balance as at 1 July 2012</b>	47,218	37,702	10,491	95,411
Effect of correction of error	9,844	-	-	9,844
Restated balance	57,062	37,702	10,491	105,255
Net result	-	14,226	-	14,226
Other comprehensive income / (loss) for the year	1,725	-	-	1,725
Increase / (decrease) in asset revaluation surplus	1,725	-	-	1,725
<b>Total comprehensive income for the year</b>	58,788	51,928	10,491	121,207
<b>Transfers to and from reserves</b>	-	-	-	-
Transfers to/from other reserves	-	10,491	(10,491)	-
<b>Balance as at 30 June 2013</b>	<b>58,788</b>	<b>62,419</b>	<b>-</b>	<b>121,207</b>

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



**Murweh Shire Council**  
**Statement of Cash Flows**  
For the year ended 30 June 2014

	Note	2014 \$ 000's	2013 \$ 000's
<b>Cash flows from operating activities</b>			
Receipts from customers		9,435	13,338
Payments to suppliers and employees		<u>(15,622)</u>	<u>(26,569)</u>
		(6,187)	(13,231)
Interest received		581	387
Finance costs		(299)	(320)
Non capital grants and contributions	4	3,696	15,605
<b>Net cash inflow (outflow) from operating activities</b>	24	<u>(2,209)</u>	<u>2,441</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(53,098)	(19,189)
Proceeds from sale (disposal) of property plant and equipment	5	302	925
Capital grants, subsidies, contributions and donations	4	50,141	13,958
<b>Net cash inflow (outflow) from investing activities</b>		<u>(2,655)</u>	<u>(4,306)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings - finance lease	18	237	-
Repayment of borrowings	16	<u>(713)</u>	<u>(684)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>(476)</u>	<u>(684)</u>
Net increase (decrease) in cash held		<u>(5,340)</u>	<u>(2,549)</u>
Cash and cash equivalents at beginning of the financial year		8,567	11,116
<b>Cash and cash equivalents at end of the financial year</b>	10	<u>3,227</u>	<u>8,567</u>

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

**1 Significant accounting policies**

**1.A Basis of preparation**

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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 Constitution**

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

**1.D 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.E Currency**

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

**1.F Adoption of new and revised Accounting Standards**

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the Application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosures.

**1.F Adoption of new and revised Accounting Standards cont.**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	<b>Effective for annual report periods beginning on or after:</b>
AASB 9 Financial Instruments (December 2009)	1 January 2017
AASB 1055 Budgetary Reporting	1 July 2014
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2013)	1 January 2019
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 January 2014
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	1 January 2014
AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]	1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Refer Title column
Interpretation 21 Levies	1 January 2014

**AASB 9 Financial Instruments (effective from 1 January 2017)**

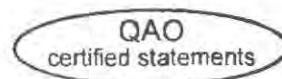
AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2017 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures 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. As a result Council will be required to measure its financial assets at fair value.

**1.G 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:

- Valuation and depreciation of property, plant and equipment - Note 1.N and Note 13
- Impairment of property, plant and equipment - Note 1.O
- Provisions - Note 1.R and Note 17
- Contingent liabilities - Note 21.



## 1.H 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. On 13 June 2013 council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 10.

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.

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. Dividends are recognised once they are formally declared by the directors of the controlled entity.

### 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.

#### **1.H Revenue cont.**

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.I 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.

Murweh 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.J)

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

##### Financial liabilities

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

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

#### **1.J 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.K 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.

**1.K Receivables cont.**

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.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

**1.L Inventories**

Stores and raw materials 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.

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. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

**1.M Investments**

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2014 Council did not have any term deposits in excess of three months.

**1.N 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  
Parks  
Aerodrome landing strips  
Road, drainage and bridge network  
Buildings and other structures  
Plant and equipment  
Water and sewerage 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.

**1.N Property, plant and equipment cont.**

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 is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Land and improvements, aerodrome landing strips, parks, buildings, and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. 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 5 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 asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. 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, parks, and buildings 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 14.

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.

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.

## **1.N Property, plant and equipment cont.**

### 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.

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 written down 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 13.

### 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 Murweh 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.O 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.



#### **1.O Impairment of non-current assets cont.**

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.P Leases**

##### Finance leases

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases.

##### Operating leases

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

#### **1.Q 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.R 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 an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 15 as a payable.

##### 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 22.

**1.R Liabilities - employee benefits cont.**

Long service leave

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

**1.S 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 Regulation 2012* 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.T 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.U Retained surplus**

In reference to the comparative figures for the year ended 30 June 2013, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

**1.V Rounding and comparatives**

The financial statements have been rounded to the nearest \$1,000

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

**1.W 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 23.

**1.X 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.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

**2 Analysis of results by function**

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

**Year ended 30 June 2014**

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2014	2014	2014	2014		2014	2014				
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
Corporate services	2,781	4,677	1,400	-	8,858	5,251	164	4,774	2,207	4,084	78,230
Engineering services	852	7,342	48,143	-	56,337	8,105	-	8,105	89	48,232	95,099
Environmental Health services	63	721	598	-	1,382	4,987	-	4,987	(4,203)	(3,605)	773
Water & Sewerage	-	2,305	-	-	2,305	2,152	-	2,152	153	153	11,090
<b>Total Council</b>	<b>3,696</b>	<b>15,045</b>	<b>50,141</b>	<b>-</b>	<b>68,882</b>	<b>20,495</b>	<b>164</b>	<b>20,659</b>	<b>(1,754)</b>	<b>48,223</b>	<b>185,192</b>

**Year ended 30 June 2013**

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2013	2013	2013	2013		2013	2013				
\$'000	\$'000	\$'000	-	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Corporate services	5,273	4,470	12,591	-	22,334	6,466	104	6,570	3,277	15,764	63,528
Engineering services	10,326	5,057	1,299	-	16,682	15,435	-	15,435	(52)	1,247	53,762
Environmental Health Services	6	681	68	-	755	3,725	-	3,725	(3,038)	(2,970)	1,101
Water & Sewerage	-	2,204	-	-	2,204	2,019	-	2,019	185	185	11,611
<b>Total Council</b>	<b>15,605</b>	<b>12,412</b>	<b>13,958</b>	<b>-</b>	<b>41,975</b>	<b>27,645</b>	<b>104</b>	<b>27,749</b>	<b>372</b>	<b>14,226</b>	<b>130,002</b>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

	Council	
	2014 \$	2013 \$
	000's	000's
<b>3 Revenue analysis</b>		
<b>(a) Rates, levies and charges</b>		
General rates	3,572	3,609
Water	1,533	1,459
Water consumption, rental and sundries	63	75
Sewerage	879	840
Garbage charges	507	482
Total rates and utility charge revenue	6,554	6,465
Less: Discounts	(552)	(529)
Less: Pensioner remissions	(76)	(69)
	<u>5,926</u>	<u>5,867</u>
<b>(b) Fees and charges</b>		
Aerodrome landing and usage fees	338	292
Aerodrome head tax	35	67
Cemetery fees	45	23
Cosmos centre entry and souvenir sales	441	380
Aged care house rent	149	95
Town planning and building fees	28	91
Agistment fees	45	35
Water connection and inspection fees	14	7
Miscellaneous	87	117
	<u>1,182</u>	<u>1,107</u>
<b>(c) Interest received</b>		
Interest received from term deposits	544	351
interest from overdue rates and utility charges	37	36
	<u>581</u>	<u>387</u>
<b>(d) Sales revenue</b>		
<b>Sale of services</b>		
Contract and recoverable works	7,314	5,003
	<u>7,314</u>	<u>5,003</u>

The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. The contract work carried out is not subject to retentions.

<b>(e) Other income</b>		
Other income	42	48
	<u>42</u>	<u>48</u>

**4 Grants, subsidies, contributions and donations**

<b>(a) Recurrent</b>		
General purpose grants	3,317	6,520
State government subsidies and grants	379	9,085
	<u>3,696</u>	<u>15,605</u>
<b>(b) Capital</b>		
State government subsidies and grants	50,141	13,958
	<u>50,141</u>	<u>13,958</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

	Council	
	2014	2013
	\$	\$
	000's	000's
<b>5 Capital income</b>		
<b>Gain / loss on disposal of non-current assets</b>		
Proceeds from the sale of property, plant and equipment	302	442
Less: Book value of property, plant and equipment disposed of	(464)	(546)
<b>Total capital income</b>	<u>(162)</u>	<u>(104)</u>
<b>6 Employee benefits</b>		
Total staff wages and salaries	6,598	5,285
Councillors' remuneration	217	217
Annual, sick and long service leave entitlements	1,178	1,516
Superannuation	811	861
	22	
	<u>8,804</u>	<u>7,879</u>
Less: Capitalised employee expenses	(694)	(620)
	<u>8,110</u>	<u>7,259</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.		
Total Council employees at the reporting date:		
Elected members	5	5
Administration staff	54	46
Depot and outdoors staff	76	86
<b>Total full time equivalent employees</b>	<u>135</u>	<u>137</u>
<b>7 Materials and services</b>		
Advertising and marketing	63	84
Audit services	26	49
Communications and IT	298	204
Contractors	47	117
Donations paid	327	136
Insurance	404	412
Staff training	119	109
Repairs and maintenance - (Including repairs to flood damaged roads)	7,582	18,016
Rental housing - operating costs	79	76
Subscriptions and registrations	102	68
Other materials and services	347	513
	<u>9,394</u>	<u>19,784</u>
<b>8 Finance costs</b>		
Finance costs charged by the Queensland Treasury Corporation	288	310
Bank charges	11	11
	<u>299</u>	<u>321</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

	Council	
	2014	2013
	\$	\$
	000's	000's
<b>9 Depreciation and amortisation</b>		
<b>Depreciation of non-current assets</b>		
Aerodrome landing strip	87	78
Buildings and other structures	858	330
Parks	30	1
Plant and equipment	665	597
Road, drainage and bridge network	568	458
Water and Sewerage	486	514
Total depreciation and amortisation	13 <u>2,694</u>	<u>1,978</u>

All non-current assets are depreciated on the straight line method apart from Buildings and other structures which are depreciated on the Consumption based method. The Consumption based method charges less depreciation in the early years when the non-current asset is in good condition but in later years the amount of depreciation increases as the non-current asset requires a greater level of maintenance to keep it in its original condition.

**10 Cash and cash equivalents**

Queensland Treasury Corporation	736	191
National Bank of Australia - Operating	2,489	4,524
Term Deposits	-	3,850
Cash on hand	2	2
Balance per statement of cash flows	<u>3,227</u>	<u>8,567</u>

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Unspent government grants and subsidies -

Flood Damage	-	4,840
Miscellaneous	-	-
Total unspent restricted cash	<u>-</u>	<u>4,840</u>

**11 Trade and other receivables**

**Current**

Rateable revenue and utility charges	677	525
Other debtors	6,667	2,583
Prepayments	268	265
Provision for doubtful debts	4	21
GST recoverable	909	138
	<u>8,525</u>	<u>3,532</u>

Movement in accumulated impairment losses (Provision for doubtful debts) is as follows:

Opening balance 1 July 2013	21	21
Impairments reversed	(17)	-
Closing balance 30 June 2014	<u>4</u>	<u>21</u>

Interest is charged on outstanding rates at a rate of 9.5% 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.

**12 Inventories**

Store inventory - held for distribution	267	230
Cosmos inventory - held for sale	38	60
	<u>305</u>	<u>290</u>

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

**13 Property, plant and equipment**

**Council - 30 June 2014**

Note

Basis of measurement

Asset values

**Opening gross value as at 1 July 2013**

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Work in progress - net movement

**Closing gross value as at 30 June 2014**

	Land	Parks	Aerodrome landing strip	Road, drainage and bridge network	Buildings and other structures	Plant and equipment	Water and sewerage infrastructure	Work in progress	Total
	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Fair value	Cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2,491	1,144	4,994	107,275	54,380	15,603	26,166	14,643	226,696
	-	-	-	65,420	688	1,652	-	-	67,760
	(1)	-	-	-	-	(1,016)	-	-	(1,016)
19	1,940	308	4,862	-	(95)	-	-	-	7,015
	-	-	-	-	(966)	437	-	-	(529)
	-	-	-	-	-	-	-	(14,560)	(14,560)
	4,430	1,452	9,856	172,695	54,007	16,676	26,166	83	285,366

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2013

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

**Accumulated depreciation as at 30 June 2014**

	-	33	1,319	74,720	8,992	9,428	14,591	-	109,083
9	-	30	87	568	858	665	486	-	2,694
	-	-	-	-	-	(526)	-	-	-
	-	181	461	-	791	-	-	-	1,433
	-	-	-	-	(330)	(123)	-	-	(453)
	-	244	1,867	75,288	10,311	9,444	15,077	-	112,757

**Total written down value as at 30 June 2014**

Residual value

Range of estimated useful life in years

	4,430	1,208	7,989	97,407	43,696	7,232	11,089	83	172,609
	4,430	100	500	15,000	10,000	1,000	1,000	83	
	Land: Not depreciated	40 - 100	12	5 - 100	10 - 60	20 - 60	20 - 40	WIP: Not depreciated	

Additions comprise

Renewals

Other additions

Totals

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	-	-	-	48,135	180	1,526	-	-	49,841
	-	-	-	17,285	508	126	-	-	17,919
	-	-	-	65,420	688	1,652	-	-	67,760



**Murweh Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2013

**Council - 30 June 2013**

Note

Basis of measurement

**Asset values**

Opening gross value as at 1 July 2012

Adjustment to opening balance

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Work in progress - net movement

Closing gross value as at 30 June 2013

	Land	Parks	Aerodrome landing strip	Road, drainage and bridge network	Buildings and other structures	Plant and equipment	Water and sewerage infrastructure	Work in progress	Total
	Fair value	Fair value	Fair value	Fair value	Fair value	Cost	Fair value	Cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	2,491	693	4,516	93,991	54,006	15,064	23,084	1,145	194,990
	-	-	478	11,000	(418)	-	-	-	11,059
	-	451	-	2,284	793	1,535	146	-	5,209
	-	-	-	-	-	(996)	-	-	(996)
19	-	-	-	-	-	-	2,936	-	2,936
	-	-	-	-	-	-	-	13,498	13,498
	2,491	1,144	4,994	107,275	54,380	15,603	26,166	14,643	226,696

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2012

Adjustment to opening balance

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2013

	-	32	764	73,032	9,155	9,281	12,866	-	105,130
	-	-	477	1,230	(493)	-	-	-	1,214
9	-	1	78	458	330	597	514	-	1,978
	-	-	-	-	-	(450)	-	-	(450)
	-	-	-	-	-	-	1,211	-	1,211
	-	33	1,319	74,720	8,992	9,428	14,591	-	109,083

**Total written down value as at 30 June 2013**

Residual value

Range of estimated useful life in years

	2,491	1,111	3,675	32,555	45,388	6,175	11,575	14,643	117,613
	2,468	150	800	5,000	8,000	500	1,000	1,145	
	Land: Not depreciated	40 - 100	12	5 - 100	10 - 60	20 - 60	20 - 40	WIP: Not depreciated.	

**14 Fair Value Measurements**

**(i) Recognised fair value measurements**

Council measures and recognises the following assets at fair value on a recurring basis:

- Land
- Parks
- Aerodrome landing strips
- Road, drainage and bridge network
- Building and other structures
- Water and sewerage infrastructure

Council does not measure any liabilities at fair value on a recurring basis.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 16 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

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

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

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 *Fair Value Measurement*.

**Council**

At 30 June 2014	Note	Level 2 (Significant other observable inputs)	Level 3 (Significant unobservable inputs)	Total
		\$000	\$000	\$000
<b>Recurring fair value</b>				
Land	13	4,430	-	4,430
Parks	13	-	1,208	1,208
Aerodrome landing strip	13	-	7,989	7,989
Road, drainage and bridge network	13	-	97,407	97,407
Buildings	13	-		
- Council / Recreational Buildings			43,306	43,306
- Residential Buildings		390	-	390
Water and sewerage infrastructure	13	-	11,089	11,089
<b>Totals</b>		<b>4,820</b>	<b>160,999</b>	<b>165,819</b>

**14 Fair Value Measurements cont.**

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

**(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations**

Council adopted AASB13 *Fair Value Measurement* for the first time this financial year for the valuation of Land, Buildings and Other Structures, and Parks. The standard has also been applied to Roads, Water and Sewerage revalued in 2010 and 2012 respectively.

**Specific valuation techniques used to value Council assets comprise:**

**Land (level 2)**

Land fair values were determined by independent valuer, APV Valuers and Asset Management effective 1 July 2013. Level 2 valuation inputs were used to value land held in freehold title as well as land for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. There has not been any significant movement in the value of land during the financial year.

Council does not own any level 3 land.

**Buildings (level 2)**

The fair value of buildings were also were determined by independent valuer, APV Valuers and Asset Management effective 1 July 2013. Level 2 inputs were used to determine the fair value of a range of properties. This included the bulk of residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre. Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable buildings after adjusting for key differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre. There has not been any significant movement in the value of buildings during the financial year.

**Buildings (level 3)**

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Asset	Uncertainty/Assumptions	Sensitivity to Unobservable Input		Amount of Potential Impact	
		Lower	Upper	Lower	Upper
Specialised Buildings	Relationship between asset consumption rating scale and the level of consumed service potential	(2.5%)	2.5%	(\$908,318)	\$908,318
<b>Total</b>				(\$908,318)	\$908,318
<b>Other Structures</b>					
Other Structures	Relationship between asset consumption rating scale and the level of consumed service potential	(2.5%)	2.5%	(\$184,082)	\$184,082
<b>Total</b>				(\$184,082)	\$184,082

The above table reflects the basis of depreciation calculations namely residual value, consumption score, and pattern of consumption.

**14 Fair Value Measurements cont.**

**Major plant**

Council does not own any items of major plant.

**Parks (level 3)**

The land is reserve land and not owned by Council. The improvements on the land are park assets and are in the main buildings and sheds and recreational facilities. Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Asset	Unobservable inputs	Sensitivity to Unobservable Market inputs (%)		Amount or Potential Impact	
		Lower	Upper	Lower	Upper
Parks	Relationship between asset consumption rating scale and the level of consumed service potential	(2.5%)	2.5%	(\$30,200)	\$30,200
<b>Total</b>				<b>(\$30,200)</b>	<b>\$30,200</b>

**Aerodrome landing strips - calculation of current cost replacement**

Council's aerodrome landing strips were fair valued using written down current replacement cost. This valuation undertaken by the contracted engineer Bryan Radford MSc(Eng.), FRMIT, DIC, BSc (Hons) comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The CRC was determined using methods relevant to the asset class as described under individual asset categories below. Accordingly Council accepts the fair value measurement of the aerodrome landing strips at 30 June 2014.

Asset	Unobservable inputs	Sensitivity to Unobservable Market inputs		Amount or Potential Impact	
		Lower	Upper	Lower	Upper
Aerodrome and landing strips	Residual Value, Useful Life, Pattern of Consumption and Asset Condition.	(7.5%)	7.5%	(\$599,175)	\$599,175
<b>Total</b>				<b>(\$599,175)</b>	<b>\$599,175</b>

14 Fair Value Measurements cont.

1(a) Road, drainage and bridge network - calculation of current replacement cost

Roads

*Current replacement cost*

Council categorises its road infrastructure into urban and rural roads with these roads being 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.

Council has completed its flood repair program funded through the Queensland Reconstruction Authority at 30 June 2014 totalling \$53M. All physical information during this reconstruction phase has been captured and loaded into the Council records to be made available to professional valuers. The floods in 2010, 2011 and 2012 caused substantial damage to the shire roads and now that the reconstruction period is finished there is a need for a full comprehensive revaluation.

The last full valuation of road infrastructure was undertaken effective 30 June 2011 by Bryan Radford MSc (Eng.), FRMIT, DIC, BSc (Hons).

CRC was calculated by reference to material and service prices being based on supplier contract rates and supplier lists with labour wage rates based on the Council's Enterprise Bargaining Agreement existing at the time of revaluation. Council undertook a number of roadwork projects at this time of revaluation and together with extensive flood damage repair works it was possible to compile reliable cost estimates for each component. Accordingly Council accepts the fair value measurement of its road network at 30 June 2014.

*Accumulated depreciation*

The calculation of the estimated useful life based on historical data in the Shire and those surrounding was the predominant factor in determining the level of accumulated depreciation allocated to each road component. Reliance was also placed on the ABS Index for Road and Bridge Construction to assist with determining useful life.

Asset	Unobservable Inputs	Sensitivity to Unobservable Market Inputs		Amount of Potential Impact	
		Lower	Upper	Lower	Upper
Roads	Residual Value, Useful Life, Pattern of Consumption and Asset Condition	(7.5%)	7.5%	(\$4,764,375)	\$4,764,375
<b>Total</b>				<b>(\$4,764,375)</b>	<b>\$4,764,375</b>

**Drainage**

*Current replacement cost*

The last full valuation of road infrastructure was undertaken effective 30 June 2011 by Bryan Radford MSc (Eng.), FRMIT, DIC, BSc (Hons).

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 and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine fair value at reporting date. Construction estimates were determined on a similar basis to roads.

**14 Fair Value Measurements cont.**

*Accumulated depreciation*

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

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Estimated useful lives and residual values are disclosed in note 13.

Asset	Unobservable inputs	Sensitivity to Unobservable Market Inputs		Amount of Potential Impact	
		Lower	Upper	Lower	Upper
Drainage	Residual Value, Useful Life, Pattern of Consumption and Asset Condition.	(7.5%)	7.5%	(\$2,341,275)	\$2,341,275
<b>Total</b>				<b>(\$2,341,275)</b>	<b>\$2,341,275</b>

**Bridges**

*Current replacement cost*

A full valuation of bridges assets was last undertaken by Bryan Radford MSc (Eng.), FRMIT, DIC, BSc (Hons) contract engineer effective 30 June 2011.

CRC was calculated by assessing each bridge individually, with the valuation varying according to material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

In deriving current replacement cost recourse was had to revaluations performed in two surrounding Shires in 2008 and in these revaluations replacement cost largely focused on deck area.

*Accumulated depreciation*

The calculation of the estimated useful life based on historical data in the Shire and those surrounding was the predominant factor in determining the level of accumulated depreciation allocated to each road component. Reliance was placed on the ABS Index for Road and Bridge Construction to assist with determining useful life.

In assisting determining the level of accumulated depreciation remaining useful lives were determined based on condition level 2 assessments according to the following table:

Condition rating	Assessment
1	High level of remaining service potential
2	Adequate level of remaining service potential
3	Barely adequate level of remaining service potential requiring action to be taken in the short term
4	Asset is now unacceptable and must be closed or renewed
5	End of life

Asset	Unobservable inputs	Sensitivity to Unobservable Market Inputs		Amount of Potential Impact	
		Lower	Upper	Lower	Upper
Bridges	Residual Value, Useful Life, Pattern of Consumption and Asset Condition.	(7.5%)	7.5%	(\$199,875)	\$199,875
<b>Total</b>				<b>(\$199,875)</b>	<b>\$199,875</b>

**14 Fair Value Measurements cont.**

**Roads, drainage and bridge network - Sensitivity of valuation to unobservable inputs**

Council's roads, drainage and bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based on years of experience, different judgements could result in different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5-100hrs/linear metre	The higher the labour hours, the higher the fair value
Standard material usage quantities	Varies depending upon type of material	The higher the usage quantities the higher the fair value
Condition rating (useful life)	As specified above - 1 (lowest) to 5 (highest)	The higher the condition rating the lower the fair value
Remaining useful life	5 - 150 years	The longer the remaining useful life the higher the fair value
Residual value	\$0 - \$330,000	The higher the residual value the higher the fair value

**2(a) Water and Sewerage infrastructure – Calculation of written down current replacement cost**

**Water and Sewerage Infrastructure**

*Current replacement cost*

Water and sewerage infrastructure fair values were determined by Bryan Radford MSc (Eng.), FRMIT,DIC,BSc (Hons) contract engineer effective 1 July 2012.

CRC was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The contract engineer's cost models were derived from the following sources:

- (i) The contract engineer's database
- (ii) Schedule rates for construction of assets or similar assets
- (iii) Cost curves derived by the contract engineer
- (iv) Building price index tables
- (v) Recent contract and tender data
- (vi) Supplier's quotations

Factors taken into account in determining replacement costs include:

Soil factors - The types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation.

*Accumulated depreciation*

This was calculated by relying on a number of studies available in 2013 including the Hunter Water/Brisbane Water Study of DICL pipes.

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets) the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below.

14 Fair Value Measurements cont.

Condition rating	Condition description	Description explanation	Remaining useful life
1	As new	Asset "as new"	95% of useful life
2	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the highest standard expected of an operating asset	75% of useful life
3	Fair	Asset is reliable and operates as intended, but its appearance and structural integrity are questionable	50% of useful life
4	Poor	Asset still operates, but does not meet intended duty or does not appear sound	25% of useful life
5	Unserviceable	Asset is not functioning/needs immediate attention	5% of useful life

Asset	Unobservable input	Sensitivity to Unobservable Market Inputs		Amount of Potential Impact	
		Lower	Upper	Lower	Upper
Water & Sewerage	Residual Value, Useful Life, Pattern of Consumption and Asset Condition.	(5.0%)	5.0%	(\$554,450)	\$554,450
<b>Total</b>				<b>(\$554,450)</b>	<b>\$554,450</b>

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

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

1/. For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.

2/. Where pipes have been relined, the total pipe useful life was determined as the pipe age when the reline occurred plus the reline life.

3/. The relining of the pipes was valued at reline rates and depreciated over the reline life (80 years). The reline fair value was based on age.

**Water and Sewerage Infrastructure - Sensitivity of valuation to unobservable inputs**

The method used to value Council's water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest of care, and based on years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant observable inputs would have on valuation.



**14 Fair Value Measurements cont.**

Significant unobservable inputs	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5-100hrs/linear metre	The higher the labour hours, the higher the fair value
Standard material usage quantities	Varies depending upon type of material	The higher the usage quantities the higher the fair value
Condition rating (useful life)	As specified above - 1 (lowest) to 5 (highest)	The higher the condition rating the lower the fair value
Remaining useful life	0 - 60 years	The longer the remaining useful life the higher the fair value
Residual value	\$0 - \$40,000	The higher the residual value the higher the fair value

**Changes in Fair Value Measurements using significant unobservable inputs (level 3)**

The changes in level 3 assets with recurring fair value measurement are detailed in note 13 (property, plant and equipment). The residential property (aged care complexes) is classified as level 2 and does not have the characteristics of a level 3 asset.

	\$ 000's
<b>Changes in council/recreational buildings (level 3)</b>	
Opening gross value as at 1 July 2013	53,686
Additions	688
Revaluation adjustment to asset revaluation surplus	(95)
Transfer between asset classes	(966)
<b>Closing gross value as at 30 June 2014</b>	<b>53,313</b>
<b>Accumulated depreciation and impairment</b>	
Opening balance as at 1 July 2013	8,688
Depreciation provided for in period	858
Revaluation adjustment to asset revaluation surplus	637
Transfer between asset classes	(176)
<b>Accumulated depreciation as at 30 June 2014</b>	<b>10,007</b>
<b>Book value as at 30 June 2014</b>	<b>43,306</b>

There have been no transfers between level 1, 2 or 3 measurements during the year.

**(iv) Valuation processes**

The council engages external, independent and qualified valuers to determine the fair value of the entities land, buildings, infrastructure and parks on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the Director of Finance, CEO, valuation team, Council and Audit Committee. As part of this process the team presents a report that explains the reasons for the fair value movements.

**14 Fair Value Measurements cont.**

The main level 3 inputs used are derived and evaluated as follows –

- Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the council that had been valued as level 2.
  
- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit.
  
- The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014

15	Trade and other payables	2014 \$	2013 \$
	<b>Current</b>	<b>000's</b>	<b>000's</b>
	Creditors and accruals	3,868	1,874
	Annual leave	904	1,004
	Sick leave	274	279
	Other entitlements	58	40
		<u>5,104</u>	<u>3,197</u>
16	<b>Borrowings</b>		
	<b>Current</b>		
	Loans - Queensland Treasury Corporation	531	713
	Finance lease - Conplant	140	-
		<u>671</u>	<u>713</u>
	<b>Non-current</b>		
	Loans - Queensland Treasury Corporation	3,000	3,531
	Finance lease - Conplant	96	-
		<u>3,096</u>	<u>3,531</u>
	<b>Loans - Queensland Treasury Corporation</b>		
	Opening balance at beginning of financial year	4,244	4,927
	Loans raised	-	-
	Principal repayments	(713)	(683)
	Book value at end of financial year	<u>3,531</u>	<u>4,244</u>
	<b>Borrowings</b>		
	The QTC loan market value at the reporting date was \$4,039,778.16. 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. The interest rates range from 6.20% to 7.39% and expected final payment dates vary from June 2015 to June 2026. The loans are guaranteed by the Queensland State Government.		
17	<b>Provisions</b>		
	<b>Current</b>		
	Long service leave	1,136	1,233
		<u>1,136</u>	<u>1,233</u>
	<b>Non-current</b>		
	Long service leave	173	121
		<u>173</u>	<u>121</u>
	<b>Long service leave</b>		
	Balance at beginning of financial year	1,354	1,293
	Long service leave entitlement arising	176	244
	Long Service entitlement paid	(221)	(183)
	Balance at end of financial year	<u>1,309</u>	<u>1,354</u>
18	<b>Finance Lease</b>		
	Movements in finance lease during the reporting period were as follows:		
	Balance at the beginning of the financial year	-	-
	Finance lease taken out during the reporting period	365	-
	Payments made in period	(128)	-
	Minimum lease payments	<u>237</u>	<u>-</u>

	2,014	2,013
	\$	\$
	000's	000's
<b>18 Finance Lease cont.</b>		
The above minimum lease payments are payable as follows:		
Not later than one year (Current liability)	141	-
Later than one year but not later than five years (Non-current liability)	96	-
	<u>237</u>	<u>-</u>

The annual fixed hire charge is \$11,666 per month until July 2015. Under the terms of the lease, Council has the option to acquire the asset at a fixed price of \$85,096.

**19 Asset revaluation surplus**

**Movements in the asset revaluation surplus were as follows:**

Balance at beginning of financial year	58,788	47,218
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Effect of correction of error	25	9,844
Restated balance	<u>58,788</u>	<u>57,062</u>

Land	1,940	-
Buildings and other structures	(886)	-
Parks	127	-
Road, drainage and bridge network	-	-
Aerodrome landing strip	4,401	-
Water and sewerage	-	1,725
Balance at end of financial year	<u>64,370</u>	<u>58,788</u>

**Asset revaluation surplus analysis**

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land	2,089	150
Buildings and other structures	32,235	33,108
Parks	145	-
Road, drainage and bridge network	16,582	16,583
Water and sewerage infrastructure	5,605	5,605
Aerodrome landing strip	7,714	3,342
	<u>64,370</u>	<u>58,788</u>

**20 Commitments for expenditure**

**Operating leases**

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Payments within one year	45	2
Payments within one to five years	148	-
	<u>193</u>	<u>2</u>

**21 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 2014 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 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 \$312,595.

**22 Superannuation**

The following note is based on advice received from LGSuper on 16 July 2014.

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 three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund.

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; 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*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional 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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional 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.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

**22 Superannuation cont.**

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were 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 Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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 Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Tropical Council made less than 4% of the total contributions to the plan in the 2013-14 financial year.

The next actuarial investigation will be made as at 1 July 2015.

	2014 \$ 000's	2013 \$ 000's
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	811	861

**23 Trust funds held for outside parties**

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities

	278	482
--	-----	-----

Murweh Shire Council performs only a custodial role in respect of these monies. As these funds cannot be used by Council they are not brought to account in these financial statements.

**24 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities**

Net operating result	48,223	14,226
Non-cash operating items:		
Depreciation and amortisation	2,694	1,978
	<u>2,694</u>	<u>1,978</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	164	104
Capital grants and contributions	(50,141)	(13,958)
	<u>(49,977)</u>	<u>(13,854)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(4,952)	(978)
(Increase)/decrease in inventory	(16)	(51)
Increase/(decrease) in payables	1,858	1,120
Increase/(decrease) in provisions	(39)	-
	<u>(3,149)</u>	<u>91</u>
Net cash inflow / (outflow) from operating activities	<u>(2,209)</u>	<u>2,441</u>

**25 A/. Correction of error: flood damage work**

In the process of reconciling the total funds spent on flood damage it was discovered that the amount of \$2,316,638.54 was expensed in the 2012/2013 financial year instead of being transferred to flood damage work in progress project which concluded 30 June 2014. This error has been corrected by adjusting the closing values at 30 June 2013 and the comparative amounts for 2012/2013.

The adjustments are as follows:

	2012/2013		
	As at 30 June 2013	Restated	
	\$000	\$000	
<u>Statement of Comprehensive Income</u>			
Materials and services	19,784	-2,317	17,467
Net result	11,909	2,317	14,226
<u>Statement of Financial Performance</u>			
Work in progress	12,326	2,317	14,643
Retained surplus	60,102	2,317	62,419
<u>Statement of Cash Flows</u>			
Payments for property, plant and equipment	16,872	-2,317	19,189
Net cash flow from operating activities	125	2,317	2,441

**B/. Correction of error: application of 2010 revaluations**

In the process of valuing the Council's assets as at 30 June 2014, it was discovered that certain buildings had been incorrectly valued as at the 30 June 2010 and some Road, Drainage and Bridge assets were incorrectly classified as buildings and other structures in prior financial years. This error has been corrected by adjusting the opening balance at 1 July 2012 and the comparative amounts for 2012-13. The adjustments are as follows:

	As at 30 June 2013	As at 1 July 2012
	\$	\$
	000's	000's
Gross value of Road, Drainage and Bridge Network added	9,823	9,823
Accumulated depreciation	(70)	(53)
	<u>9,753</u>	<u>9,770</u>
Gross value of Buildings and Other Structures deducted	(9,823)	(9,823)
Accumulated depreciation removed	70	53
Gross value of Buildings and Other Structures added	9,844	9,844
	<u>91</u>	<u>74</u>

**B/. Correction of error: application of 2010 revaluations cont.**

	<b>Year ended 30 June 2014</b>	<b>Year ended 30 June 2013</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>
Increase in property, plant and equipment	-	9,844
Increase in asset revaluation surplus	-	9,844

**26 Events after the reporting period**

There were no material adjusting events after the balance date.



**27 Financial instruments**

Murweh Shire Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

**Financial risk management**

Murweh Shire Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's risk management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

Murweh Shire Council does not enter into derivatives.

**Credit risk**

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

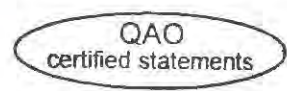
Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/ commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

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

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	2014	2013
		\$	\$
		000's	000's
<b>Financial assets</b>			
Cash and cash equivalents	10	3227	8567
Receivables - rates	11	677	525
Receivables - other	11	6,939	2,487
LG Guarantee	21	313	298
GST receivable		909	138
<b>Total financial assets</b>		<b>12,065</b>	<b>12,015</b>



*Cash and cash equivalents*

The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

*Other financial assets*

The Council does not hold any other investments.

*Trade and other receivables*

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 defaults.

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.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	<b>2014</b>	<b>2013</b>
	<b>\$000</b>	<b>\$000</b>
Not past due	1,590	2,558
Past due 31-60 days	8	6
Past due 61-90 days	693	586
More than 90 days	-	-
Impaired	(4)	(21)
<b>Total</b>	<b>2,287</b>	<b>3,129</b>

**Liquidity risk**

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Murweh Shire Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

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 Notes 10 and 16.

The following table sets out the liquidity risk in relation to financial liabilities held by the Council.

It represents the remaining contractual cash flows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements.

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014  
**27 Financial instruments cont.**

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$000			\$000	\$000
<b>2014</b>					
Trade and other payables	5,104			5,104	5,104
Loans - QTC	761	2,014	1,988	4,763	4,763
Finance leases	141	96		237	237
	6,006	2,110	1,988	10,104	10,104
<b>2013</b>					
Trade and other payables	3,197			3,197	3,197
Loans - QTC	981	2,311	2,431	5,723	5,723
	4,178	2,311	2,431	8,920	8,920

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

*Interest rate risk*

Murweh Shire Council is exposed to interest rate risk through investments and borrowings with QTC.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

*Sensitivity*

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

Council	Net carrying amount	Effect on Profit		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$000	\$000	\$000	\$000	\$000
<b>2014</b>					
QTC cash fund	736	7	(7)	7	(7)
Loans - QTC	4,763	(48)	48	(48)	48
<b>Net total</b>		(41)	41	(41)	41
<b>2013</b>					
QTC cash fund	191	2	(2)	2	(2)
Loans - QTC	5,723	(57)	57	(57)	57
<b>Net total</b>		(55)	55	(55)	55

**Murweh Shire Council**  
**Notes to the financial statements**  
For the year ended 30 June 2014  
**27 Financial instruments cont.**

**Fair value**

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is disclosed in Note 16.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

Council	2014		2013	
	Carrying amount \$000	Fair value \$000	Carrying amount \$000	Fair value \$000
<b>Financial Assets</b>				
QTC cash fund	736	736	191	191
Other investments	-	-	-	-
<b>Financial Liabilities</b>				
Loans - QTC	3,531	3,531	4,244	4,244
Loans - other	-	-	-	-

**Management Certificate**  
For the year ended 30 June 2014

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

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

- (i) the prescribed requirements of the Local Government Act 2009 and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and
  
- (iii) the general purpose financial statements as set out on pages 1 to 40 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.

  
\_\_\_\_\_  
Councillor D. Cook  
Mayor

  
\_\_\_\_\_  
Neil Polglase  
Chief Executive Officer

Date: 16, 10, 2014

Date: 16, 10, 2014.

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Murweh Shire Council

### Report on the Financial Report

I have audited the accompanying financial report of Murweh Shire Council, which comprises the statement of financial position as at 30 June 2014, 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 the 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 Regulation 2012*, 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 gives a true and fair view and 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.

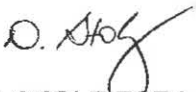
### *Opinion*

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 Murweh Shire Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



D A STOLZ FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Current-year Financial Sustainability Statement**  
For the year ended 30 June 2014

Council's performance at 30 June 2014 against key financial ratios and targets:

	<u>How the measure is calculated</u>	<u>Actual</u>	<u>Target</u>
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	(9.4%)	Between 0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense	1850.1%	Greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	(10.0%)	Not greater than 60%

Note 1 Basis of preparation


The current 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 2014.



**Certificate of Accuracy**  
For the year ended 30 June 2014

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.



Councilor D Cook

Mayor



Neil Polglase

Chief Executive Officer

Date: 16/10/2014

Date: 16/10/2014

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Murweh Shire Council

### Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Murweh Shire Council for the year ended 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Current-Year Financial Sustainability Statement*

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

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the current-year financial sustainability statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. 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 statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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*

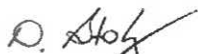
In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Murweh Shire Council, for the year ended 30 June 2014, has been accurately calculated.

### *Emphasis of Matter – Basis of Accounting*

Without modifying my opinion, attention is drawn 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.

### **Other Matters - Electronic Presentation of the Audited Statement**

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



D A STOLZ FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

**Murweh Shire Council**  
**Long-term Financial Sustainability Statement**  
**For the year ended 30 June 2014**

Council's budgeted performance against key financial ratios and targets - 2015 to 2024

Year ending 30 June 2014			2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Operating surplus ratio	Net result divided by total revenue	<u>Target</u> Between 0% - 10%	2.5%	0.3%	1.2%	2.3%	1.0%	0.3%	1.0%	1.6%	2.2%	0.4%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by the depreciation expense.	Greater than 90%	154.4%	153.9%	94.9%	147.3%	167.3%	143.8%	129.1%	131.7%	109.7%	90.1%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	Not greater than 60%	-5.8%	0.2%	-4.0%	-0.6%	7.7%	12.9%	14.9%	16.9%	14.0%	9.4%

**Murweh Shire Council's**

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.

**Certificate of Accuracy**

For the long term financial sustainability statement prepared as at 30 June 2014

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.



**Councillor D Cook**  
Mayor



**Neil Polglase**  
Chief Executive Officer

Date: 16/10/2014

Date: 16/10/2014