

Murweh Shire Council

ANNUAL REPORT

2012-2013

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Annual Financial Statements 30 June 2013

Auditor General's Report

Message from the Mayor

It is my pleasure to provide this report on behalf of my fellow Councillors for the year ended 30th June 2013.

What a difference a year makes. My report last year was dominated by the aftermath of devastating floods. Twelve months later our rural community is battling oppressive drought. There is a desperate need for rain across much of Australia and we hope it comes soon.

During the year works progressed well on the Bradley's Gully diversion which will provide much needed protection to residents of Charleville. As part of this project work also commenced on the \$3.7 million Alfred Street Bridge.

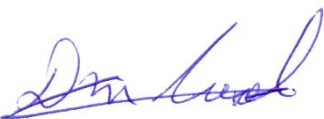
Roadworks will be the major focus of Council over the next 12 months with almost \$40 million of flood damage works having been approved. Much of this work will be contracted out as it exceeds our resources to have the works completed by the end of the next financial year.

Major works completed during the year include sealing of a new 5 kilometre section of the Red Ward Road, completion of a \$300K refurbishment of the Charleville racecourse complex, establishment of the Q150 shed in Augathella, opening of the refurbished town hall, sealing of the Charleville tip road, major new kerb, channelling and footpaths in Morven, Augathella and Charleville, opening of the new Charleville lawn cemetery and opening of the Warrego River walks in Charleville and Augathella.

Council was 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 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

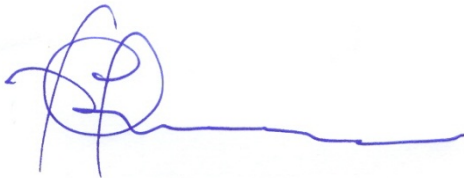
Councils focus during the past twelve months has centred on flood mitigation and flood repair particularly to our extensive network of rural roads.

Mitigation works on Bradleys gully and the Warrego River will be completed in 2013/2014. Approaches to Suncorp during the year were fruitful with their recognition of our efforts being reflected in greatly reduced premiums for householders.

Extensive negotiations with the Queensland Reconstruction Authority during the past 12 months will result in government assistance of over \$38 Million of government funding to pay for the restoration of flood damaged roads identified in Councils rural road network of approximately 2200 kilometres. These works must be completed by 30th June 2014 and will be the main priority of our works programme over the next 12 months.

A new corporate plan has been adopted to cover the balance of this term of Council. A wide range of statutory compliance issues were dealt with and met during the year and our ninth 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.

A handwritten signature in blue ink, consisting of a stylized 'C' and 'B' followed by a horizontal line.

C D Blanch PSM MLGMA
Chief Executive Officer

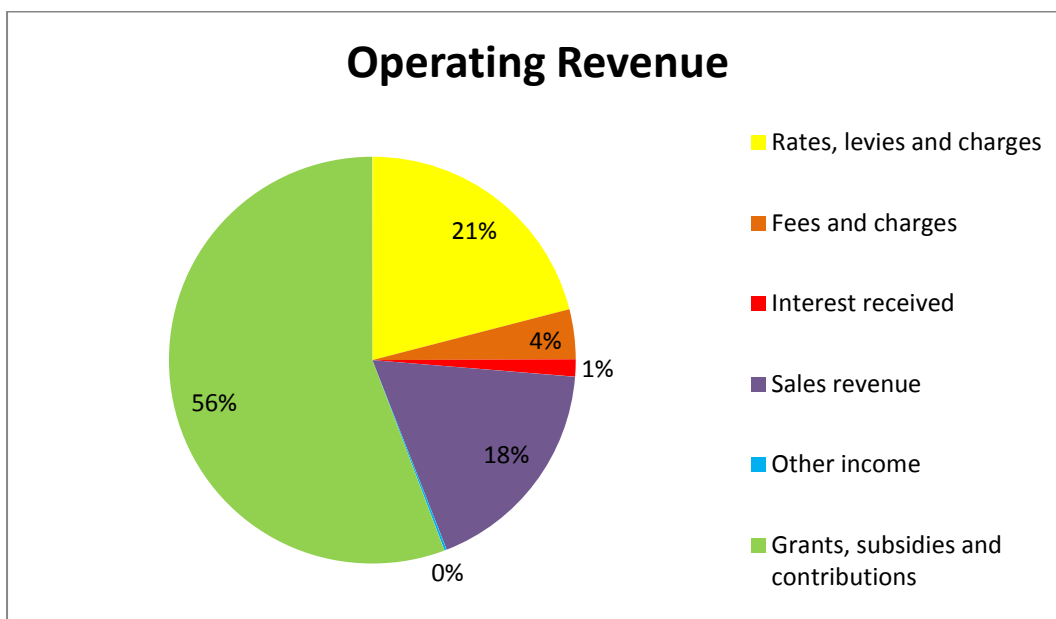


Community Financial Report (section 184 Local Government Regulation 2012)

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

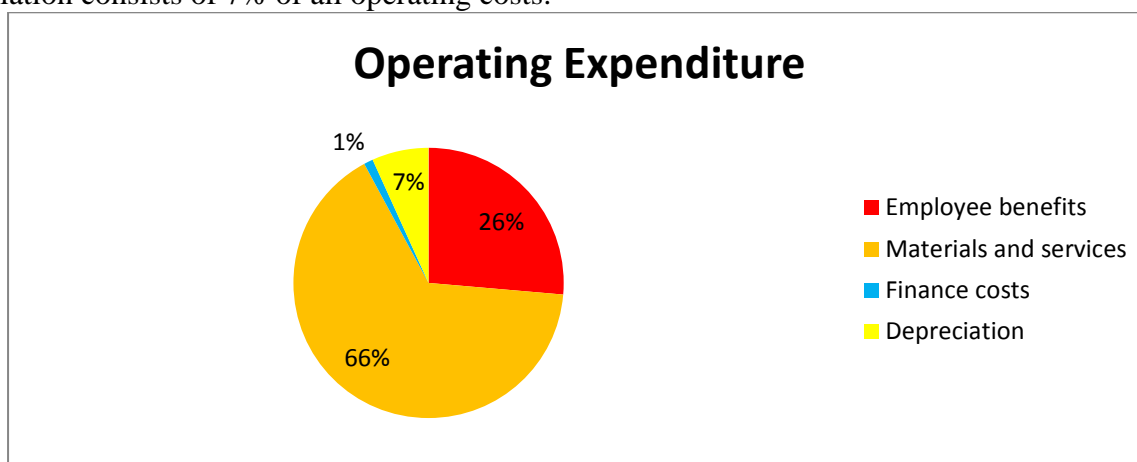
As in previous years the proportion of grant revenue is relatively high. This reflects Council's commitment to seek external funds to supplement local funds in helping to develop and maintain the Shire's infrastructure assets.

There is much evidence of these improvements in the shire such as the Bradley's Gully flood mitigation works, 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 26% and materials and services make up 66% of Council's operating costs. However within materials and services 58% 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.

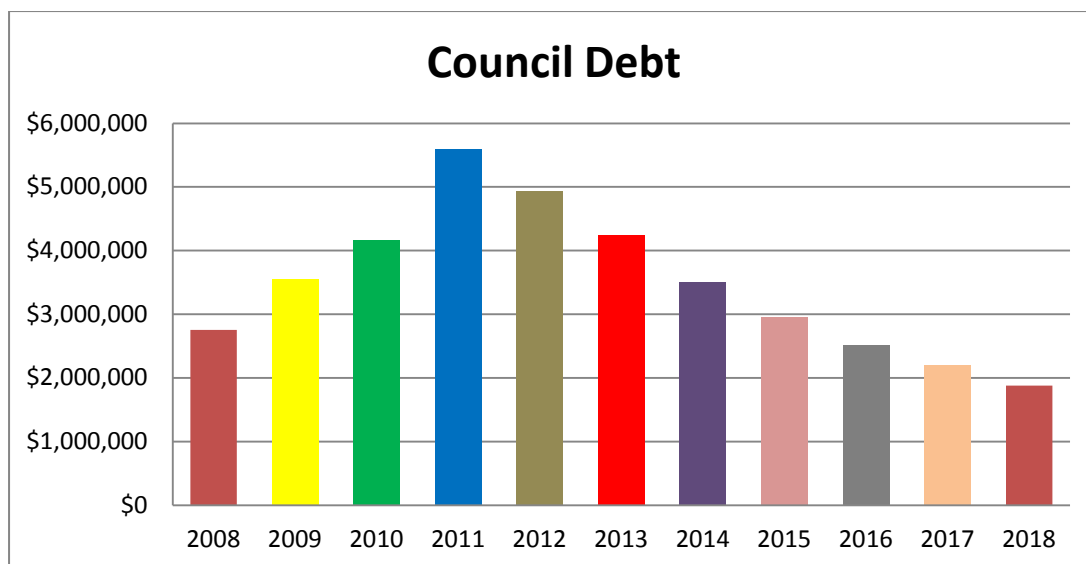
Depreciation consists of 7% of all operating costs.



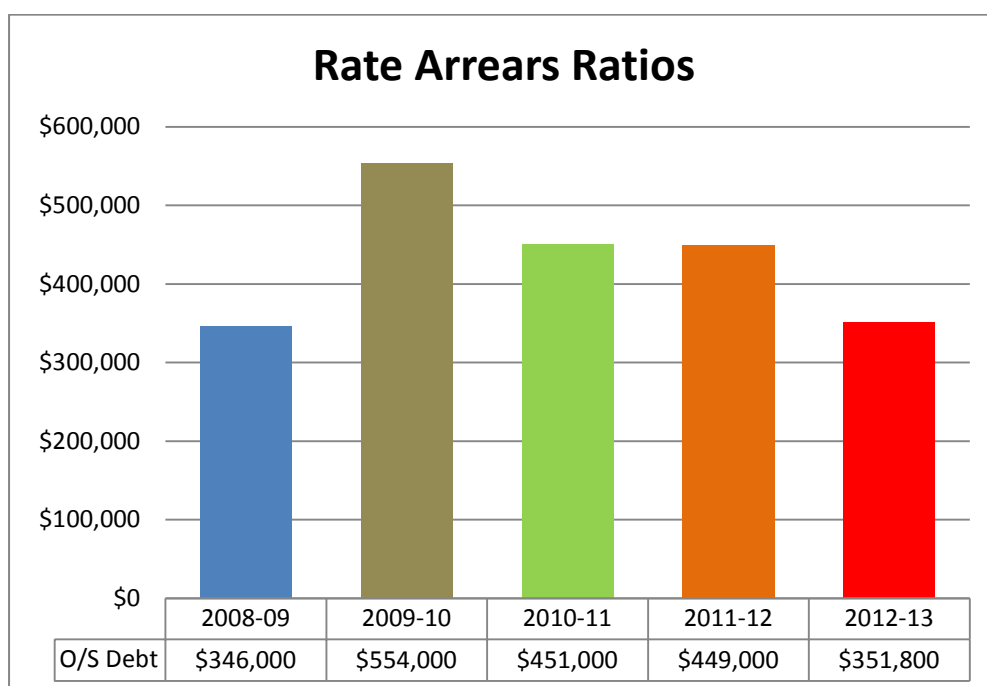
While depreciation is a non-cash item, it is used as a guide to help Council retain sufficient funds to help meet the costs of future replacement of plant and equipment, roads and other facilities in the Shire.

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 five (5) years. The graph shows that Council's effort in recovering these amounts has continued to improve since 2009-10.



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. 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 Council faces the challenge to continue 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 2012 to 30 June 2013

Councillor	Meeting Attendance	Remuneration	Superannuation/ Expenses Incurred	Total Remuneration
Cr D. Cook	11	\$65,122.68	\$8,880.36	\$74,003.04
Cr A. Liston	11	\$38,715.96	Nil	\$38,715.96
Cr C. Russell	12	\$32,622.20	\$2,836.72	\$35,458.92
Cr P. Alexander	11	\$28,035.84	\$3,823.08	\$31,858.92
Cr T. Eckel	8	\$28,035.84	\$3,823.08	\$31,858.92

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



New Footbridge & Q150 Shed – Meat Ant Park, Augathella

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 2012/2013 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 2011/2012 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	\$152,786
Total	\$152,786

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
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

Item	Description	Access
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 \$330.00 per annum.
- (iii) Council considers requests from Community organizations for the waiver of fees for the use of community facilities.

Internal audit

Council is not required to have an audit committee however it is a requirement to report annually on internal audit processes. Council utilizes the services of the Local Government Association of Queensland who visit twice a year to review Council's processes and reports.

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

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

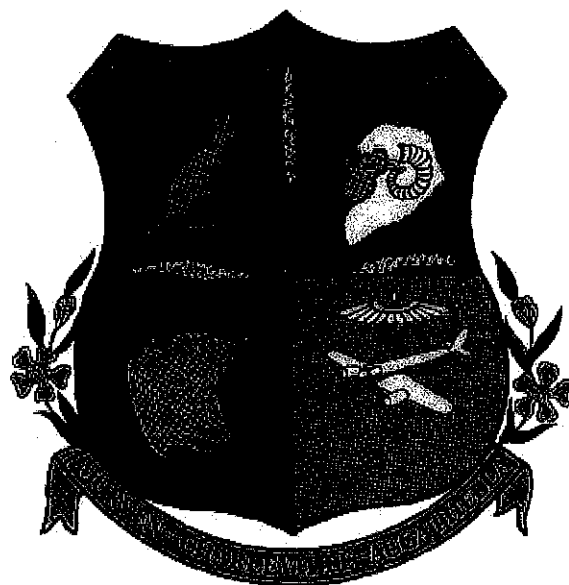
Two (2) senior contract employees with a total remuneration package in the range of \$100,000 - \$149,000

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



AUDITED ANNUAL FINANCIAL STATEMENTS 30 JUNE 2013

Murweh Shire Council

Financial statements

For the year ended 30 June 2013

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Murweh Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2013

	Note	2013 \$ 000's	2012 \$ 000's
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	5,867	5,361
Fees and charges	3(b)	1,107	1,078
Interest received	3(c)	387	672
Sales revenue	3(d)	5,003	3,136
Other income	3(e)	48	45
Grants, subsidies, contributions and donations	4(a)	15,605	16,313
		<u>28,017</u>	<u>26,605</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	13,958	1,752
Total revenue		<u>41,975</u>	<u>28,357</u>
Capital income	5	(104)	104
Total income		<u>41,871</u>	<u>28,461</u>
Expenses			
Recurrent expenses			
Employee benefits	6	7,879	6,892
Materials and services	7	19,784	16,875
Finance costs	8	321	352
Depreciation and amortisation	9	1,978	2,753
		<u>29,962</u>	<u>26,872</u>
Total expenses		<u>29,962</u>	<u>26,872</u>
Net Result		<u>11,909</u>	<u>1,589</u>
Other comprehensive income			
Items that will not be reclassified to net			
Increase (Decrease) in asset revaluation reserve	17	1,725	(20,000)
Total comprehensive income loss for the year		<u>13,634</u>	<u>(18,411)</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 2013

		2013	2012
	Note	\$	\$
Current assets		000's	000's
Cash and cash equivalents	10	4,717	3,116
Term Deposits	10	3,850	8,000
Trade and other receivables	11	3,532	2,743
Inventories	12	290	239
Total current assets		12,389	14,098
Non-current assets			
Property, plant and equipment	13	93,125	88,715
Work in Progress	13	12,326	1,145
Total non-current assets		105,451	89,860
Total assets		117,840	103,958
Current liabilities			
Trade and other payables	14	3,197	2,327
Provision for long service leave	16	1,233	1,194
Borrowings	15	713	686
Total current liabilities		5,143	4,207
Non-current liabilities			
Provision for long service leave	16	121	99
Borrowings	15	3,531	4,241
Total non-current liabilities		3,652	4,340
Total liabilities		8,795	8,547
Net community assets		109,045	95,411
Community equity			
Asset revaluation surplus	17	48,943	47,218
Retained surplus/(deficiency)		60,102	37,702
Other reserves	18	-	10,491
Total community equity		109,045	95,411

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 2013

	Asset revaluation surplus	Retained surplus	Other Reserves	Total
Note	17		18	
	\$	\$	\$	\$
	000's	000's	000's	000's
Balance as at 1 July 2012	47,218	37,702	10,491	95,411
Net result	-	11,909	-	11,909
Other comprehensive income / (loss) for the year				
Increase / (decrease) in asset revaluation surplus	17 1,725	-	-	1,725
Total comprehensive income for the year	48,943	49,611	10,491	109,045
Transfers to and from reserves				
Transfers to / from other reserves	18 -	10,491	(10,491)	-
Total transfers to and from reserves	-	10,491	(10,491)	-
Balance as at 30 June 2013	48,943	60,102	-	109,045
Balance as at 1 July 2011	67,218	38,077	8,526	113,821
Net result	-	1,589	-	1,589
Other comprehensive income / (loss) for the year				
Increase / (decrease) in asset revaluation surplus				
Revaluation decrement to rural roads	17 (20,000)	-	-	(20,000)
Total comprehensive income for the year	47,218	39,666	8,526	95,411
Transfers to and from reserves				
Transfers to/from other reserves	18 -	(1,965)	1,965	-
Total transfers to and from reserves	-	(1,965)	1,965	-
Balance as at 30 June 2012	47,218	37,702	10,491	95,411

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 2013

	Note	2013 \$ 000's	2012 \$ 000's
Cash flows from operating activities			
Receipts from customers		11,022	17,193
Payments to suppliers and employees		(26,569)	(23,752)
		(15,547)	(6,559)
Dividend received			
Interest received		387	672
Borrowing costs		(320)	(352)
Non capital grants and contributions		15,605	16,313
Net cash inflow (outflow) from operating activities	23	<u>125</u>	<u>10,074</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(16,873)	(14,535)
Proceeds from sale of property plant and equipment		925	346
Capital grants, subsidies, contributions and donations		13,958	1,752
Net cash inflow (outflow) from investing activities		<u>(1,990)</u>	<u>(12,437)</u>
Cash flows from financing activities			
Repayment of borrowings		(684)	(655)
Net cash inflow (outflow) from financing activities		<u>(684)</u>	<u>(655)</u>
Net increase (decrease) in cash held		<u>(2,549)</u>	<u>(3,018)</u>
Cash and cash equivalents at beginning of the financial year		11,116	14,134
Cash and cash equivalents at end of the financial year	10	<u><u>8,567</u></u>	<u><u>11,116</u></u>

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

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2012 to 30 June 2013 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012 (City of Brisbane Act 2010 and City of Brisbane 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.

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2015
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2013
AASB 11 <i>Joint Arrangements</i>	1 January 2013
AASB 12 <i>Disclosure of interests in other entities</i>	1 January 2013
AASB 13 <i>Fair Value Measurement</i>	1 January 2013
AASB 119 <i>Employee benefits</i> (completely replaces existing standard)	1 January 2013
AASB 127 <i>Separate Financial Statements</i> (replaces the existing standard together with AASB 10)	1 January 2013
AASB 128 <i>Investments in Associates and Joint Ventures</i> (replaces the existing standard)	1 January 2013
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>	1 July 2013
AASB 1055 <i>Budgetary Reporting</i>	1 July 2014

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

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

2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1 January 2015
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	1 January 2013
AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements	1 July 2013
AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements	1 July 2013
AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements	1 July 2013
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2013
AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013
AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)	1 January 2013
AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 July 2013
AASB 2011-12 Amendments to Australian Accounting Standards arising from Interpretation 20 (AASB 1)	1 January 2013
AASB 2012-1 Amendments to Australian Accounting Standards - Fair Value Measurement - Reduced Disclosure Requirements [AASB 3, AASB 7, AASB 13, AASB 140 & AASB 141]	1 July 2013
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 January 2014
AASB 2012-4 Amendments to Australian Accounting Standards – Government Loans [AASB 1]	1 January 2013
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2]	1 January 2013
AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8]	1 January 2013
AASB 2012-7 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 7, AASB 12, AASB 101 & AASB 127]	1 July 2013
AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039	1 January 2013
AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049 & 2011-7 and Interpretation 12]	1 January 2013
AASB 2012-11 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments [AASB 1, AASB 2, AASB 8, AASB 10, AASB 107, AASB 128, AASB 133, AASB 134 & AASB 2011-4]	1 July 2013
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014
Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

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

AASB 9 Financial Instruments (effective from 1 January 2013)

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 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.

AASB 13 Fair Value Measurement (AASB 13)

AASB 13 applies to reporting periods beginning on or after 1 January 2013 and will therefore be applied by Council in the 2013-14 reporting period. This standard is not required to be applied retrospectively, therefore there is no impact from the application of AASB 13 to values or other disclosures in the 2012-13 financial statements.

The standard sets out a new definition of "fair value", as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Council's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The key changes will relate to the level of disclosures required.

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

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. The recognised fair values will be classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 - Fair values that reflect the unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 - Fair values that are based on inputs other than quoted prices that are directly or indirectly observable for the asset or liability

Level 3 - Fair values that are derived from data not observable in a market.

To the extent that any fair value measurement for an asset or liability uses data that is not "observable" outside the Council, the amount of information to be disclosed will be relatively greater.

Amendments to AASB 119 Employee Benefits

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

The revised standard includes changed criteria for accounting for employee benefits as "short-term employee benefits". Had Murweh Shire Council applied the revised standard this year annual leave currently classified as a "short-term benefit" would have been reclassified as a "long-term benefit".

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

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

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

The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. Murweh Shire Council contributes to the Local Government Superannuation Scheme (Qld) as disclosed in note 21. The revised standard will require Murweh Shire Council to make additional disclosures regarding the Defined Benefits Fund element of the scheme.

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

1.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 10 and Note 13
Provisions - Note 1.R and Note 16
Contingencies - Note 20.

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. In the financial year ended 30 June 2012, and previous years, an equivalent amount was transferred from retained earnings to the relevant reserve until the funds were expended. Unspent non-reciprocal capital grants were placed in the Unspent capital grants reserve. 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.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.H Revenue cont.

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

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

Sales revenue

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

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

Fees and Charges

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

1.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.

The fair value of financial instruments is determined as follows:

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.I Financial assets and financial liabilities cont.

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

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

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

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

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

1.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.

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

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.L Inventories cont.

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 2013 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 \$5,000 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

Aerodrome landing strips

Parks

Buildings and other structures

Plant and Equipment

Road, drainage and bridge network

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.

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

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational 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*. Plant and equipment and work in progress are measured at cost.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.N Property, plant and equipment cont.

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 considers the Queensland engineering construction index and considers if the movement is material and would warrant indexation to be carried out.

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 13.

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

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

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

Details of valuers and methods of valuations are disclosed in Note 13.

Major plant

The Council has determined that plant which has an individual cost in excess of \$150,000 is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete. The asset class primarily includes specialised earthmoving equipment.

Capital work in progress

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

Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, buildings and other structures, and 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. Buildings and Other Structures are depreciated using the consumption based model.

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.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.N Property, plant and equipment cont.

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, buildings and other structures, and plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 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.

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

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

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.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

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 14 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 14 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 14 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 21.

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 16 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.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.T Asset revaluation surplus cont.

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 2012, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.V Reserves

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

However all but one of these reserves were established many years ago and it has become clear that the reserves are no longer cash backed and in the interests of disclosing the correct position regarding cash that is uncommitted this will now be reflected in note 10.

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.

The former reserves operated as follows:

Flood mitigation reserve

The Council has invested these funds into flood mitigation strategies over the previous three years and accordingly the reserve has been closed and the funds transferred to retained earnings to offset earlier years expenditure.

Infrastructure replacement reserve

Council has over a number of years employed these funds in its infrastructure program and therefore has closed this account and transferred the balance to retained earnings to offset earlier years expenditure.

Building reserve

The Council has over a number of years used these funds to assist with its building program and accordingly has closed this account and transferred the balance to the retained earnings account to offset earlier years expenditure.

Charleville aerodrome maintenance reserve

The council has over a number of years applied these funds to the purpose for which they were intended and accordingly has now closed the account and transferred the balance to the retained earnings account to offset expenditure in earlier years.

Roads upgrade reserve

The Council has applied these funds to the repair of roads and bridges damaged by floods over a long period and accordingly this account has now been closed and the balance transferred to the retained earnings account to offset expenditure in previous years.

1.W 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.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

1.X 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 22.

1.Y Taxation

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

1.Z Carbon Pricing

Council's modelling indicates that the impact of electricity and fuel increases, due to carbon pricing, is not material to overall expenses.

2 Analysis of Results by Function

2(a) Components of council functions

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

Corporate Services

Includes general administration functions (clerical support, records, purchasing, payroll, costing, creditors and payments), strategic support (meetings, policy development, budgeting), human resource management (personnel, recruitment, training and development) public relations, and revenue.

Health / Environmental Services

Includes animal control, pest control, health regulation and compliance, immunisation, environmental monitoring, river management, parks and gardens maintenance, refuse collection and disposal, waste management, and aged care housing management.

Engineering Services

Includes construction and maintenance of shire and state controlled roads, stormwater drainage, footpaths, bicycle ways, other private works, street lighting, plant management, engineering development and design.

Water and Sewerage Services

The provision of reticulated untreated bore water and the treatment of sewerwred waste water.

Murweh Shire Council

Notes to the financial statements

For the year ended 30 June 2013

- 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 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							
	\$'000	\$'000	\$'000	\$'000							
Corporate services	5,273	4,470	12,591	(104)	22,230	6,466	-	6,466	3,277	15,764	63,528
Engineering services	10,326	5,057	1,299	-	16,682	17,752	-	17,752	(2,369)	(1,070)	41,600
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
Total Council	15,605	12,412	13,958	(104)	41,871	29,962	-	29,962	(1,945)	11,909	117,840

Year ended 30 June 2012

Year ended 30 June 2012													
Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net operating surplus	Assets
	Recurring			Capital									
	Grants	Other		Grants		Other							
	2012	2012	2012	2012	2012	2012							
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000							
Corporate services	6,273	4,310		275		104	10,962	4,269	275	4,544	6,314	6,418	65,044
Engineering services	10,002	3,242		874	-		14,118	16,300	874	17,174	(3,056)	(3,056)	28,093
Environmental Health Services	38	657		603	-		1,298	2,627	603	3,230	(1,932)	(1,932)	511
Water & Sewerage	-	2,083		-	-		2,083	1,924	-	1,924	159	159	10,310
Total Council	16,313	10,292		1,752		104	28,461	25,120	1,752	26,872	1,485	1,589	103,958

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

		Council	
		2013	2012
		\$	\$
		000's	000's
3 Revenue analysis			
(a) Rates, levies and charges			
General rates		3,609	3,260
Water		1,459	1,386
Water consumption, rental and sundries		75	19
Sewerage		840	802
Garbage charges		482	459
Total rates and utility charge revenue		6,465	5,926
Less: Discounts		(529)	(499)
Less: Pensioner remissions		(69)	(66)
		<u>5,867</u>	<u>5,361</u>
(b) Fees and charges			
Aerodrome landing and usage fees		292	207
Aerodrome head tax		67	123
Cosmos centre entry and souvenir sales		380	340
Aged care house rent		95	98
Town planning and building fees		91	105
Agistment fees		35	26
Water connection and inspection fees		7	40
Miscellaneous		140	139
		<u>1,107</u>	<u>1,078</u>
(c) Interest received			
Interest received from term deposits		351	633
Interest from overdue rates and utility charges		36	39
		<u>387</u>	<u>672</u>
(d) Sales revenue			
Sale of services			
Contract and recoverable works		5,003	3,136
		<u>5,003</u>	<u>3,136</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.			
(e) Other income			
Other income		48	45
		<u>48</u>	<u>45</u>
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
General purpose grants		6,520	7,893
State government subsidies and grants		9,085	8,420
		<u>15,605</u>	<u>16,313</u>
(b) Capital			
State government subsidies and grants		13,958	1,752
		<u>13,958</u>	<u>1,752</u>

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

Council	
2013	2012
\$	\$
000's	000's

5 Capital income

Gain / loss on disposal of non-current assets

Proceeds from the sale of property, plant and equipment	442	346
Less: Book value of property, plant and equipment disposed of	(546)	(242)
Total capital income	<u>(104)</u>	<u>104</u>

6 Employee benefits

Total staff wages and salaries	5,285	4,775
Councillors' remuneration	217	212
Annual, sick and long service leave entitlements	1,516	1,700
Superannuation	861	784
	<u>7,879</u>	<u>7,471</u>
Less: Capitalised employee expenses	(620)	(579)
	<u>7,259</u>	<u>6,892</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	46	47
Depot and outdoors staff	86	91
Total full time equivalent employees	<u>137</u>	<u>143</u>

7 Materials and services

Advertising and marketing	84	39
Audit services	49	33
Communications and IT	204	168
Contractors	117	113
Donations paid	136	113
Insurance	412	394
Staff training	109	131
Repairs and maintenance - (Including repairs to flood damaged roads)	18,016	15,285
Rental housing - operating costs	76	84
Subscriptions and registrations	68	63
Other materials and services	513	452
	<u>19,784</u>	<u>16,875</u>

8 Finance costs

Finance costs charged by the Queensland Treasury Corporation	310	343
Bank charges	11	9
	<u>321</u>	<u>352</u>

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

Council	
2013	2012
\$	\$
000's	000's

9 Depreciation and amortisation

Depreciation of non-current assets

Aerodrome landing strip	78	75
Buildings and other structures	330	307
Parks	1	1
Plant and equipment	597	591
Road, drainage and bridge network	458	1,351
Water and Sewerage	514	428
Total depreciation and amortisation	13 1,978	2,753

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	191	3,070
National Bank of Australia - Operating	4,524	44
Term Deposits	3,850	8,000
Cash on hand	2	2
Balance per statement of cash flows	8,567	11,116

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

Unspent government grants and subsidies -		
Flood Damage	4,840	8,450
Miscellaneous	-	110
Unspent loan monies		
QTC Flood Mitigation Loan	-	609
Total unspent restricted cash	4,840	9,169

11 Trade and other receivables

Current

Rateable revenue and utility charges	525	623
Provision for impairment	(21)	(21)
Other debtors	2,625	1,516
Prepayments	265	276
GST recoverable	138	349
	3,532	2,743

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

Inventories held for sale

Inventories held for distribution	230	193
Cosmos inventory	60	46
	290	239

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

13 Property, plant and equipment

Council - 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
	Revaluation \$'000	Valuation \$'000	Revaluation \$'000	Revaluation \$'000	Cost \$'000	Revaluation \$'000	\$'000	\$'000
2,491	693	4,516	93,991	54,006	15,064	23,084	1,145	194,990
-	451	-	2,284	793	1,535	146	-	5,209
-	-	-	-	-	(996)	-	-	(996)
-	-	-	-	-	-	1,725	-	1,725
-	-	-	-	-	-	-	11,181	11,181
2,491	1,144	4,516	96,275	54,799	15,603	24,955	12,326	212,109

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2012

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Work in progress - net movement

Closing gross value as at 30 June 2013

17

Accumulated depreciation and impairment

Opening balance as at 1 July 2012

Depreciation provided in period

Depreciation on disposals

Accumulated depreciation as at 30 June 2013

9

-	32	764	73,032	9,155	9,281	12,866	-	105,130
-	1	78	458	330	597	514	-	1,978
-	-	-	-	-	(450)	-	-	(450)
-	33	842	73,490	9,485	9,428	13,380	-	106,658

Total written down value as at 30 June 2013

Residual value

Range of estimated useful life in years

2,491	1,111	3,674	22,785	45,314	6,175	11,575	12,326	106,451
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		

Murweh Shire Council
Notes to the Financial Statements
For the year ended 30 June 2012

Council - 30 June 2012

Basis of measurement
Asset values
Opening gross value as at 1 July 2011
Additions
Disposals
Work in progress - net movement
Transfer between classifications
Closing gross value as at 30 June 2012

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
Revaluation \$'000	Revaluation \$'000	Cost \$'000	Revaluation \$'000	Revaluation \$'000	Cost \$'000	Revaluation \$'000	Cost \$'000	\$'000
2,468	532	4,458	93,926	50,635	14,924	22,961	590	190,494
38	163	33	1,243	2,181	1,129	123	-	4,910
(14)	-	-	-	-	(955)	-	-	(969)
-	-	-	-	-	-	-	555	555
(1)	(2)	25	(1,176)	1,190	(34)	-	-	-
2,491	693	4,516	93,991	54,006	15,064	23,084	1,145	194,990

Note

Accumulated depreciation and impairment

Opening balance as at 1 July 2011
Depreciation provided in period
Depreciation on disposals
Revaluation decrement to rural roads
Accumulated depreciation as at 30 June 2012
Total written down value as at 30 June 2012
Residual value
Range of estimated useful life in years

-	31	689	51,681	8,848	9,417	12,438	-	83,104
-	1	75	1,351	307	591	428	-	2,753
-	-	-	-	-	(727)	-	-	(727)
-	-	-	20,000	-	-	-	-	20,000
-	32	764	73,032	9,155	9,281	12,866	-	105,130
2,491	661	3,752	20,959	44,851	5,783	10,218	1,145	89,860
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		

9

Due to the floods in January 2012 the rural roads in the shire suffered considerable damage and as a consequence the degree of revaluation decrement to these roads at 30 June 2012 year end was calculated by the Department of Engineering Services to be \$20M.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

13a Property, plant and equipment valuations were determined by reference to the following:

Land

Land and improvements have been included at current market value as at 30 June 2010 as determined by Australia and Pacific Valuers and Asset Management, Registered Valuers. In view of the floods in 2010, 2011 and 2012 the property market has remained static since the 2010 revaluation. Current market value was derived by reference to market based evidence including observable historical sales data for properties of similar nature and specification within the Murweh Shire Council and surrounding areas.

Parks

Parks have been included at their written down current replacement cost as valued by Australia and Pacific Valuers and Asset Management, Registered Valuers as at 30 June 2010. The major component of parks is land and accordingly the same comment equally applies to parks as to land. Written down current replacement cost was derived by reference to market based evidence including observable historical sales data for properties of similar nature and specification within the Murweh Shire Council and surrounding areas.

Aerodrome Landing

The Aerodrome Landing Strip was revalued at 1 July 2010 by a contracted engineer, Bryan Radford MSc (Eng), FRMIT, DIC, BSc (Hons) using the written down replacement cost valuation method. For 2013 Council reviewed the average index increases of Queensland building and construction, asphalt supplied and laid and road and bridge construction indices (average 1.5%). No movement was deemed necessary. However now that the issue of floods has passed a full assessment of the replacement value is to be undertaken in the 2014 financial year.

Roads, Drainage and Bridge Network

Road and drainage and other infrastructure is included as the written down replacement cost as at 30 June 2010 as determined by a contracted engineer, Bryan Radford MSc (Eng), FRMIT, DIC, BSc (Hons).

Average \$/m2 for each of the key components were:

	Sealed Roads (\$/m ²)	Unsealed Roads (\$/m ²)	Unsealed Roads (\$/km)
Formation	\$3.60	\$0.47	\$2,800
Pavement - natural	\$6.00	\$0.93	\$3,700
Pavement - imported		\$1.63	\$6,500
New Seal	\$5.20		
Reseal	\$2.50		

Note: The unsealed road costs used in the June 2010 valuation were in terms of \$/km. The \$/m2 figures in the table are based on Council's adopted standard width of 4m for unsealed road pavement. Formation width is then assumed to be 6m, but in practice this can vary widely.

The floods in 2010, 2011 and 2012 caused extensive damage to the shire's road network. The damage estimated by Engineering Department and confirmed by external consults in the 2013 financial year was in the vicinity of \$20.0m and accordingly a revaluation decrement to this extent was recognised in the 2012 financial year. Funding to carry out the repairs was approved in July 2013 with a timeframe of completion by 30 June 2014. When these works are completed a full revaluation by an external valuer will be undertaken.

Buildings

Buildings have been included at their written down current replacement cost as valued by Australia and Pacific Valuers and Asset Management, Registered Valuers as at 30 June 2010. The methods of revaluation are market value and consumption based depreciation. The floods of 2010, 2011 and 2012 caused significant damage to residential and commercial properties to the extent that there are numerous properties for sale. A review of the building indices for Queensland from 2010 to 2013 indicates that the movement in the indice has been negligible (average .1%). The situation is returning to normal and a full revaluation by an external valuer is to be undertaken in the 2014 financial year.

Major Plant

Major Plant is measured at cost less accumulated depreciation. The valuation of major plant has been derived by reference to market base evidence including the average of indices of transport related items published by the ABS (average -0.67%). It should be recognised that the Shire does not have the capacity to carry out the road repairs currently underway and the bulk of the work is being tendered out to external contractors

Plant and Equipment

Other plant and equipment is measured at original cost less accumulated depreciation.

Water and Sewerage

Water and sewerage infrastructure is included at the written down current replacement cost as at 1 July 2012 as determined by a contracted engineer Bryan Radford MSc (Eng), FRMIT, DIC, BSc (Hons). Water and sewerage was last revalued in 2008. This revaluation has taken into account current prices of water and sewerage pipelaying costs of which there is a wide divergence and in addition relevant Queensland indices were considered. The average increment from 2008 to 2012 for purchasing and laying sewerage pipe was 13.4% (\$115/M) while water was 110.8% (\$89/M). The remaining life for both sewerage and water supply pipes has been set at 80 years.

13 a Property, plant and equipment valuations were determined by reference to the following: cont.

Work in Progress

The balance of \$12.3M represents the amount spent on uncompleted capital projects as at the 30 June 2013. As the projects are completed they will be transferred to the appropriate asset account.

14 Trade and other payables

Current

Creditors and accruals

Annual leave

Sick leave

Other entitlements

2013	2012
\$	\$
000's	000's
1,874	1,138
1,004	1,019
279	285
40	(115)
3,197	2,327

15 Borrowings

Current

Loans - Queensland Treasury Corporation

713	686
713	686

Non-current

Loans - Queensland Treasury Corporation

3,531	4,241
3,531	4,241

Loans - Queensland Treasury Corporation

Opening balance at beginning of financial year

Loans raised

Principal repayments

Book value at end of financial year

4,927	5,582
(683)	(655)
4,244	4,927

Borrowings

The QTC loan market value at the reporting date was \$4,707,181.39. 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 7.25% and expected final payment dates vary from May 2014 to June 2026. The loans are guaranteed by the Queensland State Government.

16 Provisions

Current

Long service leave

2013	2012
\$	\$
000's	000's
1,233	1,194
1,233	1,194

Non-current

Long service leave

121	99
121	99

Long service leave

Balance at beginning of financial year

Long service leave entitlement arising

Long Service entitlement paid

Balance at end of financial year

1,293	1,078
244	230
(183)	(15)
1,354	1,293

17 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year	47,218	67,218
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land	-	-
Buildings and other structures	-	-
Road, drainage and bridge network	-	(20,000)
Aerodrome landing strip	-	-
Water and sewerage	1,725	-
Balance at end of financial year	<u>48,943</u>	<u>47,218</u>

Asset revaluation surplus analysis

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

Land	150	150
Buildings and other structures	23,264	23,264
Road, drainage and bridge network	16,582	16,582
Water and sewerage infrastructure	5,605	3,880
Aerodrome landing strip	3,342	3,342
	<u>48,943</u>	<u>47,218</u>

2013	2012
\$	\$
000's	000's

18 Other reserves

Reserves held for funding future capital expenditure

Building reserve	-	84
Roads upgrade reserve	-	1,500
Constrained works reserve	-	8,561
Flood mitigation reserve	-	138
	<u>-</u>	<u>10,283</u>

Reserves held for funding future recurrent expenditure

Charleville aerodrome maintenance reserve	-	208
	<u>-</u>	<u>208</u>
Total reserves	<u>-</u>	<u>10,491</u>

Movements in capital reserves:

Building capital works reserve

Balance at beginning of financial year	84	84
Transferred to retained earnings	(84)	-
Balance at end of financial year	<u>-</u>	<u>84</u>

Roads upgrade reserve

Balance at beginning of financial year	1,500	1,000
Transferred to retained earnings	(1,500)	500
Balance at end of financial year	<u>-</u>	<u>1,500</u>

Constrained works reserve

Balance at beginning of financial year	8,561	7,096
Transfer from reserve for current years expenditure	(8,561)	(7,096)
Transfer to reserve - unspent restricted grants	-	8,561
Balance at end of financial year	<u>-</u>	<u>8,561</u>

18 Other reserves cont.

Flood mitigation reserve

Balance at beginning of financial year
Transfer to retained earnings
Balance at end of financial year

138	138
(138)	-
-	138

Movements in recurrent reserves:

Charleville aerodrome reserve

Balance at beginning of financial year
Transfer to retained earnings
Balance at end of financial year

208	208
(208)	-
-	208

19 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:
Payments within one year

2013	2012
\$	\$
000's	000's
2	2
2	2

20 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 2011 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 \$297,552.22.

21 Superannuation

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

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

The scheme has 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
The Accumulation Benefits Fund (ABF)

21 Superannuation cont.

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

The 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.

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.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 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.

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

The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:

2013	2012
\$	\$
000's	000's
861	784

22 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

482	91
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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.

	2013 \$ 000's	2012 \$ 000's
23 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities		
Net operating result	11,909	1,589
Non-cash operating items:		
Depreciation and amortisation	1,978	2,753
	<u>1,978</u>	<u>2,753</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	104	(104)
Capital grants and contributions	(13,958)	(1,752)
	<u>(13,854)</u>	<u>(1,856)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(978)	(1,471)
(Increase)/decrease in inventory	(50)	(17)
Increase/(decrease) in payables	1,120	5
Increase/(decrease) in provisions	-	-
	<u>92</u>	<u>(1,483)</u>
Net cash inflow from operating activities	<u>125</u>	<u>1,003</u>

24 Events after the reporting period

There were no material adjusting events after the balance date.

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

25 Financial Instruments

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

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council. The Council minimises its exposure to financial risk in the following ways:

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

When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

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

Risk exposure	Measurement method
Interest rate risk	Sensitivity analysis
Liquidity risk	Maturity analysis
Credit risk	Ageing analysis

Credit risk exposure

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

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

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

The Council is exposed to credit risk through its deposits with the Queensland Treasury Corporation (QTC) and investments with the NAB. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. The investment with the NAD IS not capital guaranteed but the likelihood of a credit failure is remote.

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

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

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

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

25 Financial Instruments continued

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

	Note	2013 \$'000	2012 \$'000
Financial assets			
Cash and cash equivalents	10	4,717	3,116
Investments	10	3,850	8,000
Receivables - rates	11	525	449
Receivables - other	11	2,625	1,516
Guarantee - LG Workcare	20	298	242
		12,015	13,323

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

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

	Fully performing	Less than 30 days	Past due 30-60 days	over 61 days	Impaired	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Receivables - 2013	2,558	-	6	586	-21	3,129
Receivables - 2012	870	-	12	497	-21	1,358

Liquidity risk

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

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the Notes 10 and 16.

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amounts
	\$'000	\$'000	\$'000	\$'000	\$'000
2013					
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
2012					
Trade and other payables	2,327	-	-	2,327	2,327
Loans - QTC	686	2,834	2,847	6,367	6,367
	3,013	2,834	2,847	8,694	8,694

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

Murweh Shire Council
Notes to the financial statements
For the year ended 30 June 2013

25 Financial Instruments continued

Murweh Shire Council does not have a bank overdraft facility.

Interest rate risk

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

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

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

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

	Net carrying amount		Profit		Equity	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assets	8,567	11,116	86	111	(86)	(111)
Financial liabilities	(4,244)	(4,927)	(49)	(50)	(49)	(50)
Net total	4,323	6,189	37	61	(135)	(161)

Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that

Level 1- Fair values that reflect the unadjusted quoted prices in active markets for identical assets/liabilities

Level 2 - Fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than

Level 3 - Fair values that are derived from data not observable in a market.

According to the above hierarchy, the fair values of each class of asset/liability recognised at fair value are as follows:

Class	Classification according to fair value			2013 Total carrying amount \$
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets				
Cash and cash equivalents		4,717		4,717
Investments		3,850		3,850
Receivables - rates		525		525
Receivables - other		2,625		2,625
Guarantee- LG Workcare			298	298
(insert name of class)				
Total		11,717	298	12,015
Financial liabilities				
Trade and other payables		3,197		3,197
Loans - QTC		981		981
Total		4,178		4,178

Management Certificate
For the year ended 30 June 2013

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

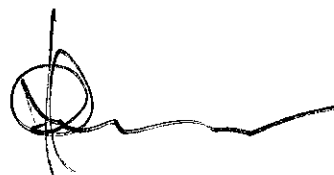
In accordance with Section 212(5) of the Regulation we certify that:

- (i) the prescribed requirements of the Local Government Act 2009 and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 32 have been prepared in accordance with Australian accounting standards (including Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board); and
- (iii) the general purpose financial statements as set out on pages 1 to 32 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 Denis Cook
Mayor

Date: 11 / 10 / 13



Chris Blanch
Chief Executive Officer

Date: 11 / 10 / 13

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 2013, 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 2012 to 30 June 2013 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.



P J FLEMMING CPA
As delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

Murweh Shire Council
Current-year Financial Sustainability
For the year ended 30 June 2013

Measures of Financial Sustainability

Council's performance at 30 June 2013 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	(6.9%)	0% - 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	101.2%	> 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	12.8%	< 60%

Note 1 - Basis of Preparation


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

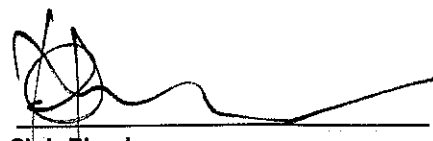
Murweh Shire Council
Financial statements
For the year ended 30 June 2013

Certificate of Accuracy
For the year ended 30 June 2013

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.


Councillor Denis Cook
Mayor


Chris Blanch
Chief Executive Officer

Date: 11 / 10 / 13

Date: 11 / 10 / 13

Murweh Shire Council
Long-Term Financial Sustainability
For the year ended 30 June 2013

Measures of Financial Sustainability

Council's budgeted performance against key financial ratios and targets - 2014 to 2013

Year ending 30 June 2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	<u>Target</u>									
Operating surplus ratio	3.5%	2.2%	1.2%	5.7%	7.8%	15.0%	13.8%	11.9%	11.2%	10.4%
Asset sustainability ratio	>90%	213.7%	175.9%	160.0%	154.4%	150.4%	131.3%	122.3%	127.8%	108.7%
Net financial liabilities ratio	<60%	-34.0%	-37.0%	-39.5%	-38.2%	-39.2%	-53.8%	-63.2%	-70.3%	-80.7%

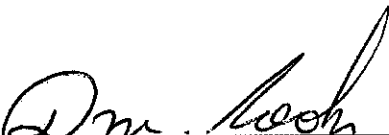
Murweh Shire Council
Financial statements
For the year ended 30 June 2013


Certificate of Accuracy

For the long term financial sustainability statement prepared as at 30 June 2013

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 Denis Cook
Mayor


Chris Blanch
Chief Executive Officer

Date: 11 / 10 / 13

Date: 11 / 10 / 13

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 2013, 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 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 2013, 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.



P J FLEMMING CPA
As delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane