

# AURUKUN SHIRE COUNCIL



## 2008-2009 ANNUAL REPORT

Photo Courtesy of Linda Sivyer

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## Our History



Aurukun was established as a Presbyterian mission (formerly known as the Archer River Mission Station) in 1904.

Aboriginal people were relocated from large surrounding areas to the mission settlement. Today's township is on the site of the original mission.

In 1978 the Aurukun people were given a 50-year lease on their land under the administration of the shire clerk and an elected Aboriginal Council. The Local Government (Aboriginal Lands) Act came into force on 22 May 1978. This Act constituted the Aurukun Shire Council and granted to it Aboriginal Land Lease No. 1. This lease includes a substantial part, but not all, of the original Aboriginal Reserve and the traditional lands of the aboriginal people living in Aurukun.



## Our Shire

The Shire of Aurukun covers an area of 7,500 square kilometres. Aurukun Shire is located on the west coast of Cape York Peninsula and is bound by the Holroyd River and Pormpuraaw Deed of Grant in Trust lands to the south, Cook Shire and Archer Bend National Park to the east, the Gulf of Carpentaria to the west and Cook Shire to the north.

It is home to some of the most pristine river systems and natural wildlife havens in Australia.



## Our Community



Aurukun is one of the larger communities in the Cape with a population of approximately 1,300.

There are 34 clans listed by the Aurukun Local Partnerships Project.

There are 15 outstations that are occupied during the dry season.



## Our Culture

The traditional homelands of the Wik and Kugu peoples lie within the Aurukun Shire. It is rich in Wik and Kugu historical and cultural practices. The traditional language in Aurukun is predominantly Wik Mungkan with a mixture of other dialects. English is taught in the school.

The local residents are the creators of stunning arts and crafts now held in high esteem in museums and galleries throughout the country. Traditional indigenous ceremonies take place in Aurukun regularly and they are fantastic events to witness.

Aurukun is one of the very few untouched places where visitors can immerse themselves in the aboriginal heritage and learn about the culture from the people firsthand.



## Our Climate



Aurukun experiences extreme heat and has an annual wet season when temperatures are consistently high.

The Bureau of Meteorology reports that the average maximum temperature is 32.3°C and the average minimum is 21.8°C. Aurukun's average annual rainfall is approximately 1.77 metres. Most of this falls between December and March. During the wet season, roads are impassable.

As Aurukun is in the cyclone area of Queensland, it has a cyclone season from November to May each year.

## Challenges we face

- **Size** - The shire comprises some 7,500 square kilometres. There are 15 outstations to manage and a range of plant and animal pests.
- **Isolation** - The isolation of Aurukun limits its ability to draw skilled workers to relocate to it. The cost of materials and services is high due to the distance from regional centres.
- **Wet Season** - The climate creates special challenges and because the roads are impassable during the wet season this greatly increases the transportation costs which flow through and raise the cost of just about everything.



# Mayor's Report

The Aurukun Shire Council became the Trustee of the Land, 7,500 square km, in 1978 under a fifty year lease agreement subject to conditions of the Local Government Act. A fulltime Mayor and four Councillors are elected on a four year term. The Council manages their core functions as required by the Local Government Act and also auspice other non core business functions for our Community. The Aurukun Shire Council is also a signatory to the Western Cape Community Co-existence Agreement with Rio Tinto and the Aurukun Bauxite Project with CHALCO and the Queensland State Government. Aurukun is one of the four trial welfare reform communities and Council is also a signatory to the Local Indigenous Partnership Agreement with the Queensland State Government.

One of the major concerns of Council is the health and wellbeing of the community. During the year considerable volume of work has been done and several programs and projects undertaken to improve the health and wellbeing of residents. These include:

- Construction of the main building of the Health and Wellbeing Centre has recently been completed and is operational. Two extensions to the building are still underway and will be completed early next year.
- Construction of the Kids Living Safer Lives Centre. - It is anticipated that the centre will be completed and operational in next year. This centre and the services it will offer will make a huge difference in the lives of those kids who are suffering from abuse and violent behaviour.
- Family Income Management – Through this program the community is assisted with savings and responsible spending of their money.
- Appointment of the Family Responsibility Commission that assists community members in dealing and solving problems.
- Programs to improve the standard of education and attendance of children at school.
- Changes and improvements have also been made at the HACC Centre to improve the delivery of health services to the community especially the elderly people.
- Ten houses are in the process of being constructed and will be ready for occupancy in the near future. The new houses will alleviate the problem of overcrowding and the construction of another ten houses will commence in next year.

Council in co-operation with Government Departments and other organisations are providing employment and training to the local people of Aurukun on an ongoing basis to improve their standard and quality of living.

Major upgrade work has been done on the access road to Aurukun with the assistance from Main Roads. It is important that this road be properly and well maintained as it is the only road that can be use to access Aurukun.

The feasibility study undertaken by CHALCO is nearly completed and there are high expectations that mining operations will start within the next couple of years. It is believed that mining will have a huge impact on the lives of the community and will change Aurukun forever.

Chalco and Rio Tinto made huge contributions which are appreciated to community development projects and programs. The community benefitted enormously from these projects and programs and it is hoped that Chalco and Rio Tinto will continue their support in this regard in future.

Council regularly met with Commonwealth Government, State Government and other Indigenous Councils to discuss important issues i.e. land tenure, financial viability of the Council etc. These meetings will continue in future.

During the year Council also met regularly with Cape York Partnership and Balkanu. Huge support and assistance were received from these organisations regarding the following matters:

- Education
- Health
- Welfare Reform
- Wild Rivers Act
- Economic Development.

I am looking forward in continue working with Cape York Partnership and Balkanu on these and other matters in the years to come.

The General Store and Tavern no longer form part of the operations of Council. The Council surrendered the Tavern license November 2008 which lead to the closure of the Tavern. An application for a licence has been lodged by a third party with the Liquor Licensing Board for the reopening of the Tavern. A decision on the application is awaited.

The General Store is leased to Island and Cape who has the skills and expertise in the retail sector to operate and manage the store. The community will benefit with the more effective control and management of the store.

Council is responsible for the management of several programs that do not form part of the core functions of Local Government. These include:

- Community Justice Group
- Child Care Centre
- HACC Centre
- Recognised Entity
- Post Office
- Bendigo Bank
- Centrelink

Funding provided by Departments is not always adequate to finance the operations of some of the programs. This is a huge concern as the Council do not have a rate base to generate income and the inadequate funding of programs place a huge financial burden on Council. This is also an issue that will need to be addressed with various Departments in the near future.

Finally I would like to take this opportunity and thank the Chief Executive Officer, staff and workforce for the work performed and their commitment and loyalty to the Council. I also wish to thank my co-councillors for their contribution during the year.

Neville Pootchemunka  
Mayor

# Chief Executive Officer's Report

## Introduction

Aurukun is a Local Authority without a rate base and mainly reliant on grants to survive. The fact that Council's depreciation cannot be funded is one of many issues for Government to address. Aurukun Shire Council has a lease on the land under their jurisdiction until 2029. Chalco Mine commence with a feasibility study to operate a bauxite mine on the land after winning a bid invited by Government in consultation with the Traditional Owners and Council. The feasibility study term end this year and all indicators show that with the plummeting of world economy Chalco will only be able to continue with the mine and not the refinery at Bowen. This development is now in the hands of Government to decide if approval will be granted for just a mine.

An assessment soon after inception of a two year contract with Council revealed that the detrimental financial position of Council is mainly due to a lack of control and poor management. The General Store had a deficit of more than \$2 million, the debtors were in excess of \$2 million, auspicing services were subsidized by council and revenue sources were poorly managed. In addition council received a qualified audit report that has the propensity to slide to a point where Government will appoint an administrator. The involvement of Council managing CDEP increased the problems with minimal resources to deliver. After looking at all that need to be done the phrase came to mind "*Changing the face can change nothing, but facing the change can change everything.*" Robust action, planning and decisions were required to change.

## Adjustments

During last year Government changed the number of Councillors from nine to five enhancing capacity and leadership with less expense. The election resulted in dramatic change with three new councillors and the Mayor being the first local person to be elected for a consecutive term in office. The councillors had numerous training sessions and soon discovered their important role as policy makers. An outstanding achievement was the election of Councillor Patrick Koongotema as regional representative on the board of LGAQ last year.

Most people do not like change. A commonly resistance was found amongst staff and effected parties during the last two years in order to shape the administration to deliver outcomes. A management team has been established with Council's approval and appointments made to assist with the challenge to achieve a positive result. Systems and procedures were put in place in all areas of operation to ensure that not only basic routines are in place but equipment are maintained and capacity built among community members but also that the best practice is followed.

Simultaneously Council resolved to divest the Store. Tenders were invited with requirements such as a take away and ATM machine. Council also determined not to continue to manage CDEP at the end of the term last year. A management policy has also been instituted to buy or replace vehicles or equipment with used ones rather than new. The expense of Council to buy new or rent vehicles from Q fleet was enormous eating into the accumulated funds.

## **Social Impact**

The closure of the Tavern had an impact on the community, although different views exist the community do not have an abundance of leisure facilities and the only facility was closed. Government changed legislation, rejecting Councils to hold liquor licenses. Tenders were invited to attract private enterprise but to date the successful applicant has major difficulties to get a licence from Liquor Licensing Division.

Unfortunately our task to manage has been negatively influenced by social behaviour of some staff, the view is firstly to attend to peoples social behaviours before embarking on training. Due to lack of entertainment people find refuge by using drugs and gambling which are often use as an excuse to release inhibitions and indulge in anti social behaviour. A vicious circle is created mirrored in kid's behaviour. Council experienced major set backs by youngster's damaging Councils property. More than \$500,000 worth of damages was reported over the last year. This behaviour can only end if parents start to lead by example and take responsibility. Council resolved to install security cameras to capture the offenders just to face another hurdle that courts has limited powers when kids are offenders.

A major predicament in Aurukun that contributes to domestic violence, health and bad behaviour is the shortage of houses. It is unacceptable that 15 people stay in a three bedroom house. This matter has been addressed by the Mayor and CEO at numerous forums and some relief is on its way with 10 houses being build this year and another 10 next year.

## **Infrastructure**

Aurukun is not compliant with legislation in terms of Town Planning, the lack of such makes it difficult for Council to plan ahead. Shortage of funding is the main reason for not making any progress. With pressure from Chalco (Bauxite) mine Government approved a grant during August this year to proceed with a Town Plan. Council appointed Aurecon to compile the first Town Plan in Aurukun as well as surveying the land. Numerous problems are experienced with services such as water, sewerage, roads, parks and storm water. The level of maintenance council can provide is determined by the availability of resources. At present the water quality is not at an acceptable level and the pressure is not sufficient to comply with safety legislation. The town is more than 100 years old with the reticulation reaching its end of live.

Emergency and Library Services were dormant over the last two years due to the lack of funds and direction from authorities. These services are essential and need urgent attention and support

## **Welfare Reform**

The Mayor and CEO lobbied for Aurukun to be part of a trial process of Welfare Reform to improve the wellbeing of the Community. Since last year Welfare Reform commence with their work with education as first priority. As with all new projects teething problems influenced the outcome but the latest stats of school attendance improved from 35 % to 68%. According to indicators other services such as Mens Groups, Women Shelter, Parenting Skills, Wellbeing Centre and Housing will receive attention in the near future however council is concerned about the benchmark (what will the period be of the trial ) of Welfare Reform.

## **Achievements**

The following fundamental developments and improvements were accomplished over the last two years which is a resounding success:

- ▶ Council's financial position has been improved from a negative to a positive, attending to a raft of previous years enquiries resulting in a favourable audit report
- ▶ General Store has been divested with positive rental income and improved services
- ▶ Number of community houses have been increase with 10 and staff houses with 4
- ▶ Rental Agreements has been increased from 1% to almost 99% of the residents increasing revenue of Council with more than \$1million per annum
- ▶ Privatization/Divestment of Blue Lagoon Outstation
- ▶ Upgrading of the Fuel Pumps and CBD area as well as a waterslide at swimming pool
- ▶ Security Cameras have been installed to capture images of offenders for proof at court
- ▶ Access road to Weipa has been upgraded to be almost all weather roads
- ▶ Funding and planning for new Business Precinct were finalized and tenders were invited
- ▶ Skatepark is in the process of being built with target date the end of December 2009.

Regrettably some goals have not been accomplished due to limited resources and lack of commitment by staff. The attendance of some staff is of concern and receives attention by support staff from the Wellbeing Centre at this moment.

## **Conclusion**

In closure the new Local Government Act will be promulgated by next year July and will impact on every Council. Some indicators are that Government want to reduce red tape but on the other hand implications such as more consultation and compiling different plans such as asset plan, financial plan, long term community plan, risk management plan, annual operational plan, drought management plan, and engagement plan put more strain on existing limited resources. It is yet to be seen if these plans are going to be worth the effort and not just records on shelves gathering dust.

I want to thank our Almighty Father for the ability and health to perform my duties, also the Mayor and Councillors for your believe in honesty and good working relationship. Many thanks to my dear wife and staff for your constant support, I know there are times that one feel dejected – please bear the following in mind:

***“There is no man or woman without weaknesses. In some the handicap is hidden, in others the handicap is open for the world to see. In all cases life contains joy and sadness, pleasure and pain, achievements and failures”.***

Our TASK for both ourselves and others is to lessen the pain and to increase the joy and achievement.

John Bensch  
Chief Executive Officer

# Chief Financial Officer's Report

## Finance and Administration

Council reviewed its operations in 2007 and following this review important changes were made to the organisational structure. The main aim was to improve the method of operations by Council and also the effective and efficient operation of the finance and administration department with the implementation and streamlining of controls and procedures.

Notwithstanding huge challenges facing Council in the year, Council was able to deliver strong financial results for the 2008/2009 year. The operating surplus for the year before depreciation is \$3.67 million.

## Revenue

Council received \$20.2 million in revenue with the greatest contribution coming from Federal and State Government grant funding.

- Grants, subsidies and contributions \$10,415,048 (51.6%)
- Net levies and utility charges \$ 596,023 (2.9%)
- Fees and charges \$ 230,709 (1.1%)
- Other recurrent income \$ 8,335,880 (41.3%)
- Rental income \$ 508,949 (2.5%)
- Interest received \$ 90,999 (0.5%)

Included in other recurrent income is revenue received from the operations of the General Store and Tavern. During the financial year Council ceased operations of the General Store and Tavern.

## Operating expenses

Council spent \$20.4 million during the year on operations.

- Employee costs \$ 4,906,060
- Materials and services \$11,628,303
- Depreciation \$ 3,856,888

Depreciation expenses increased with \$1,214,844 as a result of an increase in the value of the assets.

## Balance Sheet

Cash and cash equivalents as at the end of the year total 3,292,067 of which \$2,098,386 is kept in reserve for future expenditure and projects.

Assets increased from \$60,497,289 to \$117,360,714. All assets other than plant, furniture and equipment have been revalued that resulted in the huge increase in value of assets.

Liabilities decreased with \$313,769 while the asset revaluation reserve fund increased with \$57,197,469 due to the revaluation of assets.

### **Human Resources**

A number of employees left the Council during the year and Council was successful and fortunate in recruiting competent staff to fill some of the vacancies. Aurukun Shire Council, like many other Councils in the State, finds it difficult to attract and retain staff. The remote location of the Council and provision of staff accommodation are some of the reasons that impact heavily on the recruitment of staff.

Barry Bonhuys  
Chief Financial Officer

# Chief Operation Officer's Report

First and foremost I want to convey my thanks to the Mayor and Councillors of Aurukun Shire Council, Chief Executive Officer John Bensch, Chief Financial Officer Barry Bonthuys, Works Manager Shane Marshall and the many other staff that have contributed in their particular capacity to make my job so much more pleasant.

One of the first tasks given to me when I came to Aurukun in March 2008 was to review and develop the Corporate and Operational Plans for 2008/12. Quoting from the Executive summary *"In developing this Plan, Council used the analogy of the "four legged stool" and identified **Education and Training, Employment, Economic Development** as the four legs of the stool"*.

The last paragraph of the Executive Summary states *"This is not just Plan for the Aurukun Shire Council. A look at the corporate structure shows that above the Council sits the Community. Therefore this Plan is offered to the whole community as guideposts on the road traversing the changing landscape of 2008 – 2012"*.

Using this "road map" I want to point the headlights to some of the projects that the Works Manager and I have set up. Fencing, training, driver training, apprenticeships for four local employees in carpentry and plumbing (2 have left). We continue to place an emphasis on education and training so that Council can continue and grow the employment of local people for Operational programs.

We have successfully placed 5 local men with Dept of Main Roads as plant operators on the Aurukun access road.

In cooperation with the Works manager we have been able to secure a number of profitable contracts to provide services for contractors coming to Aurukun for the various building programs underway since August 2008 for example the provision of Plant operators, base materials for building pads, fencing. I would like to make mention of the hard working team of tradesmen that attend to the repairs and maintenance of Councils Housing stock. Their hard work enables Council to achieve maximum profits from a QBuild maintenance contract.

As well as these profits making contracts Council has been able to develop rental agreements with the various government and non government agencies for accommodation and office space, small business policies designed to encourage local business ventures for example, a local earthmoving company, a hire car business.

The Chief Executive Officer, Works Manager and I have lobbied hard and long at every opportunity for a total upgrade of the community water infrastructure. Part of this has been an upgrade to the water dosing facility to increase security and control wastage of dosing materials. The main water holding tank was emptied and cleaned.

In December 2008 an application was lodged with the Department of Transport for community boating facilities. Council has received funding to carry out feasibility studies on the location and impact on the surrounding ecosystems of a floating docking pontoon I am hopeful this will lead to an approved pontoon dock to allow local people access to their boats in safety.

In accordance with State government legislation the Three Rivers Tavern has been closed pending an enquiry as to whether it will re open as a free enterprise business. Council has a very experienced business man committed to running the Tavern if Government approval is granted. In the mean time the community suffers from frequent instances of sly grog which sends the community into uproar.

In March this year the Aurukun Shire Council engaged a consultant to conduct a safety review of the Transport Safety Plan to comply with CASA standards for our Airport. After some months of tinkering and providing further information to the Office of Transport Safety our Transport Safety Plan has been approved. After some pressure by the CEO and the community the company providing air transport reinstated the Wednesday service. In May an audit was carried out by a consultant to CASA on the runway, apron, lighting, public safety and the Aerodrome Manual. A meeting of airport personnel was held in June and all issues from the audit resolved.

I trust this very brief overview of the Operations of Aurukun Shire Council gives some indication of the way Council is continuing to develop in line with the Corporate and Operational plan with particular emphasis on employment and training of local people.

Following in this report are contributions from other functions of Council. With these a fuller picture will emerge of Aurukun as a place where its employees both local and work hard behind the scenes and a place where positive, good, things happen and not just the headlines in the news.

Chief Operating Officer  
Neil Ewart

# Legislative Information

## 1. Purchasing policy

The Council at its meeting held on 6 May 2008 adopted a new purchasing policy which is in compliance with the requirements of the Local Government Act 1993. The purpose of this policy is to ensure that all principles in the legislation concerning the acquisition of goods and services are applied and sound procedures are implemented regarding the expenditure of public funds and to ensure the most cost effective benefit is obtained for the community of Aurukun Shire Council.

The policy outlines the procedures to be followed in the purchasing of the following category of goods:

Purchase of goods value more than \$1 and less than \$15,000  
Purchase of goods value more than \$15,000 and less than \$150,000  
Purchase of goods value exceeding \$150,000.

## 2. Borrowing Policy

The Council at its meeting held on 5 August 2008 adopted a borrowing policy that sets out the requirements and conditions for the loan of monies for the current and future years.

Council has not borrowed any monies and remained debt free for the 2008/2009 financial year.

In terms of the policy adopted by Council, monies will only be borrowed subject to the following conditions:

- Loans will only be used for capital expenditure.
- Borrowings will only be made in accordance with the adopted budget.
- Loan terms are not to be longer than 15 years.

## 3. Registers kept by Council

The following registers are open for inspection

- Minutes of Council meetings
- Personal interest of Councillors
- Personal interest of Chief Executive Officer and Senior Executive Managers.
- Budget
- Annual Report
- Statement of accounts
- Regulatory Fees and Charges
- Corporate Plan
- Operational Plan

#### **4. Overseas travel**

During September 2008 the Mayor and Deputy Mayor visited China with a delegation of Chalco and the State Government. The purpose of the visit was to gain an insight and obtain knowledge of the operations of Chalco and to get a better understanding how the future mining operations of Chalco will impact on the lives and wellbeing of the community of Aurukun.

The overseas trip was fully funded by Chalco and no funds of Council were used to pay for any expenses of the trip.

#### **5. Advertising**

During 2008/2009 Aurukun Shire Council spent \$18,743 in relation to advertising to the following services:

- Employment \$ 2,375
- Leases \$16,368

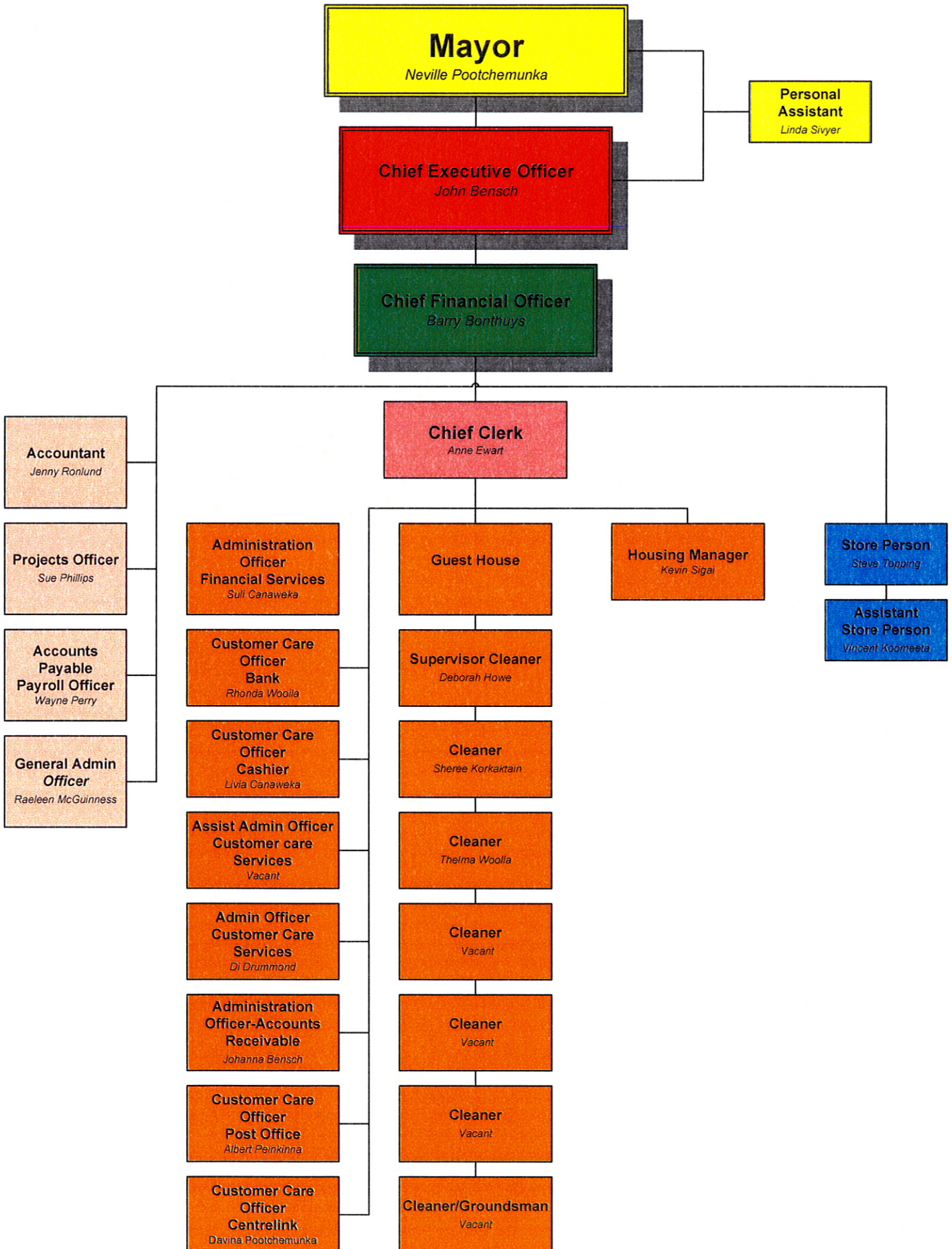
#### **6. Expenditure for services rendered by consultants**

Aurukun Shire Council engaged the services of various consultants during 2008/2009 to provide assistance on a wide range of services and activities. Consultants are only used in areas where Council experiences a lack of internal resources and expertise or if required under specific conditions. During 2008/2009 Council spent \$188,128 for consultants in relation to the following services:

- Engineering Services \$76,785
- Roadworks \$10,074
- Water Services \$ 19,566
- Construction of new buildings \$33,679
- Tavern \$19,583
- General Store \$ 1,938
- Arts and Craft Centre \$26,503

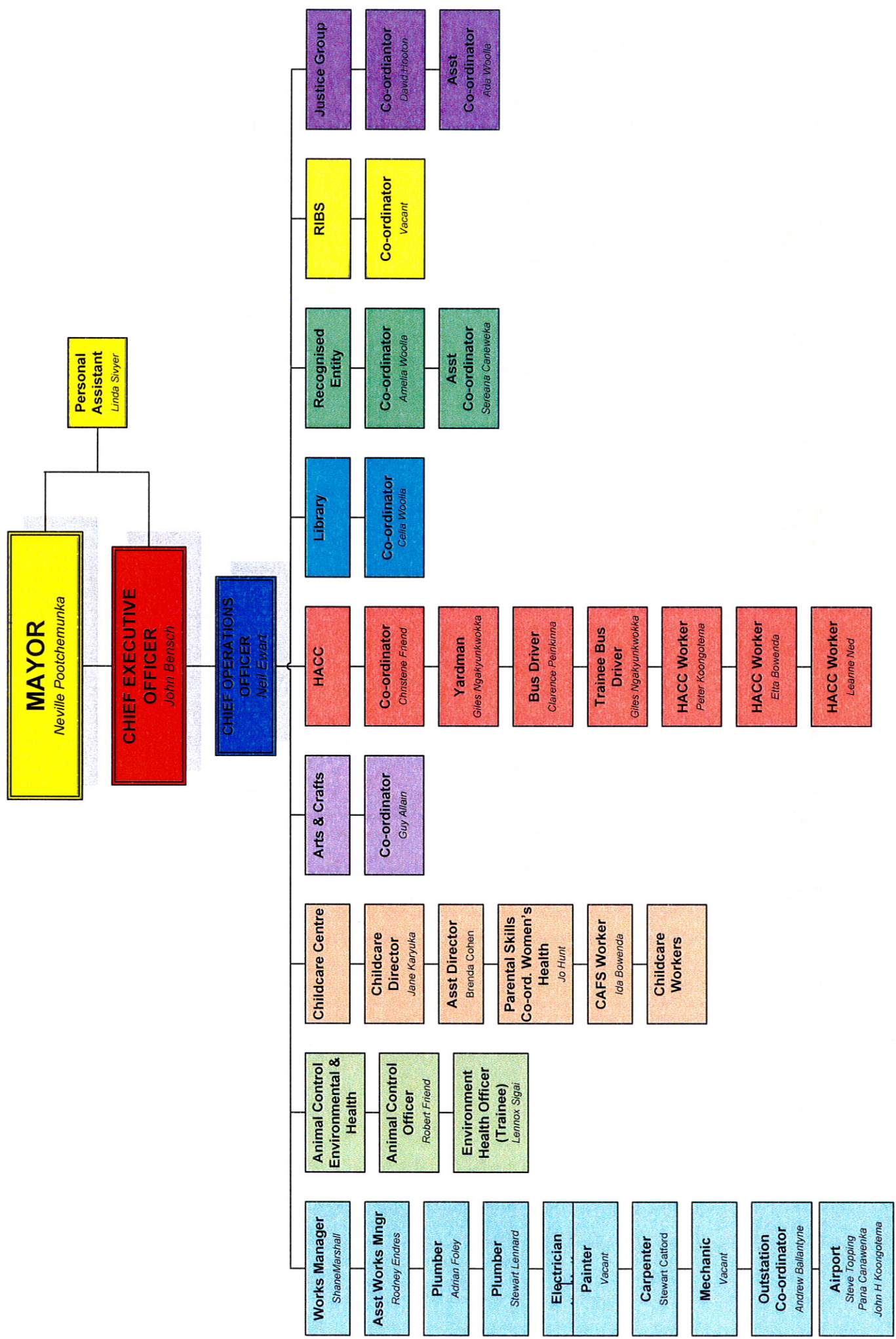
# Aurukun Shire Council

## Financial Department



# Aurukun Shire Council

## Operations Services Department



# Community Financial Report

The community financial report is in an easy to understand version of the Council's performance and financial position for the 2008/2009 financial year.

## 1. Revenue – Where did the funds come from?

Council aims to raise enough funds to maintain the ability to deliver services and revenue is derived from a variety of sources.

- Council received \$20.2 million in revenue during 2008/2009.
- Grant funding of \$10.4 million was received during the year. This is 51.5% of the total revenue for the year.

## 2. Expenditure – How was the money spent?

The Council provides a wide range of services to the community and the revenue raised by Council is spent on providing these services.

- Council's total expenses for the year were \$20.4 million.
- Materials and services made up 57.2 percent of the total expenditure.

## 3. Net operating result

Council recorded an operating deficit of \$289,439 for the year which is \$4,771,675 less than the previous year.

## 4. Assets – What does Council own?

Council's assets as at the end of the financial year were \$121.6 million. This included current assets (liquid assets or amounts to be received within 12 months) of \$4.2 million. Non-current assets (property, plant and equipment) made up 96.5% of the total assets of Council.

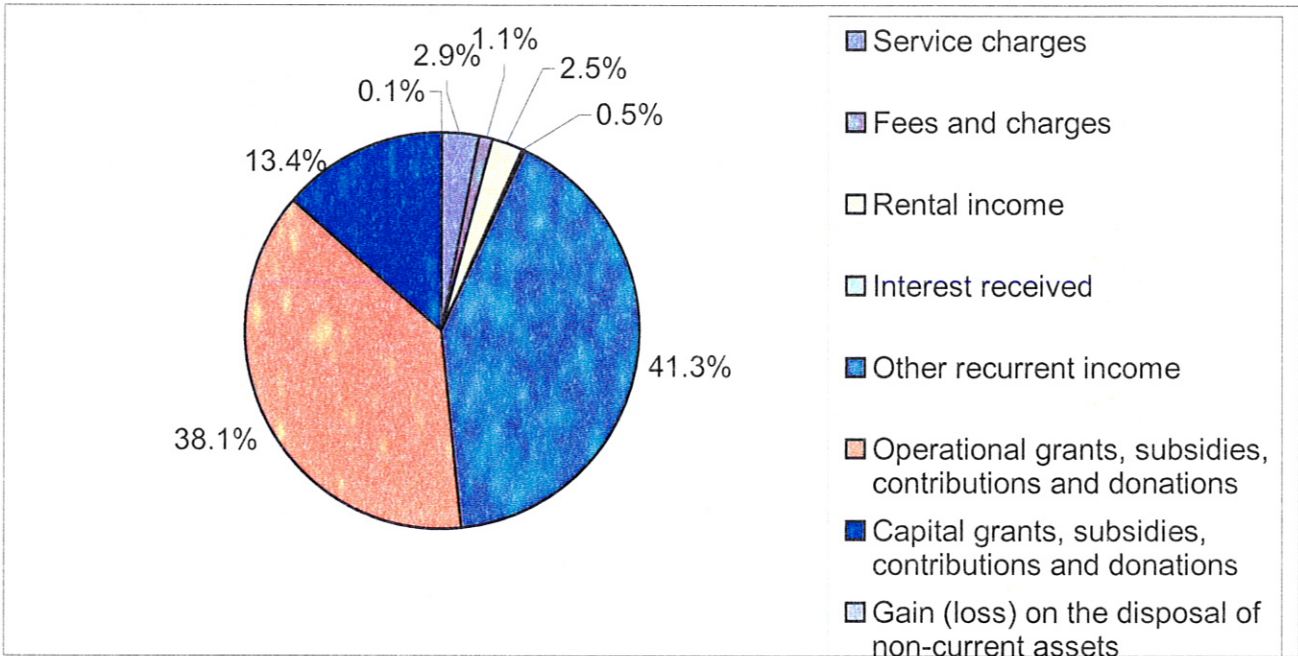
## 5. Liabilities – What does Council owe?

Council's total liabilities at the end of 2008/2009 were \$1.5 million which were amounts owed to suppliers of services and leave entitlement of employees.

## 6. Overall financial position – What is Council worth?

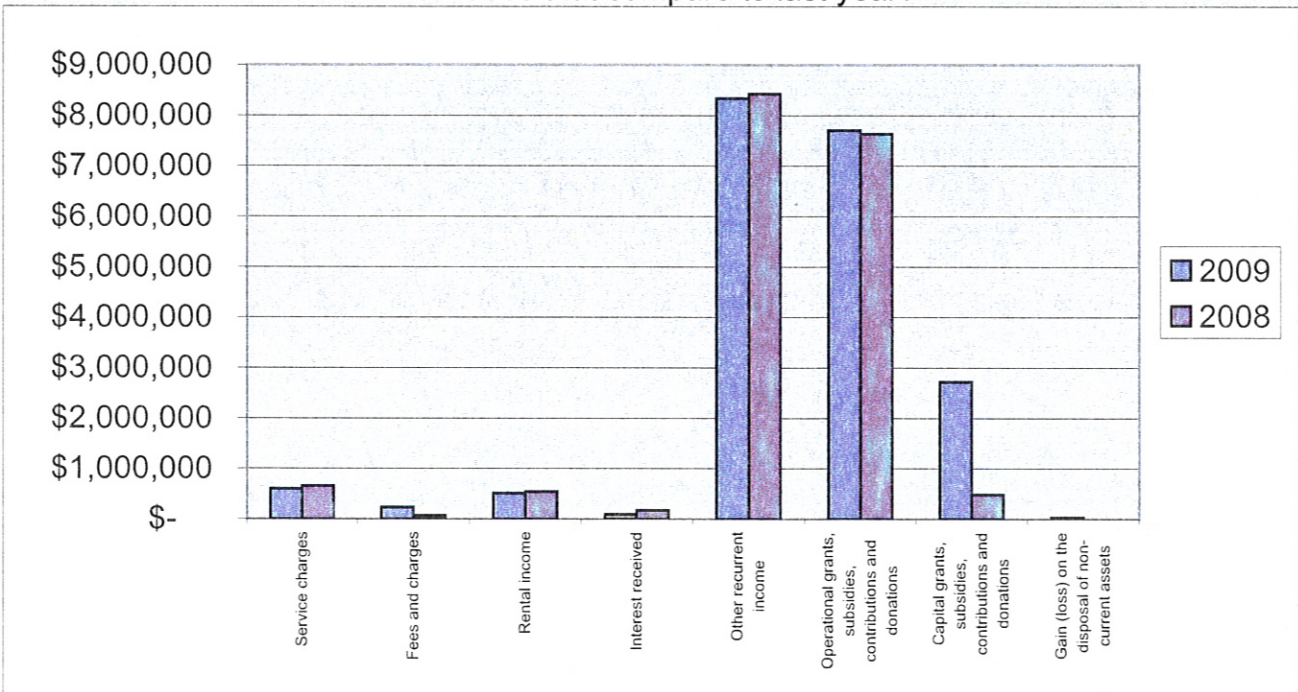
The difference between our assets and our liabilities is community equity. Council's net community equity at the end of 2008/2009 was \$120.1 million. Council has maintained a strong financial position with liabilities representing only 1.3% of the total assets.

## Where did the money come from?

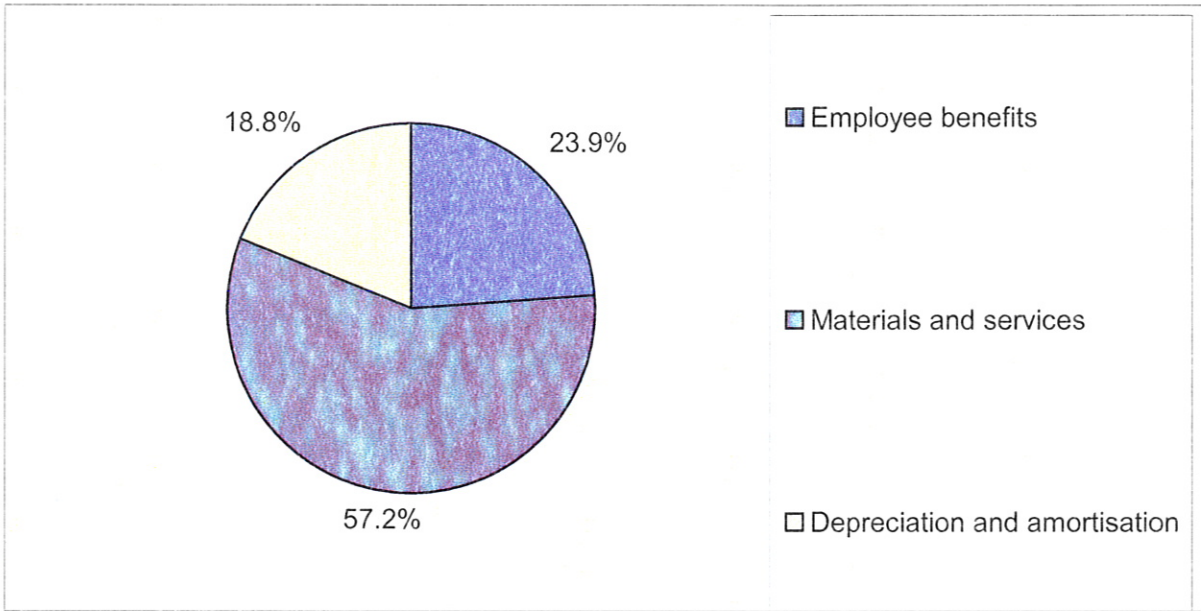


Income	2009	2008
Service charges	\$ 596,023	\$ 652,164
Fees and charges	\$ 230,709	\$ 64,644
Rental income	\$ 508,949	\$ 541,482
Interest received	\$ 90,999	\$ 168,283
Other recurrent income	\$ 8,335,880	\$ 8,425,742
Operational grants, subsidies, contributions and donations	\$ 7,699,024	\$ 7,632,043
Capital grants, subsidies, contributions and donations	\$ 2,716,024	\$ 482,957
Gain (loss) on the disposal of non-current assets	\$ 26,636	\$ -
<b>Total Income</b>	<b>20,204,245</b>	<b>17,967,316</b>

## How does that compare to last year?

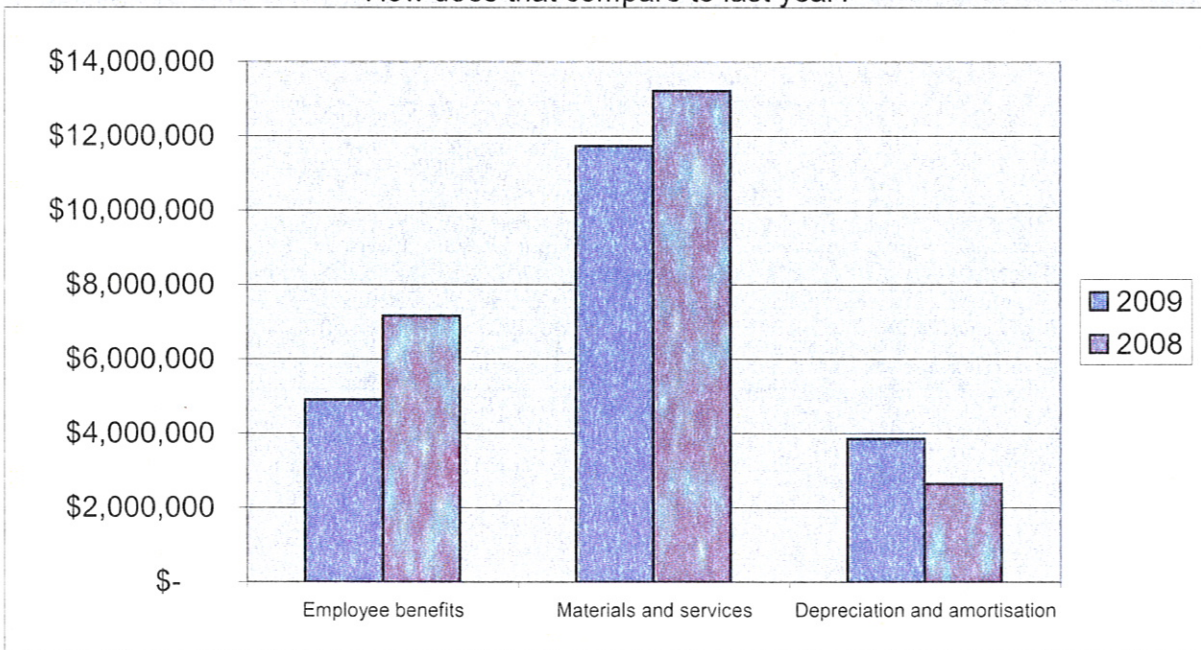


### Where was the money used?

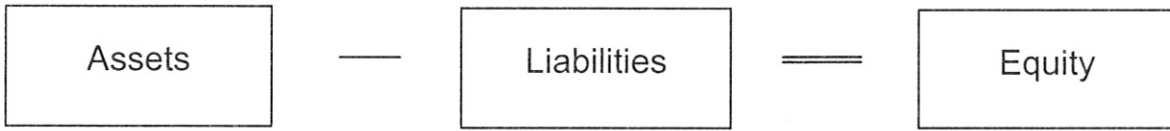


Expenses	2009	2008
Employee benefits	\$ 4,906,060	\$ 7,166,847
Materials and services	\$ 11,730,736	\$ 13,219,540
Depreciation and amortisation	\$ 3,856,888	\$ 2,642,044
<b>Total Expenses</b>	<b>20,493,684</b>	<b>23,028,430</b>

### How does that compare to last year?

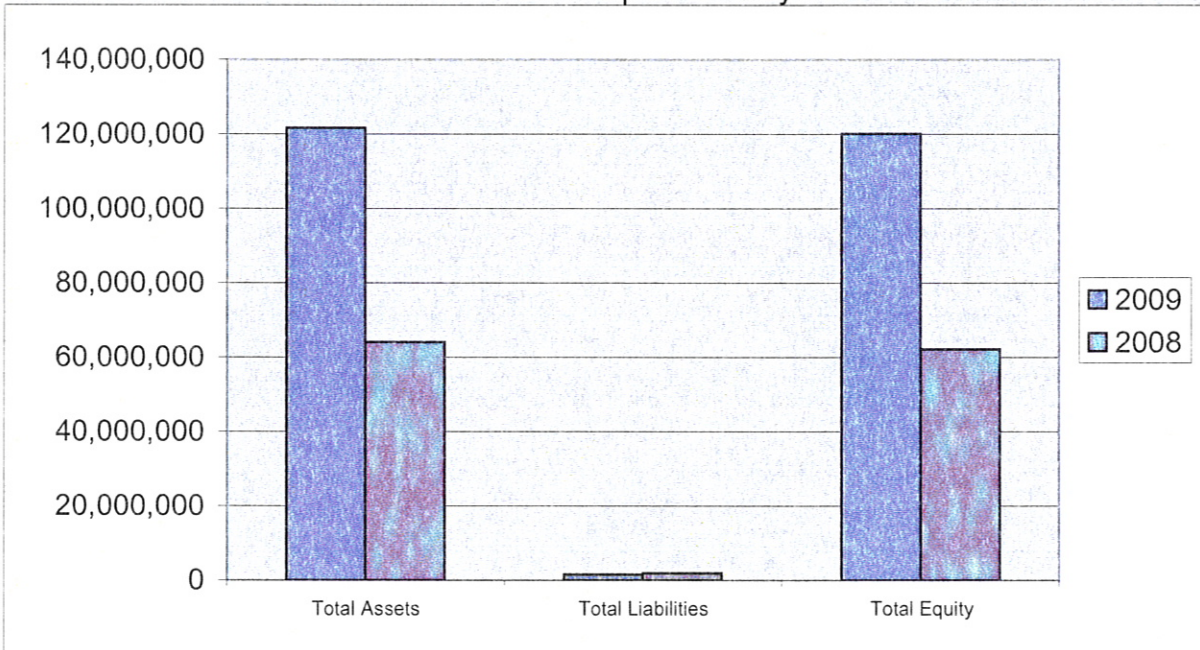


### How much is council worth?



Equity	2009	2008
Total Assets	121,640,242	64,045,980
Total Liabilities	1,551,431	1,865,199
<b>Total Equity</b>	<b>120,088,811</b>	<b>62,180,781</b>

### How does that compare to last year?



AURUKUN SHIRE COUNCIL  
ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2009

# **AURUKUN SHIRE COUNCIL**

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**AURUKUN SHIRE COUNCIL**  
**Income Statement**  
For the year ended 30 June 2009



	Notes	2009 Actual \$	2008 Actual \$
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Net levies and utility charges	3	596,024	652,164
Fees and charges	3	230,709	64,644
Rental income	3	508,949	541,482
Interest received	3	90,999	168,283
Other recurrent income	3	8,335,880	8,425,742
Grants, subsidies, contributions and donations	4	7,699,024	7,632,044
<b>Total recurrent revenue</b>		<b>17,461,585</b>	<b>17,484,359</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4	2,716,024	482,957
<b>Total capital revenue</b>		<b>2,716,024</b>	<b>482,957</b>
<b>Total revenue</b>		<b>20,177,609</b>	<b>17,967,316</b>
Gain (loss) on the disposal of non-current assets	5	26,636	0
<b>Total Income</b>		<b>20,204,245</b>	<b>17,967,316</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(4,906,060)	(7,166,846)
Materials and services	7	(11,628,303)	(13,219,540)
Finance costs	8	0	0
Depreciation and amortisation	9	(3,856,888)	(2,642,044)
<b>Total recurrent expenses</b>		<b>(20,391,251)</b>	<b>(23,028,430)</b>
<b>Capital expenses</b>			
Revaluation decrement	14(a)	(102,433)	0
<b>Total capital expenses</b>		<b>(102,433)</b>	<b>0</b>
<b>Total expenses</b>		<b>(20,493,684)</b>	<b>(23,028,430)</b>
<b>Net result attributable to council</b>		<b>(289,439)</b>	<b>(5,061,114)</b>

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

**AURUKUN SHIRE COUNCIL****Balance Sheet**

As at 30 June 2009



	Notes	2009 Actual \$	2008 Actual \$
<b>Current Assets</b>			
Cash and cash equivalents	10	3,292,068	2,233,737
Trade and other receivables	11	855,505	711,413
Inventories	12	131,954	577,158
Other financial assets	13	0	26,383
<b>Total current assets</b>		<b>4,279,527</b>	<b>3,548,691</b>
<b>Non-current Assets</b>			
Property, plant and equipment	14	117,360,715	60,497,289
<b>Total non-current assets</b>		<b>117,360,715</b>	<b>60,497,289</b>
<b>TOTAL ASSETS</b>		<b>121,640,242</b>	<b>64,045,980</b>
<b>Current Liabilities</b>			
Trade and other payables	15	1,396,358	1,699,976
Provisions	16	87,240	55,568
<b>Total current liabilities</b>		<b>1,483,598</b>	<b>1,755,534</b>
<b>Non-current Liabilities</b>			
Trade and other payables	15	38,433	68,735
Provisions	16	29,400	40,930
<b>Total non-current liabilities</b>		<b>67,833</b>	<b>109,665</b>
<b>TOTAL LIABILITIES</b>		<b>1,551,431</b>	<b>1,865,199</b>
<b>NET COMMUNITY ASSETS</b>		<b>120,088,811</b>	<b>62,180,781</b>
<b>Community Equity</b>			
Asset revaluation reserve	17	108,626,923	50,429,455
Retained surplus/(deficiency)	18	9,363,501	10,233,985
Other reserves	19	2,098,385	1,517,341
<b>TOTAL COMMUNITY EQUITY</b>		<b>120,088,809</b>	<b>62,180,781</b>

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

**AURUKUN SHIRE COUNCIL**  
**Statement of Changes in Equity**  
For the year ended 30 June 2009

	Asset revaluation reserve Note 17		Retained surplus Note 18		Other reserves Note 19		Total	
	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual
Opening balance	50,429,455	42,674,072	10,233,985	14,456,565	1,517,341	2,355,875	62,180,781	59,486,512
Revaluations of property, plant and equipment	58,197,470	7,755,384	0	0	0	0	58,197,470	7,755,384
Transferred to income statement on sale	0	0	0	0	0	0	0	0
<b>Net income recognised directly in equity</b>	<b>58,197,470</b>	<b>7,755,384</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,197,470</b>	<b>7,755,384</b>
Loss for the period	0	0	(289,439)	(5,061,114)	0	0	(289,439)	(5,061,114)
<b>Total recognised income and expense</b>	<b>58,197,470</b>	<b>7,755,384</b>	<b>(289,439)</b>	<b>(5,061,114)</b>	<b>0</b>	<b>0</b>	<b>57,908,031</b>	<b>2,694,270</b>
<b>Transfers to and from reserves</b>								
Transfers to general reserves	0	0	(2,307,638)	(1,974,078)	2,307,638	1,974,078	0	0
Transfers from general reserves	0	0	1,726,594	2,812,612	(1,726,594)	(2,812,612)	0	0
<b>Total transfers to and from reserves</b>	<b>0</b>	<b>0</b>	<b>(581,044)</b>	<b>838,534</b>	<b>581,044</b>	<b>(838,534)</b>	<b>0</b>	<b>0</b>
<b>Closing balance</b>	<b>108,626,926</b>	<b>50,429,456</b>	<b>9,353,502</b>	<b>10,233,985</b>	<b>2,098,385</b>	<b>1,517,341</b>	<b>120,088,812</b>	<b>62,180,782</b>

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



**AURUKUN SHIRE COUNCIL**  
**Statement of Cash Flows**  
For the year ended 30 June 2009



	Notes	2009 Actual \$	2008 Actual \$
<b>Cash flows from operating activities:</b>			
Receipts from customers		19,591,387	17,378,089
Payments to suppliers and employees		<u>(16,534,363)</u>	<u>(20,376,154)</u>
		3,057,024	(2,998,065)
Interest received		90,999	168,283
Rental income		508,948	541,482
<b>Net cash inflow (outflow) from operating activities</b>	24	<u>3,656,971</u>	<u>(2,288,300)</u>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(2,625,277)	(418,818)
Proceeds from sale of property, plant and equipment	5	<u>26,636</u>	<u>0</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>(2,598,641)</u>	<u>(418,818)</u>
<b>Cash flows from financing activities</b>		0	0
<b>Net cash inflow (outflow) from financing activities</b>		<u>0</u>	<u>0</u>
<b>Net increase (decrease) in cash held</b>		1,058,330	(2,707,118)
Cash at beginning of reporting period		2,233,737	4,940,855
<b>Cash at end of reporting period</b>	10	<u>3,292,067</u>	<u>2,233,737</u>

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



## **Note 1: Summary of significant accounting policies**

### **1.01 Basis of preparation**

This general purpose financial report has been prepared in accordance with Australian Accounting Standards and complies with the requirements of the Local Government Act 1993 and the Local Government Finance Standard 2005.

### **1.02 Statement of Compliance**

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). 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, this Report does not comply with IFRS. The main impact is in the offsetting of revaluation and impairment gains and losses within a class of assets.

This financial report has been prepared under the historical cost convention except for the revaluation of certain non-current assets.

### **1.03 Adoption of New Accounting Standards**

The following Australian Accounting Standards, issued on the dates shown, are not mandatory for the financial year 2008/09 and have not been applied.

- AASB3 Business Combinations (March 2008)
- AASB8 Operating Segments (Feb 2007)
- AASB101 Presentation of Financial Statements (September 2007)
- AASB123 Borrowing Costs (June 2007)
- AASB127 Consolidated and Separate Financial Statements (March 2008)
- AASB1039 Concise Financial Reports (August 2008)
- AASB2007-3 Amendments to Australian Accounting Standards arising from AASB8 (February 2007)
- AASB2007-6 Amendments to Australian Accounting Standards arising from AASB123 (June 2007)
- AASB2007-8 Amendments to Australian Accounting Standards arising from AASB101 (September 2007)
  
- AASB2007-10 Further Amendments to Australian Accounting Standards arising from AASB101
- AASB2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations (February 2008)
- AASB2008-2 Amendments to Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation (March 2008)
- AASB2008-3 Amendments to Accounting Standards arising from AASB3 and AASB127 (March 2008)
- AASB2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project (July 2008)
- AASB2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project
- AASB2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (July 2008)
- AASB2008-8 Amendments to Australian Accounting Standards - Eligible Hedged Items [AASB139] (August 2008)
- AASB2008-9 Amendments AASB1049 for Consistency with AASB101 (September 2008)
- AASB2008-11 Amendments to Australian Accounting Standards - Business Combinations Among Not-for-Profit Entities [AASB3] (November 2008)
- AASB2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17 - Distributions of Non-cash Assets to Owners (December 2008) [AASB5 & AASB110]  
Interpretation 15 - Agreements for the Construction of Real Estate (August 2008)  
Interpretation 16 - Hedges of a Net Investment in a Foreign Operation (August 2008)  
Interpretation 17 - Distributions of Non-cash Assets to Owners (December 2008)



## **Note 1: Summary of significant accounting policies**

### **1.03 Adoption of New Accounting Standards (Continued)**

It is not expected that the new standards would have made a substantial difference to the results if they had applied to this accounting period. Most of the changes are matters of presentation.

### **1.04 Critical accounting estimates**

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year are referred to in the appropriate notes to the financial statements.

### **1.05 Currency**

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

### **1.06 Constitution**

The Aurukun Shire Council is constituted under the Queensland Local Government Act 1993 and is domiciled in Australia.

### **1.07 Date of authorisation**

The financial report was authorised for issue on the date it was submitted to the Auditors for final signature. This is the date the management certificate is signed.

The Local Government has the power to amend the Financial Report after it is authorised for issue until the adoption of the report by the Local Government as part of the Annual Report.

### **1.08 Changes to accounting policies**

Unless otherwise stated, accounting policies are the same as for the previous year.

### **1.09 Levies, Grants and Other Revenue**

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

#### **(i) Levies and Charges**

Where community levies are received prior to the commencement of the levy period, the amount is recognised as revenue in the period in which they are received.

#### **(ii) Grants and Subsidies**

Where the Council has an obligation to use a grant or subsidy in a particular manner the amount is recognised as revenue on receipt. An equivalent amount is placed in the constrained works reserve until the obligation is satisfied.



## **Note 1: Summary of significant accounting policies**

### **1.09 Levies, Grants and Other Revenue (Continued)**

#### **(iii) Non-Cash Contributions**

Non-cash contributions with a fair value in excess of the recognition thresholds set out in note 1.15 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

#### **(iv) Other Revenue Including Contributions**

Other Revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

### **1.10 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.

### **1.11 Receivables**

Trade receivables are recognised initially at fair value due at the time of sale or service delivery and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 with provision being made for impairment. The loss is recognised in other expenses.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated cash flows, discounted at the effective interest rate. Increases in the provision for impairment are based on loss events.

All known bad debts were written-off against the provision for impairment at 30 June. Subsequent recoveries of amounts previously written off are credited against other expense in the income statement.

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.

### **1.12 Other Financial Assets**

Other Financial Assets are recognised at cost.



**Note 1: Summary of significant accounting policies**

**1.13 Financial Assets and Financial Liabilities**

**Categorisation**

Aurukun Shire Council has categorized the financial assets and financial liabilities held at balance date as follows:

<b>Financial Assets</b>	<b>Categorisation</b>
Cash	
Receivables	Loans and receivables (at amortised cost)
Prepayments	Loans and receivables (at amortised cost)
<b>Financial Liabilities</b>	
Payables	Financial liability (at cost)

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

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of financial instruments is determined as follows:

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

The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.

The fair value of trade receivables and payables are presented to approximate their actual or carrying amounts.

**1.14 Inventories**

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

Inventories held for distribution are:

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

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

**1.15 Investments**

Financial institution deposits at call and term deposits with a short maturity of three months are treated as cash equivalents. Interest revenue is recognised on an accrual basis.

**1.16 Property, Plant and Equipment**

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



## **Note 1: Summary of significant accounting policies**

### **1.16 Property, Plant and Equipment (continued)**

#### **(i) 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.

Non-monetary assets, including property, plant and equipment, received in the form of contributions and assets received in a local government restructure 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.

#### **(ii) Capital and operating expenditure**

Wage and materials expenditure incurred for the acquisition or construction of assets is 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.

#### **(iii) Valuation**

Land and improvements, buildings, major plant and equipment and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. Plant and Equipment and Office Equipment are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years with interim valuations, using a suitable index, being otherwise performed on an annual basis where there has been a material variation in the index.

Details of valuers and methods of valuations are disclosed in Note 14(c).

#### **(iv) Depreciation**

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment 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.

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

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

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

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



**Note 1: Summary of significant accounting policies**

**1.16 Property, Plant and Equipment (continued)**

The estimated useful lives of property, plant and equipment are reviewed annually. For each class of depreciable asset the following depreciation rates were used.

<b>Asset</b>	<b>Range of Estimated Useful Life In Years</b>
Office equipment	2 – 10 years
Plant and equipment	2 – 20 years
Buildings	15 – 100 years
Roads, drainage, and bridge	12 – 100 years
Aerodrome	15 – 100 years
Sewerage	20 – 70 years
Water	10 – 70 years
Other infrastructure assets	5 - 20 years

**(v) Unfunded Depreciation**

Aurukun Shire Council has elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet future replacement capital works.

**(vi) Asset Revaluation Reserve**

The asset revaluation reserve 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 this reserve.

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

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

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve.

**(vii) Leasehold Land**

The Aurukun Shire Council is located on land assigned to it under an Aboriginal Lands Lease No 1 granted to the Council pursuant to the provisions of the Local Government (Aboriginal Lands) Act 1978 over an area of about 750,000 hectares described as Lot 1 on plan SC211 for a term of 50 years commencing on 18th January 1979.

The land is administered through the provisions of the aforementioned legislation and the Council has restricted use of this land for the benefit of shire inhabitants. The grant was made to secure, for the benefit of the Aborigines who reside on the land, preservation of their traditional rights, use and occupancy of the land enjoyed by them as at 6 April 1978. The grant is subject to the reservation of areas to the State for public purposes as well as specific conditions attaching to the leased land.

**1.17 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.

## **Note 1: Summary of significant accounting policies**

### **1.18 Impairment**

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. 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 asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, 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 reserve 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 increase.

### **1.19 Leases**

Leases of plant and equipment under which the Council 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.

#### **(i) Finance leases**

Finance leases are capitalised in that a lease asset and a liability equal to the fair value of the leased property (or the present value of the minimum lease payments, if lower) are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged as finance costs. The asset is accounted for on the same basis as other assets of the same class. Contingent rentals are written off as an expense in the accounting period in which they are incurred.

#### **(ii) 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.

### **1.20 Payables**

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

### **1.21 Liabilities - Employee Benefits**

Employee benefits are accrued for such items 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 entitlements are assessed at each reporting date. Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

#### **(i) 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 is treated as a payable and not as a provision.



## **Note 1: Summary of significant accounting policies**

### **1.21 Liabilities - Employee Benefits (Continued)**

#### **(ii) Annual Leave**

A liability for annual leave is recognised. The current portion is based on current wage and salary levels and includes related employee on-costs. The non current portion is based on projected future wage and salary levels and related employee on-costs discounted to present values. This liability is treated as a payable and not as a provision.

#### **(iii) Sick Leave**

Sick leave is non-vesting and so any sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

#### **(iv) Superannuation**

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 22.

#### **(v) 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 interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability is treated as a provision.

### **1.22 Reserves**

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

#### **(i) Constrained Works Reserve**

This reserve represents contributions received for capital works where the required works have not yet been carried out.

#### **(ii) Reserve held for Future Recurrent Expenditure**

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

### **1.23 Retained Surplus**

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

### **1.24 National Competition Policy**

The Council has reviewed its activities and has not identified any activities that are business activities. Accordingly, the code of competitive conduct has not been applied to any activity of the Council. Details of these activities can be found in Note 26.



## **Note 1: Summary of significant accounting policies**

### **1.25 Comparatives and Rounding**

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period. Amounts shown in these financial statements may not added to the correct sub-totals or totals due to rounding.

### **1.26 Financial Risk Management**

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 and are for a period of less than one year. 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.

Details of financial instruments and the associated risks are shown at Note 25.

### **1.27 Funds Held for Outside Parties**

Funds held in the Trust Account on behalf of outside parties include 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 Note 23 to the financial statements for information purposes only.

### **1.28 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.

**AURUKUN SHIRE COUNCIL**  
Notes to the Financial Statements  
For the year ended 30 June 2009

Note 2: Analysis of Results by Function  
(a) Revenue, expenses and assets have been attributed to the following functions:

	Grants revenue		Other revenue		Total revenue		Total expenses		Net result for period		Assets	
	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual	2009 Actual	2008 Actual
Corporate Services	2,786,774	2,231,707	1,824,681	1,968,793	4,613,455	4,200,500	3,059,288	2,485,674	1,554,167	1,714,926	8,968,668	13,709,050
Engineering Services	212,879	358,168	1,305,841	163,758	1,522,720	521,926	2,239,316	1,249,467	(716,596)	(727,541)	25,535,470	6,301,062
Environmental Services	152,223	160,082	0	0	152,223	160,082	145,609	56,508	6,614	103,574	6,558	0
Welfare & Social Services	2,228,085	420,424	634	28,125	2,228,719	448,549	2,520	221,172	2,226,199	227,377	960,500	71,285
Community & Cultural Service	1,867,170	630,238	56,329	42,339	1,913,999	672,577	2,286,464	1,490,998	(372,465)	(618,421)	9,306,460	2,956,437
Housing	99,984	0	0	0	99,984	0	2,687,274	1,828,474	(2,487,290)	(1,828,474)	60,095,223	25,678,681
Public Amenities & Utilities	0	0	0	0	0	0	752,339	492,579	(752,339)	(492,579)	8,983,132	5,623,185
Enterprises	408,989	0	6,468,871	7,582,353	6,877,870	7,582,353	6,967,004	8,855,694	(109,134)	(1,273,341)	7,348,437	8,280,355
DSEWR/ICC Programs	2,666,934	4,114,381	129,341	66,948	2,795,275	4,181,329	2,433,870	6,347,864	361,405	(2,166,535)	435,799	475,925
<b>Total Council</b>	<b>10,415,048</b>	<b>8,115,000</b>	<b>9,789,197</b>	<b>9,852,316</b>	<b>20,204,245</b>	<b>17,967,316</b>	<b>20,493,684</b>	<b>23,028,430</b>	<b>(289,439)</b>	<b>(5,061,114)</b>	<b>121,640,240</b>	<b>64,045,980</b>





**Note 2(b): Components of council functions**

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

**Corporate Services**

This comprises the support functions for the Mayor and Councillors, Council and committee meetings, statutory requirements, Council's Finance, Information technology and administration.

**Engineering Services**

Includes construction and maintenance of Shire roads, operation and maintenance of plant and equipment, and provision of support for other Council activities.

**Environmental Services**

Includes the operation and planning of the management of animals and related health inspections.

**Welfare and Social Services**

Includes animal control, emergency services and health inspections.

**Community and Cultural Services**

Community services and facilities including cultural, health, welfare, environmental and recreational services.

This function includes:

- Libraries
- Aged person care programs
- Social security agency
- Cemeteries
- Youth programs
- Training programs
- Traditional Arts and Crafts

**Housing**

Includes the provision of community housing and housing for Council employees.

**Public amenities and utilities**

Includes the operation of the aerodrome, provision of cleansing, water and sewerage services, investigation into the construction of wharf facilities.

**Enterprises**

Includes provision of visitor accommodation, general store, tavern, air charter operations, Ergon agency, the undertaking of private works etc.

**DEWR / ICC programs**

Includes the wages, recurrent and capital components of the Community Development Employment Program.

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



Notes	2009 Actual	2008 Actual
	\$	\$
<b>Note 3: Revenue analysis</b>		
<b>(a) Levies and charges</b>		
Community levies	325,111	416,130
Water	83,795	71,011
Sewerage	126,247	117,318
Garbage charges	60,871	47,705
Total rates and utility charge revenue	<u>596,024</u>	<u>652,164</u>
<b>(b) Fees and charges</b>		
Fees and Charges	<u>230,709</u>	<u>64,644</u>
	<u>230,709</u>	<u>64,644</u>
<b>(c) Rental income</b>		
Property rentals	<u>508,949</u>	<u>541,482</u>
	<u>508,949</u>	<u>541,482</u>
<b>(d) Interest received</b>		
Interest received from cash at bank and term deposits	<u>90,999</u>	<u>168,283</u>
	<u>90,999</u>	<u>168,283</u>
<b>(e) Other recurrent income</b>		
General Store sales	28 5,417,703	5,366,886
Tavern sales	28 698,845	1,932,125
Private works	1,018,322	163,640
Administration contributions	405,464	635,284
Other income	795,546	327,807
	<u>8,335,880</u>	<u>8,425,742</u>

**Note 4: Grants, Subsidies, Contributions and Donations**

**(i) Recurrent - government grants, subsidies, and other contributions are analysed as follows**

General purpose grants	2,707,646	2,208,188
State Government subsidies and grants	4,783,955	3,303,602
Other Grants and Contributions	207,423	2,120,253
Total recurrent revenue	<u>7,699,024</u>	<u>7,632,043</u>

**(ii) Capital - government grants and subsidies, and other contributions are analysed as follows**

State Government subsidies and grants	2,716,024	482,957
Contributions	0	0
Total capital revenue	<u>2,716,024</u>	<u>482,957</u>

**Note 5: Capital Income**

**Gain (loss) on the disposal of non-current assets**

Proceeds from the sale of property, plant and equipment	26,636	0
Less: Book value of property, plant and equipment disposed	0	0
Total gain (loss) on the disposal of non-current assets	<u>26,636</u>	<u>0</u>

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



Notes	2009 Actual	2008 Actual
	\$	\$
<b>Note 6: Employee benefits</b>		
Total staff wages and salaries	3,982,990	6,580,581
Councillors' remuneration	195,953	150,675
Annual, sick and long service leave entitlements	364,368	(16,926)
Superannuation	22      320,377	293,421
	<u>4,863,688</u>	<u>7,007,751</u>
Other employee related expenses	42,372	159,096
	<u>4,906,060</u>	<u>7,166,847</u>
Less: Capitalised employee expenses	0	0
	28 <u>4,906,060</u>	<u>7,166,847</u>

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

**Total Council employees at period end**

Elected members	5	5
Administrative staff	51	48
Depot and outdoors staff	42	279
<b>Total full time equivalent employees</b>	28 <u>98</u>	<u>332</u>

**Note 7: Materials and services**

Audit services	65,257	53,470
Donations paid	5,695	5,096
Other material and services	1,112,758	855,349
General Store costs	4,946,966	5,551,721
Tavern costs	746,223	1,633,144
Write-down of inventories	126,824	807,494
Plant operations	519,148	414,959
Community housing	194,212	166,559
Doubtful debts	236,657	10,000
Administration expenses	860,046	709,989
Staff housing	232,307	165,355
Child care expenses	380,825	161,543
Arts and craft expenses	636,965	248,365
Aged care	281,568	160,317
CDEP	1,282,852	2,276,179
	<u>11,628,303</u>	<u>13,219,540</u>

**Note 8: Finance costs**

Interest on finance leases	0	0
	<u>0</u>	<u>0</u>

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
		\$	\$
<b>Note 9: Depreciation and Amortisation</b>			
<b>(a) Depreciation of non-current assets</b>			
Buildings		3,008,935	2,217,721
Plant and equipment		374,425	276,431
Aerodrome		70,561	8,494
Office Equipment		59,419	25,700
Road, drainage and bridge network		177,110	74,265
Water		58,130	11,519
Sewerage		99,371	20,730
Other infrastructure assets		8,937	7,184
<b>Total depreciation of non-current assets</b>		<u><u>3,856,888</u></u>	<u><u>2,642,044</u></u>

**Unfunded depreciation**

**Accumulated unfunded depreciation**

The accumulated unfunded depreciation represents the accumulated shortfall in funding being provided from operating revenue to replace the assets at some future time.

It is anticipated that external borrowings will be required as the assets are replaced resulting in higher future operating costs. Recognition of unfunded depreciation represents a decline in the capital value of the shire. Net adjusted unfunded depreciation is calculated by taking the gross unfunded depreciation and deducting the amount of depreciation that will not require future funding due to: non-replacement of the asset; contributions becoming available for funding the replacement; the replacement asset will cost less than the existing asset; or, the engineer's assessment of depreciation funding is less than the depreciation expense in the period.

The gross unfunded depreciation across all assets for the period is \$3,856,888 (2008 - \$2,642,044)

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
		\$	\$
<b>Note 10: Cash and cash equivalents</b>			
Cash at bank and on hand		1,366,851	1,262,255
Term deposits		1,029,110	971,482
Mones held in trust by third parties	10 (a)	896,107	0
<b>Balance per Statement of Cash Flows</b>	10 (b)	<u><u>3,292,068</u></u>	<u><u>2,233,737</u></u>

- (a) These funds are held in trust by the Black & Moore (project managers) in respect to the following projects;

Health & Well Being Infrastructure Project	163,467	0
Kids Living Safer Lives Infrastructure Project	237,640	0
Welfare Reform Project	495,000	0
	<u><u>896,107</u></u>	<u><u>0</u></u>

- (b) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Unspent Government grants and Subsidies	19	<u>2,098,386</u>	<u>1,517,341</u>
<b>Total unspent restricted funds for capital &amp; recurrent projects</b>		<u><u>2,098,386</u></u>	<u><u>1,517,341</u></u>

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
	\$	\$
<b>Note 11: Trade and other receivables</b>		
<b>(a) Current</b>		
Service Charge Debtors	175,026	76,172
General Store and Tavern Debtors	264,947	51,897
Rent Debtors	37,785	27,411
Housing Debtors	72,365	47,105
Other debtors	587,382	568,828
Less: Provision for doubtful debts	<u>(282,000)</u>	<u>(60,000)</u>
	<u><b>855,505</b></u>	<u><b>711,413</b></u>

**Note 12: Inventories**

**Current**

**Inventories for consumption:**

Miscellaneous saleable items

11,340                      491,517

**Total inventories for consumption**

28                      11,340                      491,517

Valued at the lower of cost and selling price less cost to sell.

**inventories for distribution:**

Plant and equipment stores

130,614                      95,641

Less: Provision for slow moving and obsolete materials

(10,000)                      (10,000)

**Total inventories for distribution**

120,614                      85,641

Valued at the lower of cost and replacement value

**Total inventories**

**131,954**                      **577,158**

**Note 13: Other financial assets**

**Current**

Prepayments

0                      26,383

**0**                      **26,383**

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**Note 14(a): Property, Plant and Equipment**  
**For the year ended 30 June 2009**

	Office Equipment	Plant & Equipment	Buildings	Road, Drainage, and Bridge Network	Aerodrome	Sewerage	Water	Other Infrastructure Assets	Capital Works in Progress	TOTAL
<b>Asset Values</b>										
Opening gross value at cost	219,801	4,592,472	0	0	0	0	0	0	109,178	4,921,451
Opening gross value at valuation	0	0	81,945,242	6,904,123	1,918,610	4,232,713	2,906,500	178,735	0	98,083,923
Additions at cost	190,417	265,572	157,473	99,410	0	0	0	0	1,912,405	2,625,277
Disposals	0	(86,391)	0	0	0	0	0	0	0	(86,391)
Revaluation adjustment to the ARR	0	0	31,994,268	2,752,887	3,818,657	1,734,690	27,869	(35,057)	0	40,293,514
Revaluation adjustment to Income	0	0	0	0	0	0	0	(143,678)	0	(143,678)
Internal transfers	0	0	0	0	0	0	0	0	0	0
<b>Closing gross value</b>	<b>410,218</b>	<b>4,771,553</b>	<b>114,096,983</b>	<b>9,756,420</b>	<b>5,735,267</b>	<b>5,967,503</b>	<b>2,934,369</b>	<b>0</b>	<b>2,021,583</b>	<b>145,694,096</b>
<b>Accumulated Depreciation</b>										
Opening balance	114,716	3,506,757	33,978,558	1,626,714	454,600	1,888,449	898,100	40,191	0	42,508,085
Depreciation provided in period	59,419	374,425	3,008,935	177,110	70,561	99,371	58,130	8,937	0	3,856,888
Depreciation on disposals	0	(86,391)	0	0	0	0	0	0	0	(86,391)
Revaluation adjustment to the ARR	0	0	(15,478,762)	(366,214)	(267,668)	(1,347,468)	(435,941)	(7,883)	0	(17,903,956)
Revaluation adjustment to Income	0	0	0	0	0	0	0	(41,245)	0	(41,245)
Internal transfers	0	0	0	0	0	0	0	0	0	0
<b>Accumulated depreciation at period end</b>	<b>174,135</b>	<b>3,794,791</b>	<b>21,508,731</b>	<b>1,437,610</b>	<b>257,473</b>	<b>640,352</b>	<b>520,289</b>	<b>0</b>	<b>0</b>	<b>28,333,381</b>
<b>Total written down value at period end</b>	<b>236,083</b>	<b>976,862</b>	<b>92,588,252</b>	<b>8,318,810</b>	<b>5,477,794</b>	<b>5,327,251</b>	<b>2,414,080</b>	<b>0</b>	<b>2,021,583</b>	<b>117,360,715</b>



**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009

**Note 14(b): Property, Plant and Equipment**  
**For the year ended 30 June 2008**

	Office Equipment	Plant & Equipment	Buildings	Road, Drainage, and Bridge Network	Aerodrome	Sewerage	Water	Other Infrastructure Assets	Capital Works in Progress	TOTAL
<b>EQUIPMENT</b>										
<b>Asset Values</b>										
Opening gross value at cost	130,664	4,457,387	0	0	0	0	0	143,678	46,767	4,778,496
Opening gross value at valuation	0	0	72,741,751	5,759,637	1,499,707	3,505,718	2,413,215	0	0	85,920,028
Additions at cost	89,138	135,084	0	0	132,189	0	0	0	62,411	418,822
Disposals	0	0	0	0	0	0	0	0	0	0
Revaluation adjustment to the ARR	0	0	9,203,491	1,144,485	284,716	726,995	493,286	35,057	0	11,888,030
Revaluation adjustment to income	0	0	0	0	0	0	0	0	0	0
Assets classified as held for sale	0	0	0	0	0	0	0	0	0	0
Correction of prior period error	0	0	0	0	0	0	0	0	0	0
Internal transfers	0	0	0	0	0	0	0	0	0	0
<b>Closing gross value</b>	<b>219,802</b>	<b>4,592,471</b>	<b>81,945,242</b>	<b>6,904,122</b>	<b>1,916,612</b>	<b>4,232,713</b>	<b>2,906,501</b>	<b>178,735</b>	<b>109,178</b>	<b>103,005,376</b>
<b>Accumulated Depreciation</b>										
Opening balance	89,017	3,230,326	27,725,385	2,092,657	372,941	1,158,622	1,039,322	25,124	0	35,733,394
Depreciation provided in period	25,700	276,431	2,217,723	74,265	8,494	20,730	11,519	7,184	0	2,642,046
Depreciation on disposals	0	0	0	0	0	0	0	0	0	0
Revaluation adjustment to the ARR	0	0	4,035,449	(540,208)	73,165	709,098	(152,740)	7,883	0	4,132,647
Impairment adjustment to the ARR	0	0	0	0	0	0	0	0	0	0
Impairment adjustment to income	0	0	0	0	0	0	0	0	0	0
Assets classified as held for sale	0	0	0	0	0	0	0	0	0	0
Correction of prior period error	0	0	0	0	0	0	0	0	0	0
Internal transfers	0	0	0	0	0	0	0	0	0	0
<b>Accumulated depreciation at period end</b>	<b>114,717</b>	<b>3,506,757</b>	<b>33,978,557</b>	<b>1,626,714</b>	<b>454,600</b>	<b>1,888,450</b>	<b>898,101</b>	<b>40,191</b>	<b>0</b>	<b>42,508,087</b>
<b>Total written down value at period end</b>	<b>105,085</b>	<b>1,085,714</b>	<b>47,966,685</b>	<b>5,277,408</b>	<b>1,462,012</b>	<b>2,344,263</b>	<b>2,008,400</b>	<b>138,544</b>	<b>109,178</b>	<b>60,497,289</b>





**Note 14 (c) Property, Plant and Equipment Valuations**  
**For the year ended 30 June 2009**

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

**Buildings**

Buildings have been included at their written down current replacement cost as valued by Australia Pacific Valuers Pty Ltd as at 30 June 2009.

**Plant and Equipment**

Plant and equipment is measured at original cost less accumulated depreciation.

**Office Equipment**

Office equipment is measured at original cost less accumulated depreciation.

**Infrastructure**

Sewerage, Water, and Waste Disposal Infrastructure –

Included at the written down current replacement cost as at 30 June 2009 as determined by Australia Pacific Valuers Pty Ltd.

Roads, Drainage, Bridge Network and Aerodrome Infrastructure -

Included at the written down current replacement cost as at 30 June 2009 as determined by Australia Pacific Valuers Pty Ltd.

**Other Infrastructure Assets**

Other infrastructure have been included at their written down current replacement cost as valued by Australia Pacific Valuers Pty Ltd as at 30 June 2009.

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



	Notes	2009 Actual \$	2008 Actual \$
<b>Note 15: Trade and other payables</b>			
<b>Current</b>			
Creditors and accruals		981,294	1,026,388
GST payable		213,915	379,144
Accrued annual leave	28	201,149	294,443
		<u>1,396,358</u>	<u>1,699,975</u>
<b>Non-current</b>			
Accrued annual leave	28	38,433	68,735
		<u>38,433</u>	<u>68,735</u>

Employee benefit entitlements are calculated at current pay levels as adjusted for inflation and likely future changes in salary level. These estimates are then 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.

**Note 16: Provisions**

<b>Current</b>			
Long service leave		87,240	55,558
		<u>87,240</u>	<u>55,558</u>
<b>Non-Current</b>			
Long service leave		29,400	40,930
		<u>29,400</u>	<u>40,930</u>
<b>Long Service Leave</b>			
Opening balance		96,488	115,600
Long service leave entitlement arising		58,423	36,535
Long service leave entitlement extinguished		0	0
Long service leave entitlement paid		(38,271)	(55,547)
Balance at end of period		<u>116,640</u>	<u>96,488</u>

**Note 17: Asset revaluation reserve**

(i) **Asset revaluation reserve**

Movements in the asset revaluation reserve were as follows:

Balance at beginning of the period		50,429,455	42,674,072
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings		47,473,030	5,168,042
Road, drainage, and bridge network		3,119,101	1,684,693
Aerodrome		4,086,344	211,552
Sewerage		3,082,357	17,897
Water		463,810	646,026
Other infrastructure assets		(27,174)	27,174
Balance at end of the year		<u>108,626,923</u>	<u>50,429,456</u>

(ii) **Asset revaluation reserve analysis**

The closing balance of the asset revaluation reserve is comprised of the following asset categories:

Buildings		87,198,147	39,725,117
Roads, drainage and bridge network		11,269,461	8,150,360
Aerodrome		4,546,241	459,896
Sewerage		3,100,254	17,897
Water		2,512,821	2,049,011
Other infrastructure assets		0	27,174
		<u>108,626,924</u>	<u>50,429,455</u>

**AURUKUN SHIRE COUNCIL**  
**Notes to the Financial Statements**  
For the year ended 30 June 2009



Notes	2009 Actual \$	2008 Actual \$
<b>Note 18: Retained surplus</b>		
Movements in the retained surplus were as follows:		
Retained surplus/(deficit) at the beginning of the financial year	10,233,985	14,456,565
Result from ordinary activities	(289,439)	(5,061,114)
Transfers (to) from capital reserves for future capital project funding, or from reserves funds that have been expended:		
Constrained works reserve	(1,030,126)	417,952
Transfers (to) from recurrent reserves for future project funding, or from reserves funds that have been expended:		
Recurrent expenditure reserve	449,081	420,582
<b>Retained surplus at the end of the financial year</b>	<b><u>9,363,501</u></b>	<b><u>10,233,985</u></b>

**Note 19: Other reserves**  
For the year ended 30 June 2009

(a) Summary of reserves held for future capital expenditure:

(iv) Constrained works reserve	1,363,687	333,562
	<u>1,363,687</u>	<u>333,562</u>

(b) Summary of reserves held for future recurrent expenditure:

(i) Recurrent expenditure reserve	734,698	1,183,779
	<u>734,698</u>	<u>1,183,779</u>
<b>Total reserves</b>	<b><u>2,098,385</u></b>	<b><u>1,517,341</u></b>

(c) Movements in capital reserves are analysed as follows:

(i) Constrained works reserve

Balance at the beginning of period	333,562	751,514
Transfer from retained earnings for future expenditure	1,071,006	1,166,409
Transfer to the retained earnings funds expended in the period	(40,881)	(1,584,361)
<b>Balance at the end of period</b>	<b><u>1,363,687</u></b>	<b><u>333,562</u></b>

(d) Movements in recurrent reserves are analysed as follows:

(i) Recurrent expenditure reserve

Balance at the beginning of period	1,183,779	1,604,361
Transfer from retained earnings for future expenditure	1,236,632	807,669
Transfer to retained earnings	(1,685,713)	(1,228,251)
<b>Balance at the end of period</b>	<b><u>734,698</u></b>	<b><u>1,183,779</u></b>

**Note 20: Contractual Commitments**

Contractual commitments at balance date but not recognised in the financial statements are as follows:

Aurukun Health & Well Being Centre	163,468	0
Aurukun Kids Living Safer Lives Centre	237,639	0
Aurukun Welfare Reform Accommodation	495,000	0
	<u>896,107</u>	<u>0</u>



## **Note 21: Contingent liabilities**

**For the year ended 30 June 2009**

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

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

As at June 2009 the financial statements reported an accumulated surplus and it is not anticipated that any liability will arise.

### **Local Government Workcare**

The Aurukun Shire Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme, the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self-insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$87,586.

## **Note 22: Superannuation**

The Aurukun Shire 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 scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF).

The ABF is a defined contribution scheme as defined in AASB119. 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.

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

Under the amendments to the *Local Government Act 1993* passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits. Clause 56(e) of the scheme's Trust Deed indicates that any increase in the contribution is limited to 6% of the relevant employee's salary.

In its letter to Council dated 5 June 2009 the trustee advised that "at this stage, there is no requirement for Councils to contribute any additional contributions." The letter further stated that "any additional contributions above the 12% (standard rate of contribution) that may be required would be on a temporary basis only, and would be requested based on independent actuarial advice. When possible, the contribution rate would reduce at a later date to offset additional costs - for example, councils may be asked to pay 18% contributions instead of 12% for a period, then contributions may reduce to 6% for a compensatory period before returning to the regular 12% contribution rate."

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

The audited general purpose financial report of the scheme as at 30 June 2008 (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 general purpose financial statements disclose that the most recent actuarial assessment of the scheme was undertaken as at 30 June 2006. The actuary indicated that without improvements to benefit conditions, or other unanticipated events, current contribution rates would be sufficient to meet members benefits as they accrue. The next actuarial investigation will be made as at 1 July 2009.

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

**AURUKUN SHIRE COUNCIL**  
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For the year ended 30 June 2009



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

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
		\$	\$
Contributions		320,377	293,421

**Note 23: Trust funds**

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

Security deposits		53,466	37,527
Mission Account		44,428	47,548
		10,145	10,145
		<u>108,039</u>	<u>95,220</u>

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

	<u>Notes</u>	<u>2009 Actual</u>	<u>2008 Actual</u>
		\$	\$

**Note 24: Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities**

Result from ordinary activities		(289,439)	(5,061,114)
Non-cash operating items:			
Depreciation and amortisation	9	3,856,888	2,642,044
Revaluation decrement	14(a)	102,433	0
		<u>3,959,321</u>	<u>2,642,044</u>
Investing and development activities:			
Net (profit) loss on disposal of non-current assets	5	(26,636)	0
		<u>(26,636)</u>	<u>0</u>
Changes in operating assets and liabilities:			
(Increase) decrease in receivables		(144,093)	(281,242)
(Increase) decrease in other operating assets		471,587	265,861
Increase (decrease) in payables		(210,324)	291,985
Increase (decrease) in other provisions		(103,445)	(120,741)
Increase (decrease) in other liabilities		0	0
		<u>13,725</u>	<u>155,863</u>
Net cash inflow from operating activities		<u>3,656,971</u>	<u>(2,263,207)</u>

**Note 25: Financial Risk Management**

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

Exposure to financial risk 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 measures risk exposure using a variety of methods as follows:

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

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**(a) Credit Risk**

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

The Council is exposed to credit risk through its investments with deposits held with banks or other financial institutions and deposits held by third party with banks. Investments are held with highly rated/regulated banks and financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote. Deposits held in trust by third party on behalf of the Council is due to a funding requirement by the Federal Government. No monies can be spent from funds held in trust unless approved by Council.

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.

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

The following table represents the Council maximum exposure to credit risk:

Financial Assets	2009 \$	2008 \$
Cash and cash equivalents – bank	3,292,067	2,233,737
Receivables	1,137,506	771,413
<b>Total</b>	<b>4,429,573</b>	<b>3,005,150</b>

**Past due or impaired**

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 table represents an analysis of the age on the Council's financial assets that are either due, past due or impaired:

	Current due \$	Past due Less than 30 days \$	Past due 30-60 days \$	Past due 61-90 days \$	Impaired \$	Total \$
Receivables	832,162	0	24,122	281,222	0	1,137,506

**(b) Liquidity Risk**

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities. The Council is exposed to liquidity risk through its trading in the normal course of business.

The following table sets out the liquidity risks 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 flow at balance date:



**Financial Liabilities**

	0 to 1 year		1 - 5 Years		Total	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Creditors and Accruals	981,294	1,026,388	0	0	981,294	1,026,388
GST Payable	213,915	379,144	0	0	213,915	379,144
Accrued Annual Leave	201,148	294,443	38,433	68,735	239,581	363,178
<b>Total</b>	<b>1,396,357</b>	<b>1,699,975</b>	<b>38,433</b>	<b>68,735</b>	<b>1,434,790</b>	<b>1,768,710</b>

**(c) Interest Rate Risk**

The Council is exposed to interest rate risk through its investments held with financial institutions.

**Interest Rate Sensitivity Analysis**

The following 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	Net carrying amount	Profit/Loss	Profit/Loss	Equity	Equity
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Financial Assets	0	0	(20,091)	21,184	(20,091)	21,184
Financial Liabilities	0	0	0	0	0	0
Net	0	0	(20,091)	21,184	(20,091)	21,184

**Note 26: National Competition Policy**

**(a) Activities to which the code of competitive conduct is applied**

A "business activity" of a local government is divided into two categories:

**(a) Roads business activity:**

- (i) the construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement
- (ii) submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government

**(b) Other business activity, referred to as type three activities, means the following:**

- (i) trading in goods and services to clients in competition with the private sector; or
- (ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself. Excluded activities are (a) library services, (b) an activity or part thereof prescribed by legislation.



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Local governments may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

The Council has reviewed its activities and has not identified any activities that are business activities. Accordingly, the code of competitive conduct has not been applied to any activity of the Council.

**Note 27: Operating Lease (Council is Lessor)**

The Council has leased the Aurukun General Store to an operator from 1 March 2009 for five years. The lease receipts are based on 6% of gross sales calculated for each two month period. The revenue lease commitments are unable to be reliably estimated.

Notes	2009 Actual	2008 Actual
	\$	\$
Lease receipts	89,166	0

**Note 28: Significant Changes in Operations**

During the financial year Council ceased the following operations:

Community Development Employment Program (CDEP) - Council ceased to operate on 8 December 2008. CDEP is now managed by Jobfind Centres Pty Ltd.

Aurukun Tavern liquor licence was surrendered and trading ceased on 19 November 2009. The Tavern restaurant and kiosk ceased trading on 2 December 2009.

Aurukun General Store has been leased to Island and Cape from 1 March 2009.

Cessation of operations has had an impact on the Tavern and General Store sales (Note 3), Employee Expenses (Note 6), Inventories (Note 12) and Annual Leave (Note 15).

**Note 29: Events after balance date**

There were no material adjusting events after the balance date.



## AURUKUN SHIRE COUNCIL

### Management Certificate

For the year ended 30 June 2009

This general purpose financial report has been prepared pursuant to section 532 of the Local Government Act 1993, the Local Government Finance Standard 2005 (the Standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that:-

- (i) the local government considers the relevant recording and reporting procedures have been complied with in the preparation of the financial statements; and
  
- (ii) the financial statements for the year ended 30 June 2009 and supporting notes present the Council's income, equity, balance sheet and cash flows as required by the Local Government Act 1993.

A handwritten signature in black ink, appearing to be 'N. Pootchemunka', written over a dotted line.

**NEVILLE POOTCHEMUNKA**  
Mayor

Date: 13/11/2009

A handwritten signature in black ink, appearing to be 'J. Bensch', written over a dotted line.

**JOHN BENSCH**  
Chief Executive Officer

Date: 13/11/2009



## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Aurukun Shire Council

### Report on the Financial Report

I have audited the accompanying financial report of Aurukun Shire Council, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Financial Report*

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the *Local Government Act 1993* and *Local Government Finance Standard 2005* including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's Responsibility*

My responsibility to express an opinion on the financial report based on the audit is prescribed in the *Auditor-General Act 2009*. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the *Financial Administration and Audit Act 1977*.

The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of 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 risks of material misstatement in 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 and fair presentation of the financial report 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 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 QAO authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed 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.

### *Basis for Qualified Auditor's Opinion*

Insufficient documentation was available to support employee costs of \$4,906,060 (2008: \$7,166,847) reported in Note 6, accrued annual leave totalling \$239,582 (2008: \$363,178) as per Note 15 and long service leave provisions totalling \$116,640 (2008: \$96,488) as per Note 16.

In my 2007-08 report, I did not express an opinion on the written down value of property, plant and equipment of \$60,497,289, disclosed in Note 14(b) and the asset revaluation reserve balance of \$50,429,456, disclosed in Note 17. While these assets were independently valued at 30 June 2009, the Council is unable to demonstrate that the values reported in the financial report at 30 June 2008 did not differ materially from fair value at that date as required by Australian Accounting Standard AASB 116 *Property, Plant and Equipment*. I am still therefore unable to and do not express an opinion on the reported written down value of these 2008 comparative figures reported in 2008-09. In addition, the depreciation expense for 2009 was based on the reported value of property, plant and equipment prior to the revaluation. Accordingly, I am also unable to and do not express an opinion on the 2009 depreciation expense of \$3,856,888, disclosed in Note 9.

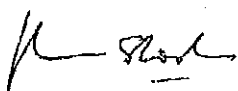
In my 2007-08 report I was also unable to form an opinion in relation to tavern sales revenue of \$1,932,125 and general store sales revenue of \$5,366,886, reported in Note 3(e) and general store costs of \$5,551,721, reported in Note 7 due to inadequate sound managerial control and ineffective systems of internal control and record keeping. I am still unable to form an opinion on these 2008 comparative figures reported in 2008-09.

The impact of these issues on the financial report is unable to be practicably quantified due to the absence of reliable data.

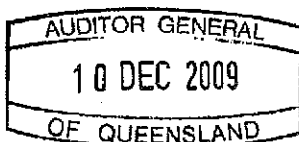
### *Qualified Auditor's Opinion*

In accordance with s.40 of the *Auditor-General Act 2009*, I have audited the Council's financial report and except for the matters referred to in the preceding paragraphs and the effects of such adjustments, if any, as might have been determined to be necessary had these limitations not existed –

- (a) I have not received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Aurukun Shire Council for the financial year 1 July 2008 to 30 June 2009 and of the financial position as at the end of that year.



G G POOLE FCPA  
Auditor-General of Queensland



Queensland Audit Office  
Brisbane