

# JOHNSTONE SHIRE COUNCIL

## ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2005

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**ANNUAL FINANCIAL STATEMENTS**

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**Addendum to the financial statements**

The following unaudited statements and reports are attached to provide additional information that the Council considers will provide the reader with more useful information in the process of interpreting these financial statements. These additional reports are not required under the Australian Accounting Standards and therefore do not form part of the audited financial statements.

Statement of Operating Performance

Financial Ratios of the Accounts

Statement of Actual Results compared to Budget by Program

# JOHNSTONE SHIRE COUNCIL

## Statement of Financial Performance

For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
Revenue from ordinary activities	3	25,104,895	24,648,656
Expenses from ordinary activities	4	(24,139,540)	(24,261,787)
Borrowing costs	5	(1,071,840)	(1,240,577)
<b>Result from ordinary activities</b>		<u>(106,485)</u>	<u>(853,708)</u>
Increase (decrease) in the asset revaluation reserve due to change in asset values	25 (i)	(36,819,556)	32,540,031
<b>Change in community equity</b>		<u><b>(36,926,041)</b></u>	<u><b>31,686,323</b></u>

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

# JOHNSTONE SHIRE COUNCIL

## Statement of Financial Position

As at the 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
<b>Current Assets</b>			
Cash assets	13	4,332,797	2,158,924
Receivables	14 (a)	1,044,879	2,512,205
Tax assets	15	313,149	197,264
Inventories	16	439,982	385,239
Other financial assets	17	181,863	152,386
		<u>6,312,670</u>	<u>5,406,018</u>
<b>Non-current Assets</b>			
Receivables	14 (b)	216,040	173,018
Property, plant and equipment	18 (a)	149,094,257	187,860,655
Capital works in progress	19	1,625,015	228,151
		<u>150,935,312</u>	<u>188,261,824</u>
<b>TOTAL ASSETS</b>		<u>157,247,982</u>	<u>193,667,842</u>
<b>Current Liabilities</b>			
Payables	20	1,294,704	854,485
Interest bearing liabilities	21	1,894,375	1,803,107
Provisions	22	1,820,209	2,409,772
Other	23	-	45,845
		<u>5,009,288</u>	<u>5,113,209</u>
<b>Non-current Liabilities</b>			
Interest bearing liabilities	21	12,481,683	12,526,912
Provisions	22	1,137,058	494,657
Other	23	2,303,364	2,290,434
		<u>15,922,105</u>	<u>15,312,003</u>
<b>TOTAL LIABILITIES</b>		<u>20,931,393</u>	<u>20,425,212</u>
<b>NET COMMUNITY ASSETS</b>		<u><b>136,316,589</b></u>	<u><b>173,242,630</b></u>
<b>Community Equity</b>			
Capital	24(i)	105,252,224	105,848,241
Unspent capital fund reserve	24(ii) (iii)	989,962	257,898
Asset revaluation reserve	25 (i)	29,122,437	65,941,993
Retained surplus		(1,689,107)	(870,120)
Other reserves	26	2,641,073	2,064,618
<b>TOTAL COMMUNITY EQUITY</b>		<u><b>136,316,589</b></u>	<u><b>173,242,630</b></u>

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

# JOHNSTONE SHIRE COUNCIL

## Statement of Cash Flows

For the year ended 30 June 2005

		2005	2004
	Note	\$	\$
<b>Cash flows from operating activities :</b>			
Receipts from customers		26,552,430	25,501,656
Payments to suppliers and employees		(19,853,725)	(19,837,924)
		6,698,705	5,663,732
Interest received		362,338	421,448
Borrowing costs		(1,071,840)	(1,240,577)
<b>Net cash inflow (outflow) from operating activities</b>	34	<u>5,989,203</u>	<u>4,844,603</u>
<b>Cash flows from investing activities:</b>			
Payments for property, plant and equipment		(4,257,052)	(3,734,370)
Net movement in loans and advances		8,950	32,908
Proceeds from sale of property plant and equipment	8	<u>338,143</u>	<u>340,574</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>(3,909,959)</u>	<u>(3,360,888)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from (repayment of) retirement village loan funds		48,590	-
Proceeds from borrowings	27	1,827,000	-
Repayment of borrowings	27	(1,572,321)	(1,576,993)
Repayments made on finance leases	28	<u>(208,640)</u>	<u>(292,005)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>94,629</u>	<u>(1,868,998)</u>
<b>Net increase (decrease) in cash held</b>		<u>2,173,873</u>	<u>(385,283)</u>
Cash at beginning of reporting period		2,158,924	2,544,207
<b>Cash at end of reporting period</b>	13	<u><b>4,332,797</b></u>	<u><b>2,158,924</b></u>

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

# JOHNSTONE SHIRE COUNCIL

## Statement of Appropriations

For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
Retained surplus (deficiency) from prior years		(870,120)	129,881
Result from ordinary activities for the period		<u>(106,485)</u>	<u>(853,707)</u>
		<u>(976,605)</u>	<u>(723,826)</u>
<b>Transfers (to) from capital account:</b>			
(Profit) loss on sale of capital assets	8	(76,259)	(119,530)
Loss on write-off of non-current assets	9	178,904	-
Non monetary capital revenue	7 (ii)(b)	(498,441)	(7,983)
General revenue used for capital purposes	CFS*	(1,950,033)	(241,913)
Adjustment for unfunded depreciation		<u>2,889,813</u>	<u>2,988,011</u>
Net capital account transfers		<u>543,984</u>	<u>2,618,585</u>
Transfer from (to) the constrained works reserve	26 (i)	(1,104,110)	(2,716,341)
		<u>(1,536,731)</u>	<u>(821,582)</u>
<b>Retained surplus (deficiency) available for transfer to reserves</b>			
Transfers (to) from reserves for future capital funding purposes:			
Cleansing reserve	26 (ii)	-	17,000
Housing maintenance reserve	26 (iii)	(40,000)	(22,627)
Residential Village reserve	26 (vi)	-	59,000
Residential Village Capital reserve	26 (vi)	(35,660)	(28,876)
Transfers (to) from reserves for future general funding purposes:			
Castor Park reserve	26 (b)(i)	-	360,000
Residential Village maintenance reserve	26 (b)(ii)	(52,873)	(79,541)
Constrained Works operational reserve	26(b)(iii)	(23,843)	(353,494)
		<u>(1,689,107)</u>	<u>(870,120)</u>
<b>Retained surplus (deficiency) available for general funding</b>			

\*CFS - Denotes Capital Funding Statement

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

**JOHNSTONE SHIRE COUNCIL**

**STATEMENT OF CHANGES IN EQUITY**  
For the year ended 30 June 2005

	Total		Retained surplus Refer: Appropriation Statement		Capital & capital cash reserves Note 24		Asset revaluation reserve Note 25 (i)		Other Reserves Note 26	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Balance at beginning of period	173,242,630	141,556,306	(870,120)	129,881	106,106,139	105,989,208	65,941,993	33,401,962	2,064,618	2,035,255
for the period	(106,485)	(853,707)	(106,485)	(853,707)	-	-	-	-	-	-
Transfers to capital & reserves	-	-	(3,984,521)	(3,614,946)	2,524,733	369,426	-	-	1,459,788	3,245,520
Transfers from capital & reserves	-	-	3,272,019	3,468,652	(3,068,717)	(2,988,011)	-	-	(203,302)	(480,641)
Transfers between capital & reserves	-	-	-	-	680,031	2,735,516	-	-	(680,031)	(2,735,516)
Asset revaluation adjustments	(36,819,556)	32,540,031	-	-	-	-	(36,819,556)	32,540,031	-	-
Balance at end of period	136,316,589	173,242,630	(1,689,107)	(870,120)	106,242,186	106,106,139	29,122,437	65,941,993	2,641,073	2,064,618

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

# JOHNSTONE SHIRE COUNCIL

## Capital Funding Statement

For the year ended 30 June 2005

	Note	2005	2004
		\$	\$
<b>Sources of capital funding</b>			
General revenue used for capital purposes		1,950,033	241,913
Other capital revenue sources:			
Loan monies expended		1,693,528	(104,725)
Funded depreciation and amortisation		1,376,278	2,390,090
Proceeds from the sale of capital assets	8	338,143	340,574
Donated and contributed physical assets		498,441	7,983
Constrained grants, subsidies and contributions		680,031	2,735,516
		<u>6,536,454</u>	<u>5,611,351</u>
<b>Application of capital funding</b>			
Non current capital assets :			
Land and improvements	18	84,972	-
Buildings	18	81,477	382,850
Plant and equipment	18	477,273	401,514
Road and bridge network	18	1,514,329	3,215,987
Water	18	1,192,616	-
Sewerage	18	7,962	-
Other assets	18	-	223,533
Movement in capital work in progress	19	1,396,864	(481,531)
		<u>4,755,493</u>	<u>3,742,353</u>
Principal loan redemptions :			
Queensland Treasury Corporation	27	1,572,321	1,576,993
Finance leases	28	208,640	292,005
		<u>1,780,961</u>	<u>1,868,998</u>
		<u>6,536,454</u>	<u>5,611,351</u>

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

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

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## 1 Summary of significant accounting policies

The significant accounting policies which have been adopted in the preparation of these financial statements are:

### (i) Basis of preparation

These financial statements, which are general purpose financial statements, have been drawn up in accordance with the Accounting Standards, Urgent Issues Group consensus views, the Local Government Act 1993 and the Local Government Finance Standard 1994. The accrual basis of accounting has been applied in accordance with the convention of historical cost accounting and does not take into account changing money values, except where stated.

Where control of an entity is obtained or divested during a financial year, its results are included in the consolidated statement of financial performance only for the period for which the Council could exercise control of the entity during the period.

### (ii) Accounting policies

Accounting policies adopted are consistent with those of the previous year except as stated.

Following amendments to the Local Government Finance Standards 1994, effective from 9 April 2002, the financial statements are not required to include the Appropriation Statement, Capital Funding Statement, or the Statement of Original Budget compared with Actual Results. A consequence of this change is that the Shire Capital Account is merged with the Accumulated Surplus. Comparatives have been adjusted to accord with this new presentation.

The Council has adopted these amendments to simplify the statements for audit purposes, however the Council considers that the financial information previously included in the audited statements, provides additional transparency to the reader of the financial stewardship of the Council and has therefore included these statements in an unaudited addendum.

### (iii) Taxation

Income of local authorities and public authorities is exempt from income tax due to the provisions of Section 50-25 of the Income Tax Assessment Act 1997.

The Council's activities are exempt from all forms of Commonwealth taxation, except for the Fringe Benefits Tax and Goods and Services Tax (GST). These taxes that are payable to and receivable from the Australian Tax Office are recognised and accrued in the financial statements. The cash flow arising from GST receipts from suppliers and payments to providers are included on a gross basis in the statement of cash flows.

### (iv) Trust funds held for outside parties

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

The monies are disclosed in Note 33 to the Financial Statements for information purposes only.

### (v) Property, plant and equipment

#### (a) Non-current assets threshold

Items of property, plant and equipment with a total value of less than \$5,000, except for land, network assets and fleet items (an aggregate of interrelated assets), are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

#### (b) Capital and operating expenditure

As a general rule, wage and material expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Expenditure necessarily incurred in maintaining the operational capacity of the non-current asset is expensed as incurred, while expenditure to maintain the assets service potential is capitalised and funded from capital funding sources.

#### (c) Acquisition

Acquisitions of assets are initially recorded at cost. Cost is determined as a fair value of the assets given as consideration plus costs incidental to the acquisition, including 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 grants or contributions, are recognised as assets and revenues at fair value by Council valuation.

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.

#### (d) Valuation

Property, plant and equipment recognised, which excludes receivables, inventory land held for resale and cash investments are valued at their fair value except where stated in note 18. Where there is no active market in the assets, fair value is the replacement cost less depreciation. Where assets are not required and intended to be disposed of, fair value is the anticipated net sale proceeds. Assets within each class of property, plant and equipment are carried at fair value and are required to be revalued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

#### Valuation of plant and equipment

The Council has adopted an asset valuation policy in accordance with section 36 (2) of the Local Government Finance Standard 1994 which states that a local government may value a non-current asset by using the cost basis if the asset has a useful life of not more than 10 years, or a carrying value of not more than \$50,000 or, if a lesser amount is decided by the local government, the lesser amount. This policy applies to the plant and equipment class of asset in which assets are carried at both the depreciated original cost and the depreciated fair value.

The adoption of this policy does not comply with the new accounting standard AASB1041 Revaluation of Non-Current Assets, which in paragraph 5.1 requires that, subsequent to initial recognition as assets, each class of non-current assets must be measured on either the cost basis or the fair value basis. The Council is of the opinion that the difference in value between the reported value of assets at depreciated cost and their corresponding fair value is immaterial, based on their short useful life or minor capital value. Accordingly all plant and equipment is reported at fair value.

Details of valuers and methods of valuation are disclosed in note 18 (b)

In revaluing land and buildings, the potential capital gains tax in relation to such assets acquired after 19 September 1985 was not taken into account as the Council is not liable to this tax.

## JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

### (v) Property, plant and equipment (continued)

#### (e) Depreciation of property, plant and equipment

To achieve a systematic and rational allocation of the value of non-current assets over their estimated useful lives, depreciation represents the consumption of the service potential embodied in the non-current asset over its useful life to the Council. The straight line method of depreciation is used. The estimated useful life of assets are reviewed annually.

Asset	Range of estimated useful lives
Land	Not depreciated
Buildings	12-114
Plant and equipment	
Mobile Plant & Leased Vehicles	3- 20
Computer Equipment	3- 10
Other	7- 15
Infrastructure	
Road network (sealed)	10-100
Road network (gravel)	100
Road network (formed only)	60-100
Bridges	30-100
Water supply network	20- 80
Sewerage supply network	12-100
Other Assets	7-100
Parks	10- 50

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.

#### (f) Funding of depreciation

It is the policy of Council to allocate sufficient unrestricted funds, after meeting all other operating expenses, to the full funding of the annual depreciation expense. This will not apply to depreciation on capital assets that the council has resolved not to replace on their ultimate demise. If insufficient funds are available, the council may recover the shortfall in the next years budget allocation or resolve to unfund that portion of the depreciation expense that cannot be funded from available funding sources. Such a resolution will include the proposed steps that will be taken to correct the shortfall in depreciation funding. For the 2004/2005 year Council resolved to unfund \$2,889,813 of depreciation. To correct this situation in future years, Council intends to increase rates, reduce debt and follow a ten year financial plan to rectify the unfunded depreciation issue.

### (vi) Capital works in progress

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

### (vii) Leased plant and equipment

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 and amortised on a straight line basis over the term of the lease or where the Council will obtain ownership of the asset, the life of the asset. Other leases are classified as operating leases.

Leases identified as being finance leases are capitalised in that a lease asset and a liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Contingent rentals are written off as an expense in the accounting period in which they are incurred. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are charged to the Statement of Financial Performance.

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.

In recording and reporting lease arrangements as lessor, the Council records in the Statement of Financial Position the lease premiums related to the asset and records as revenue in the current period the amount of the lease premium which is regarded as have being earned in the current period based on the pattern of benefits received by the lessee.

### (viii) Inventories

Inventories are valued at the lower of cost and net realisable value and includes, 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.

### (ix) Investments

Investments are brought to account at net fair value and interest income is recognised as it accrues.

## JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

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### (x) Land held for resale

#### (a) Held as a non-current asset

Land approved for resale is recorded as part of the Council's non-current assets (note 18) and is valued at fair value based on current market prices of undeveloped land in the vicinity, or in a similar area, having similar characteristics of the land held at the time the land development is proposed and approved by Council. Any change in the carrying value is reflected in the asset revaluation reserve. The council may reclassify this land to an inventory asset when it determines that this land no longer forms part of the capital assets required to provide a future service delivery.

#### (b) Held as an inventory asset.

Land approved by Council for resale and to be classified as inventory is recognised as a current asset where steps have been taken to ready this land for marketing and it is expected that the properties will be sold within a 12 month period. It is valued at the lower of cost and net realisable value. (refer viii). That portion of the land that is not expected to be sold within 12 months is classified as a non-current asset.

Profit arising upon resale of land is recognised in the Statement of Financial Performance on the signing of a valid unconditional contract of sale.

### (xi) Employee entitlements

Employee entitlements 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. Sick leave as per Council's general policy (section E, Clause 9) vests to the employee up to a maximum of 20 days on retirement, termination or resignation of services. This component of the employee entitlement has been provided for at the respective current rates of pay.

#### (a) Wages and salaries

A liability for wages and salaries 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 creditor of the Council and not as an employee entitlement.

#### (b) Annual leave

A liability for annual leave is recognised and based on current wage and salary levels with an additional allowance being made for employee on-costs.

#### (c) Superannuation

The superannuation expense for the reporting period is the amount of the statutory contribution the local government makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 31.

#### (d) 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 flows to their present value. The value of the liability was calculated using current pay rates with an additional allowance for employee on-costs.

### (xii) Provision for doubtful debts

The collectability of debts is assessed at the reporting date and provision is made for doubtful accounts where it is no longer probable that the amount owing will be collected.

#### Credit risk

The maximum credit risk exposure of receivables as at 30 June is the carrying amount of these assets as shown in Note 14. This credit risk exposure does not take into account that s.1040 of the Local Government Act allows a local government to sell land upon which rates and utility charges were levied to recover rates and charges owing and unpaid for over three years.

The maximum credit risk exposure of loans and advances as at 30 June is the carrying amount of these assets as shown in Note 14.

### (xiii) Rates, grants and other revenue

Rates, grants and other revenue are recognised as revenues when the Council obtains control over assets comprising the contributions. Receivables are recorded at nominal amounts less any provision for doubtful debts. Credit terms are 30 days.

#### (a) Rates

Control over assets acquired from rates is obtained at the commencement of the rating period. Where rate monies are received prior to the commencement of the rating period, the amount is recognised as revenue at that time.

#### (b) Grants and subsidies

Control over granted assets is normally obtained upon their receipt or upon prior notification that a grant has been secured.

#### (c) Non-cash contributions

Non-cash contributions in excess of \$5,000 in value are recognised as revenue and as non-current assets.

#### (d) Other revenue including contributions

Unreceived revenue is recognised as a receivable when it is probable that the receipt will occur and it can be measured, otherwise the amount is recognised upon receipt.

Where contributions recognised as revenues during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the amounts pertaining to those undischarged conditions are carried in the Constrained Works Reserve.

Disclosure of the amount of contributions recognised as revenues in a previous reporting period which were obtained in respect of the Council's operations for the current reporting period are also reported in Note 32.

## JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

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**(xiv) Accounts payable (trade creditors and accruals)**

Accounts payable have been recognised as a liability where an obligation to pay for goods and services received can be reliably measured and it is probable the account will have to be paid. This usually occurs at the time of the goods being received or the service being performed. The amount recognised for each creditor is based on purchase or contract costs. These amounts are unsecured and normally settled within 30 working days.

**(xv) Loans and borrowings**

Loans and borrowings have been recognised as a liability at their respective book values.

**(xvi) Cash**

For purposes of the Statement of Cash Flows, cash includes cash on hand, short term investments and other cash equivalents, which are readily convertible to cash, and which are used in the cash management function on a day-to-day basis, net of borrowings which are integral to the cash management function and which are not subject to a term facility.

**(xvii) Components of equity**

**(a) Asset revaluation reserve**

The asset revaluation reserve is comprised of adjustments relating to changes in value of assets which arise primarily from changes in the purchasing power of money. Net incremental changes in the carrying value of classes of capital non-current assets, since their initial recognition, are accumulated in this reserve. Where a class of asset is revalued down, without a prior revaluation credit in the asset revaluation reserve, the asset revaluation decrement net of the corresponding adjustment to the accumulated depreciation are debited to the Statement of Financial Performance and then appropriated to the capital account.

**(b) Reserves held for future capital expenditure**

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

*Constrained works reserve*

This reserve is credited with all grants, subsidies and contributions of monetary revenue received during the reported period and constrained for the purpose of funding specific capital expenditure. As the expenditure is incurred on specified capital assets the equivalent funds are transferred to the capital account. The closing balance reported at the period end represents funds not yet expended and must be retained until expended in the manner specified by the contributor.

*Cleansing reserve*

Whilst an attempt is made to fully recover costs, any over/under recoveries of the cleansing service operations are transferred to/from this reserve for appropriation in subsequent periods.

*General reserve*

Whilst an attempt is made to fully recover costs, any over/under recoveries of the operations other than water, sewerage, cleansing, residential village operations are transferred to/from this reserve for appropriation in subsequent periods.

*Housing maintenance reserve*

This reserve was created to provide a contingency amount to offset any major unforeseen Low Cost Housing works which are required.

*Sewerage reserve*

Whilst an attempt is made to fully recover costs, any over/under recoveries of the sewerage service operations are transferred to/from this reserve for appropriation in subsequent periods.

*Water reserve*

Whilst an attempt is made to fully recover costs, any over/under recoveries of the water supply operations are transferred to/from this reserve for appropriation in subsequent periods.

*Residential Village Capital reserve*

This reserve is credited with contributions of monetary revenue received during the reported period and constrained for the purpose of funding specific capital expenditure. Depreciation generally appropriated to Council from the Capital account is also transferred to this reserve.

**(c) Summary of reserves held for funding future recurrent expenditure:**

These are cash backed reserves and represent funds 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.

## JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

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### (xvii) Components of equity (continued)

#### *Residential village maintenance reserve*

Whilst an attempt is made to fully recover costs, any over/under recoveries of the residential village are transferred to/from this reserve for appropriation in subsequent periods as per the Housing Act

#### *Constrained Works operational reserve*

This reserve is credited with all grants, subsidies and contributions of monetary revenue received during the reported period and constrained for the purpose of funding specific operational expenditure. As the expenditure is incurred on specified operations the equivalent funds are transferred to the appropriation account. The closing balance reported at the period end represents funds not yet expended and must be retained until expended in the manner specified by the contributor.

#### (d) Retained surplus

This balance represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The majority of this balance does not represent funds available for Council to spend as they have already been invested in fixed assets used to provide services. More details are provided in the addendum to these financial statements.

### (xviii) National competition policy

The Council has reviewed its activities and has identified seven activities that are business activities. Details of these activities can be found in Note 37.

### (xix) Comparative figures

Where required by Australian Accounting Standards, comparative figures for the preceding year have been reclassified on a basis consistent with current year disclosure.

### (xx) Actual figures

All figures in the notes (except where otherwise stated) are actual amounts relating to the years ended 30 June 2005 and 30 June 2004 respectively.

### (xxi) Adoption of International Financial Reporting Standards (IFRS)

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (AEIFRS) for the reporting periods beginning on or after 1 January 2005.

These changes will require the council to adopt a number of different accounting policies and to present its financial reports differently for the year ending 30 June 2006 and subsequent years.

To manage the process the council has established an AEIFRS steering committee/ work group to assist in the implementation of the new reporting requirements. All AEIFRSs have been reviewed for possible implications on policies, procedures, systems and financial impacts arising from such changes.

When the new Standards are adopted all comparative amounts will be restated as though the policies which apply to that financial report have always applied. The comparative amounts in the financial report for the year ended 30 June 2006 will therefore be different from the amounts in this financial report for the year ended 30 June 2005.

Details of the effects of the changes are shown in note 35

### (xxii) Controlled Entity

The Council has a 100% interest in the Cassowary Coast Development Bureau Ltd. This company ceased independent operations on 15th March 2004. The company name has been retained by Council.

The entity was non-operating for the financial year ended 30 June 2005 with no revenue, expenses, assets, liabilities or profit distribution to be reported.

**JOHNSTONE SHIRE COUNCIL**

**Notes to the Financial Statements**

For the year ended 30 June 2005

**2 Analysis of results by function**

**(a) Revenue, expenses and assets have been attributed to the following functions :**

Functions	Revenue		Total revenue Ref- note 6	Total expenses Ref- note 6	Net result for period	Assets
	Grants	Other				
	2005 \$	2005 \$	2005 \$	2005 \$	2005 \$	2005 \$
General Management	-	894,977	894,977	902,786	(7,809)	298,686
Corporate Services	1,049,307	(1,878,266)	(828,959)	1,875,651	(2,704,610)	18,726,377
Community Services	1,290,161	1,288,144	2,578,305	2,328,791	249,514	5,802,047
Environment Services	185,826	2,314,236	2,500,062	1,904,598	595,464	333,163
Engineering Services	-	1,312,555	1,312,555	1,169,010	143,545	2,763,112
Roads Services	1,257,463	5,987,351	7,244,814	6,613,293	631,521	46,502,257
Facilities Services	3,735	3,383,314	3,387,049	3,043,196	343,853	18,565,459
Waste Management	36,708	2,857,784	2,894,492	2,744,943	149,549	688,892
Water	-	3,130,114	3,130,114	3,233,461	(103,347)	44,133,348
Sewerage	-	2,253,370	2,253,370	1,657,535	595,835	19,434,641
<b>Total</b>	<b>3,823,200</b>	<b>21,543,579</b>	<b>25,366,779</b>	<b>25,473,264</b>	<b>(106,485)</b>	<b>157,247,982</b>

**Prior Year**

Functions	Revenue		Total revenue Ref - Note 6	Total expenses Ref- note 6	Net result for period	Assets
	Grants	Other				
	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$	2004 \$
General Management	26,036	336,017	362,053	730,237	(368,184)	1,110,714
Corporate Services	1,144,344	(3,165,820)	(2,021,476)	2,254,575	(4,276,051)	12,516,292
Community Services	1,513,552	1,467,798	2,981,350	2,412,965	568,385	5,831,439
Environment Services	198,676	1,902,577	2,101,253	1,862,339	238,914	353,673
Engineering Services	23,530	1,254,479	1,278,009	1,172,932	105,077	4,959,373
Roads Services	2,900,746	5,434,772	8,335,518	6,771,334	1,564,184	75,750,451
Facilities Services	99,173	4,079,926	4,179,099	3,256,127	922,972	18,322,057
Waste Management	23,507	2,568,165	2,591,672	2,435,847	155,825	592,041
Water	-	3,271,412	3,271,412	2,954,702	316,710	55,477,847
Sewerage	-	1,790,810	1,790,810	1,872,349	(81,539)	18,753,955
<b>Total</b>	<b>5,929,564</b>	<b>18,940,136</b>	<b>24,869,700</b>	<b>25,723,407</b>	<b>(853,707)</b>	<b>193,667,842</b>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

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## 2 (b) Components of Council functions

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

### **General Management**

Includes General Manager's department and Mayor and Councillors' activities etc.  
Incorporates Economic Development and Innisfail Information Centre.

### **Corporate Services**

Includes finance and financial reporting, rating, information services, human resources, records, public relations, customer service and regional development.

### **Community Services**

Includes libraries, civic concerts, child care facilities, aged care, cultural activities etc.

### **Environment Services**

Includes animal control, pest control, cemeteries, environmental planning & control.

### **Engineering Services**

Includes design, drafting and survey as well as asset management functions.

### **Roads Services**

Includes maintenance and constructions of roads and stormwater drainage.

### **Facilities Services**

Includes maintenance of buildings, footpaths, bicycle ways, parks and gardens.

### **Waste Management**

Includes refuse collection, refuse disposal & recycling programs.

### **Water**

Includes water supply distribution, water pumping station, reticulation mains, etc.

### **Sewerage**

Includes sewerage treatment etc.

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
<b>3 Ordinary revenue activities comprises:</b>			
<b>Operating income:</b>			
General rates		10,010,706	8,960,112
Separate rates		865,577	-
Water		2,644,564	2,513,370
Sewerage		2,130,430	2,129,410
Waste management		2,626,551	2,400,264
Total rates and utility charge revenue		18,277,828	16,003,156
Less: Discounts		(396,540)	-
Less: Pensioner remissions		(298,518)	(369,790)
Net rates and utility charges		17,582,770	15,633,366
Fees and Charges		1,864,156	1,621,510
Sales - Contract and recoverable works		299,064	228,903
Government grants, contributions and donations	7 (i)	3,357,597	3,936,058
Interest received from investments		255,784	262,331
Interest from overdue rates and utility charges		106,554	159,117
Total operating income		23,465,925	21,841,285
<b>Capital income</b>			
Government grants and contributions	7 (ii)	1,527,051	2,658,965
Gain on the sale of capital assets	8	76,259	119,530
Benefit from conversion of retirement village loan funds to equity funds		35,660	28,876
Total capital income		1,638,970	2,807,371
<b>Total revenue from ordinary activities</b>		<u>25,104,895</u>	<u>24,648,656</u>
<b>4 Ordinary expense activities comprises:</b>			
<b>Operating expenses:</b>			
Employee benefits	10	8,966,831	8,940,515
Materials and services		9,616,276	9,443,605
Depreciation	11	4,864,683	5,378,101
Bank charges		50,695	54,710
Other expenses	12	462,151	444,855
Total operating expenses before interest		23,960,636	24,261,786
<b>Capital expenses</b>			
Loss on write-off of non-current assets	9	178,904	-
Total capital expenses		178,904	-
<b>Total expenses from ordinary activities</b>		<u>24,139,540</u>	<u>24,261,786</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
<b>5 Borrowing costs</b>			
Finance costs charged by the Queensland Treasury Corporation		1,049,613	1,198,109
Interest on finance leases		22,227	42,468
		<u>1,071,840</u>	<u>1,240,577</u>
<b>6 Reconciliation of revenues and expenses</b>			
<b>Total revenue for the period was derived from:</b>			
Total ordinary revenues	3	25,104,895	24,648,656
Deduct: Gain from disposal of capital assets sold	8	(76,259)	(119,530)
Add: Proceeds from disposal of capital assets sold	8	338,143	340,574
Revenue per analysis of results by function	2 (a)	<u>25,366,779</u>	<u>24,869,700</u>
<b>Total expenses for the period were incurred as follows:</b>			
Total expenses from ordinary activities	4	24,139,540	24,261,786
Borrowing costs	5	1,071,840	1,240,577
Add: Book value of capital assets sold	8	261,884	221,044
Expenses per analysis of results by function	2 (a)	<u>25,473,264</u>	<u>25,723,407</u>
<b>Result from ordinary activities</b>		<u>(106,485)</u>	<u>(853,707)</u>
<b>7 Grants, subsidies, contributions and donations</b>			
(i) Recurrent - government grants and subsidies, other contributions and donations are analysed as follows:			
General purpose grants		1,450,270	1,549,544
State Government subsidies & grants		1,906,597	2,287,987
Other Non-Government Subsidies		-	100,100
Donations		730	-
Contributions		-	(1,573)
Total recurrent revenue	3	<u>3,357,597</u>	<u>3,936,058</u>
(ii) Capital - government grants and subsidies, and other contributions are analysed as follows:			
(a) Monetary revenue designated for capital funding purposes:			
State Government subsidies & grants		466,333	2,092,033
Contributions		562,277	558,949
		<u>1,028,610</u>	<u>2,650,982</u>
(b) Non-monetary revenue received is analysed as follows			
Infrastructure from developers at fair value		498,441	7,983
		<u>498,441</u>	<u>7,983</u>
Total capital revenue	3	<u>1,527,051</u>	<u>2,658,965</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
<b>8 Gain (loss) on the disposal of non-current assets</b>			
(a) Proceeds from the sale of plant & equipment		104,514	75,081
Less: Book value of property, plant & equipment disposed		<u>(67,384)</u>	<u>(78,144)</u>
		<u>37,130</u>	<u>(3,063)</u>
(b) Proceeds from sale of land and improvements		233,629	265,493
Less: Book value of land sold		<u>(194,500)</u>	<u>(142,900)</u>
		<u>39,129</u>	<u>122,593</u>
Total (loss) on the disposal of non-current assets	3	<u><u>76,259</u></u>	<u><u>119,530</u></u>
<b>9 Loss on write-off of non-current assets</b>			
Plant and equipment		54,286	-
Parks		3,655	-
Other assets		<u>120,963</u>	<u>-</u>
		<u><u>178,904</u></u>	<u><u>-</u></u>
 <b>10 Employee benefits</b>			
Total staff wages and salaries		6,430,414	5,986,144
Councillors' remuneration		296,462	183,039
Annual, sick and long service leave entitlements		1,382,738	2,031,380
Superannuation	31	<u>824,119</u>	<u>795,656</u>
		8,933,733	8,996,219
Other employee related expenses		<u>339,347</u>	<u>405,594</u>
		9,273,080	9,401,813
Less : Capitalised employee expenses		<u>(306,249)</u>	<u>(461,298)</u>
		<u><u>8,966,831</u></u>	<u><u>8,940,515</u></u>
 Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
 Total Council employees at 30 June :			
		<u>2005</u>	<u>2004</u>
Elected members		9	9
Administration staff		67	69
Depot and outdoors staff		<u>95</u>	<u>104</u>
Total full time equivalent employees		<u><u>171</u></u>	<u><u>182</u></u>
 <b>11 Depreciation of non-current assets</b>			
Buildings		414,297	537,569
Plant and equipment		436,637	438,288
Plant and equipment under finance lease		29,555	104,737
Road and bridge network		1,705,598	1,834,615
Water		1,629,595	1,664,210
Sewerage		601,949	717,928
Parks		15,855	29,298
Lakes residential village		4	1,376
Other assets		<u>31,193</u>	<u>50,080</u>
		<u><u>4,864,683</u></u>	<u><u>5,378,101</u></u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

	2005 Actual	2004 Actual
Note	\$	\$
<b>11 Depreciation of non-current assets (continued)</b>		
<b>Unfunded Depreciation</b>		
The gross un-funded depreciation across all assets for the period is \$2,889,813 ( 2004 - \$2,988,011 )		
The net adjusted un-funded depreciation across all assets for the period is \$2,889,813 ( 2004 - \$2,324,745 )		
The net adjusted un-funded depreciation is the council's assessment of a future funding shortfall that may arise on the assets future replacement.		
It is calculated by taking the gross un-funded depreciation and deducting the amount of depreciation that will not require funding due to either non-replacement of the asset; contributions becoming available for funding the replacement; the replacement asset will cost less than the existing asset or the engineers assessment of depreciation funding is less than the depreciation expense in the period.		
<b>12 Other expenses</b>		
General expenses	299,981	346,864
Audit services	53,700	45,065
Donations paid	108,470	52,926
	<u>462,151</u>	<u>444,855</u>
<b>13 Cash assets</b>		
Cash at bank and on hand	3,143,514	634,217
Short term money market instruments	1,189,283	1,524,707
	<u>4,332,797</u>	<u>2,158,924</u>
<b>Reconciliation to the statement of cash flows</b>		
Cash at the end of the period as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Balance per statement of cash flows	<u>4,332,797</u>	<u>2,158,924</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	16,260	96,290
Unspent developer contributions	1,670,206	1,166,097
Unspent loan monies	24 (ii) <u>391,370</u>	<u>257,898</u>
Total unspent restricted cash for capital projects	<u>2,077,836</u>	<u>1,520,285</u>

Investments are held in the Queensland Treasury Corporation cash fund account

The deposits are bearing floating interest rates between 5.39% and 6.1% (2004 - 4.19% and 5.46%).

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>14 Receivables</b>		
<b>(a) Current</b>		
Rateable revenue and utility charges	745,656	1,098,960
Other debtors	579,990	1,636,825
Less: Allowance for doubtful debts	(288,267)	(234,030)
Loans and advances to community organisations	7,500	10,450
	<u>1,044,879</u>	<u>2,512,205</u>
<b>(b) Non-current</b>		
Deferred debtors	216,040	167,018
Loans and advances to community organisations	-	6,000
	<u>216,040</u>	<u>173,018</u>
<p>Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.</p>		
<p>All loans and advances relate to loans made to various sporting bodies. These loans arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.</p>		
<b>15 Tax assets</b>		
<b>Current</b>		
GST recoverable	387,938	377,838
Less - GST payable	(74,789)	(180,574)
	<u>313,149</u>	<u>197,264</u>
<b>16 Inventories</b>		
<b>Current</b>		
Stores and raw materials	<u>439,982</u>	<u>385,239</u>
<b>17 Other financial assets</b>		
<b>Current</b>		
Prepayments	<u>181,863</u>	<u>152,386</u>
	<u>181,863</u>	<u>152,386</u>

**JOHNSTONE SHIRE COUNCIL**

Notes to the Financial Statements

For the year ended 30 June 2005

**18 (a) Property, plant and equipment**

	Land for development and future sale	Land and improvements	Buildings	Plant and equipment	Plant and equipment under finance lease	Road and bridge network	Water	Sewerage	Parks	Lakes residential village	Other assets	Total
	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
<b>Asset Values</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value at valuation	1,897,600	5,757,460	38,339,238	3,327,108	2,266,690	103,784,460	88,628,570	34,022,873	545,616	68,775	2,840,885	281,479,275
Additions at cost	-	9,472	81,477	477,273	-	1,091,388	1,192,616	7,962	-	-	-	2,860,188
Contributed assets at valuation		75,500	-	-	-	422,941	-	-	-	-	-	498,441
Disposals	(194,500)	-	-	(247,642)	-	-	-	-	-	-	-	(442,142)
Write-offs	-	-	-	(391,645)	-	-	-	-	(6,157)	-	(128,389)	(526,191)
Revaluation adjustment to the ARR	1,008,900	1,469,470	18,277,703	905	-	(17,588,888)	1,753,859	634,469	13,990	-	67,610	5,638,018
Internal transfers	75,500	(75,500)	1,645,232	1,675,041	(1,871,240)	300,888	-	-	(79,318)	(68,775)	(1,601,828)	-
Closing gross value	2,787,500	7,236,402	58,343,650	4,841,040	395,450	88,010,789	91,575,045	34,665,304	474,131	-	1,178,278	289,507,589

**Accumulated Depreciation**

Opening balance	-	-	13,254,317	1,792,489	1,041,562	28,372,646	33,256,775	15,601,665	107,574	38,232	153,360	93,618,620
Depreciation provided in period	-	-	414,297	436,637	29,555	1,705,598	1,629,595	601,949	15,855	4	31,193	4,864,683
Depreciation on disposals	-	-	-	(180,258)	-	-	-	-	-	-	-	(180,258)
Depreciation on write-offs	-	-	-	(337,359)	-	-	-	-	(2,502)	-	(7,426)	(347,287)
Revaluation adjustment to the ARR	-	-	17,280,937	-	-	11,819,111	12,750,520	582,611	4,182	-	20,213	42,457,574
Internal transfers	-	-	242,649	892,967	(983,997)	45,965	-	-	(63,143)	(38,236)	(96,205)	-
Accumulated depreciation at period end	-	-	31,192,200	2,604,476	87,120	41,943,320	47,636,890	16,786,225	61,966	-	101,135	140,413,332

Fair value at 30 June 2005	2,787,500	7,236,402	27,151,450	2,236,564	308,330	46,067,469	43,938,155	17,879,079	412,165	-	1,077,143	149,094,257
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Fair value at 30 June 2004	1,897,600	5,757,460	25,084,921	1,534,619	1,225,128	75,411,814	55,371,795	18,421,208	438,042	30,543	2,687,525	187,860,655
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# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

		2005	2004
		Actual	Actual
	Note	\$	\$
<b>18 (b) Property, plant and equipment valuations were determined by reference to the following:</b>			
<b>Land</b>			
<p>The valuation of land and improvements were determined by Neil V Teves, North Queensland Valuers, (AAPI Certified Practising Valuer Registered Rural &amp; Urban Valuer, Registered Valuer No. 382, as at 30 June 2005.</p>			
<b>Buildings</b>			
<p>The valuation of buildings were determined by Neil V Teves, North Queensland Valuers, (AAPI Certified Practising Valuer Registered Rural &amp; Urban Valuer, Registered Valuer No. 382, as at 30 June 2005.</p>			
<b>Plant and Equipment</b>			
<p>The valuations of plant and equipment are at cost.</p>			
<b>Infrastructure</b>			
<p>The valuations of infrastructure assets were determined by Jeff Roorda( BE Hons, MIE LGE &amp; Associates) of Jeff Roorda &amp; Associates as at 30 June 2005.</p>			
<b>19 Capital work in progress</b>		<u>1,625,015</u>	<u>228,151</u>
		<u>1,625,015</u>	<u>228,151</u>
<b>20 Payables</b>			
<b>Current</b>			
Creditors and accruals		1,294,657	844,531
Superannuation defined contributions		47	9,954
		<u>1,294,704</u>	<u>854,485</u>
<b>21 Interest bearing liabilities</b>			
<b>Current</b>			
Loans	27	1,768,197	1,572,717
Finance leases	28	126,178	230,390
		<u>1,894,375</u>	<u>1,803,107</u>
<b>Non-Current</b>			
Loans	27	12,481,683	12,422,484
Finance leases	28	-	104,429
		<u>12,481,683</u>	<u>12,526,913</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>22 Provisions</b>		
<b>Current</b>		
Employee benefits:		
Annual leave	699,946	1,133,721
Sick leave	95,630	356,597
Long service leave	919,215	802,951
Other entitlements	<u>105,418</u>	<u>116,503</u>
	<u>1,820,209</u>	<u>2,409,772</u>
<b>Non-Current</b>		
Employee benefits:		
Annual leave	481,787	-
Sick leave	257,076	-
Long service leave	<u>398,195</u>	<u>494,657</u>
	<u>1,137,058</u>	<u>494,657</u>
<b>23 Other liabilities</b>		
<b>Current</b>		
Unearned revenue received in advance	-	45,845
	<u>-</u>	<u>45,845</u>
<b>Non-current</b>		
Retirement village loan funds	<u>2,303,364</u>	<u>2,290,434</u>
	<u>2,303,364</u>	<u>2,290,434</u>
<b>24 (i) Capital</b>		
Movements in the capital account were as follows:		
Balance at beginning of period	105,848,241	105,836,035
Transfer from (to) retained surplus profit (loss) on asset sales	76,259	119,530
Transfer to retained earnings loss on write-off of non-current assets	(178,904)	-
Transfer from retained surplus non monetary capital revenue	498,441	7,983
Transfer from the retained surplus revenue expended on non-current assets	1,950,033	241,913
Transfer (to) retained surplus for unfunded depreciation	<u>(2,889,813)</u>	<u>(2,988,011)</u>
Total transfers (to) from Statement of Appropriation	(543,984)	(2,618,585)
Transfer (to) from the unspent depreciation capital fund reserve	(598,592)	
Transfer (to) from the unspent loan capital fund reserve	(133,472)	(104,725)
Transfers from the constrained works reserve	<u>680,031</u>	<u>2,735,516</u>
Balance at the end of period	<u>105,252,224</u>	<u>105,848,241</u>
<b>(ii) Unspent depreciation capital fund reserve</b>		
Movement in the funded depreciation cash was as follows:		
Opening balance	-	-
Cash unspent (expended) in period	<u>598,592</u>	<u>-</u>
Balance at the reporting date	<u>598,592</u>	<u>-</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>24 Capital (continued)</b>		
<b>(iii) Unspent loan capital fund reserve</b>		
Movement in unspent loan funds at period end were as follows:		
Opening balance	257,898	153,173
Cash unspent (expended) in period.	133,472	104,725
Balance at the reporting date	<u>391,370</u>	<u>257,898</u>
<b>Total capital</b>	<u><u>106,242,186</u></u>	<u><u>106,106,139</u></u>
<b>25 (i) Asset revaluation reserve</b>		
Movements in the asset revaluation reserve were as follows:		
Balance at beginning of period	65,941,993	33,401,962
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land for development and future sale	1,008,900	-
Land and improvements	1,469,470	-
Buildings	996,766	4,855,491
Plant and equipment	905	-
Road and bridge network	(29,407,999)	15,720,826
Water	(10,996,661)	11,387,185
Sewerage	51,858	576,529
Parks	9,808	-
Other assets	47,397	-
Balance at end of the year	<u><u>29,122,437</u></u>	<u><u>65,941,993</u></u>
<b>(ii) Asset revaluation reserve analysis</b>		
The closing balance of the asset revaluation reserve is comprised of the following asset categories:		
Capital land for development and future sale	1,008,900	-
Land and improvements	1,469,470	-
Buildings	12,302,762	11,305,996
Plant and equipment	905	-
Road and bridge network	5,818,368	35,226,367
Water	4,945,763	15,942,424
Sewerage	3,519,064	3,467,206
Parks	9,808	-
Other assets	47,397	-
	<u><u>29,122,437</u></u>	<u><u>65,941,993</u></u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>26 Other reserves</b>		
<b>(a) Summary of reserves held for funding future capital expenditure:</b>		
(i) Constrained works reserve	1,686,466	1,262,387
(ii) Cleansing reserve	145,376	145,376
(iii) Housing maintenance reserve	62,627	22,627
(iv) Sewerage reserve	55,000	55,000
(v) Water reserve	2,000	2,000
(vi) Residential Village reserve	-	-
(vii) Residential Village Capital reserve	179,853	144,193
	<u>2,131,322</u>	<u>1,631,583</u>
<b>(b) Summary of reserves held for funding future recurrent expenditure:</b>		
(i) Castor Park reserve	-	-
(ii) Residential Village Maintenance reserve	132,414	79,541
(iii) Constrained Works operational reserve	377,337	353,494
	<u>509,751</u>	<u>433,035</u>
Total reserves	<u>2,641,073</u>	<u>2,064,618</u>
<b>(c) Movements in capital reserves are analysed as follows:</b>		
<b>(i) Constrained works reserve</b>		
Balance at the beginning of period	1,262,387	1,281,562
Transfer from retained earnings grants, subsidies and contributions received in the period for which the council has an obligation to spend on specific capital projects	1,028,610	2,750,982
Transfers to the capital account funds expended in the period	(680,031)	(2,735,516)
Transfers to retained earnings	75,500	(34,641)
Balance at the end of period	<u>1,686,466</u>	<u>1,262,387</u>
<b>(ii) Cleansing reserve</b>		
Balance at the beginning of period	145,376	162,376
Transfer from retained earnings for future expenditure	-	-
Transfer to retained earnings	-	(17,000)
Balance at the end of period	<u>145,376</u>	<u>145,376</u>
<b>(iii) Housing maintenance reserve</b>		
Balance at the beginning of period	22,627	-
Transfer from retained earnings for future expenditure	40,000	22,627
Balance at the end of period	<u>62,627</u>	<u>22,627</u>
<b>(iv) Sewerage reserve</b>		
Balance at the beginning of period	55,000	55,000
Balance at the end of period	<u>55,000</u>	<u>55,000</u>
<b>(v) Water reserve</b>		
Balance at the beginning of period	2,000	2,000
Balance at the end of period	<u>2,000</u>	<u>2,000</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>26 Other reserves (continued)</b>		
<b>(vi) Residential village reserve</b>		
Balance at the beginning of period	-	59,000
Transfer from retained earnings for future expenditure	-	-
Transfer to the capital account funds expended in the period	-	-
Transfer to retained earnings	-	(59,000)
Balance at the end of period	<u>-</u>	<u>-</u>
<b>(vii) Residential Village Capital reserve</b>		
Balance at the beginning of period	144,193	115,317
Transfer from retained earnings for future expenditure	<u>35,660</u>	<u>28,876</u>
Balance at the end of period	<u>179,853</u>	<u>144,193</u>
<b>(d) Movements in general reserves are analysed as follows:</b>		
<b>(i) Castor Park reserve</b>		
Balance at the beginning of period	-	360,000
Transfer to retained earnings	-	(360,000)
Balance at the end of period	<u>-</u>	<u>-</u>
<b>(ii) Residential village maintenance reserve</b>		
Balance at the beginning of period	79,541	-
Transfer from retained earnings for future expenditure	76,521	89,541
Transfer to retained earnings	(23,648)	(10,000)
Balance at the end of period	<u>132,414</u>	<u>79,541</u>
<b>(iii) Constrained Works operational reserve</b>		
Balance at the beginning of period	353,494	-
Transfer from retained earnings for future expenditure	278,997	353,494
Transfer to retained earnings	(255,154)	-
Balance at the end of period	<u>377,337</u>	<u>353,494</u>
<b>27 Loans</b>		
<b>Queensland Treasury Corporation</b>	<u>14,249,880</u>	<u>13,995,201</u>
Classified as :		
Current	1,768,197	1,572,717
Non-current	<u>12,481,683</u>	<u>12,422,484</u>
	<u>14,249,880</u>	<u>13,995,201</u>
<b>Queensland Treasury Corporation</b>		
Opening balance	13,995,201	15,572,194
Loans raised	1,827,000	-
Principal repayments	<u>(1,572,321)</u>	<u>(1,576,993)</u>
Book value at period end	<u>14,249,880</u>	<u>13,995,201</u>

The loan market value at the reporting date was \$15,147,956. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the Council to hold the debt for its term, no provision is required to be made in these accounts. The loans are held in their respective program accounts. The interest rate on Queensland Treasury Corporation borrowings range from 5.37% to 8.82%. Based on the current level of repayments the expected final repayment dates vary from 2008 to 2025. (2004 - 8.34 years). Borrowings are all in Australian dollars and are underwritten by the Queensland State Government.

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>28 Commitments for expenditure</b>		
<b>Finance leases</b>		
Movements in finance lease during the reporting period were as follows:		
Balance at beginning of period	334,818	626,824
Payments made in the period	<u>(208,640)</u>	<u>(292,005)</u>
Minimum lease payments	<u>126,178</u>	<u>334,819</u>
The above minimum lease payments are payable as follows:		
Not later than one year	126,178	230,390
Later than 1 year but not later than 5 years	-	104,429
Later than 5 years	<u>-</u>	<u>-</u>
Lease liability recognised in the financial statements	<u>126,178</u>	<u>334,819</u>
Classified as:		
Current	126,178	230,390
Non-Current	<u>-</u>	<u>104,429</u>
	<u>126,178</u>	<u>334,819</u>
Lease contract periods vary between 3 and 5 years. Interest rates are fixed at the inception of each contract and range from 7% to 10%. (2004 - 7% to 11%)		
Under the terms of the lease, the Council has the option to acquire the asset for 40% of its agreed value on expiry of the lease.		
<b>Capital Commitments</b>		
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities are as follows:		
Infrastructure assets	<u>1,128,328</u>	<u>-</u>
	<u>1,128,328</u>	<u>-</u>
These expenditures are payable :		
Within one year	<u>1,128,328</u>	<u>-</u>
	<u>1,128,328</u>	<u>-</u>
<b>29 Contingent liabilities</b>		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
The Johnstone Shire Council is a member of the local government self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled because of insufficient funds being available to cover outstanding liabilities. Only Local Government Workcare may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure is:		
	<u>196,263</u>	<u>196,263</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>30 Non-cash financing and investing activities</b>		
Conversion of loans to equity funds	<u>35,660</u>	<u>28,876</u>
	<u>35,660</u>	<u>28,876</u>

## 31 Superannuation

The Johnstone Shire Council contributes to the local government superannuation scheme (the scheme). The scheme has both defined benefits and accumulation arrangements, provided for in accordance with statutory requirements. Assets accumulate in the fund to meet member's benefits as they accrue. If that portion of the assets of the plan, intended to support employees' defined benefits, is sufficient to satisfy such entitlements payable to scheme beneficiaries, then the level and form of such benefits would need to be revised. All persons becoming permanent employees as from 1 July 1998 contribute to the scheme for defined contribution entitlements; the defined benefit section of the scheme having been closed to new entrants from that date.

The Johnstone Shire Council's liability in respect of defined contribution superannuation arrangements is the amount of contribution that, under the terms of the Scheme, is payable to the fund as at the reporting date.

The audited general purpose financial report of the scheme as at 30 June 2004 (the most recent available) which were not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the accrued benefits. No liability for the Council has been recognised as at the reporting date in respect of superannuation benefits for its employees.

The general purpose financial statements disclose that the most recent actuarial assessment of the scheme was undertaken as at the 1 July 2003. 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 amount of superannuation contributions paid by Johnstone Shire Council to the superannuation scheme in this period for the benefit of employees was:

<u>791,148</u>	<u>781,137</u>
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The Johnstone Shire Council also contributes to the scheme for the benefit of elected members. The amount of contributions paid for this benefit during the reporting period was:

<u>32,971</u>	<u>14,519</u>
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The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>32 Conditions over contributions</b>		
Contributions and grants which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date.		
Contributions to various capital projects	16,260	215,276
Contributions to various operational projects	<u>268,897</u>	<u>340,086</u>
	<u>285,157</u>	<u>555,362</u>
Contributions and grants which were recognised as revenues in a previous reporting period and were expended during the current reporting period in accordance with the council's obligations.		
Contributions expended on capital projects	<u>97,970</u>	<u>148,870</u>
	<u>97,970</u>	<u>148,870</u>
Net increase (decrease) in restricted asset (cash) at period end	<u>187,187</u>	<u>406,492</u>
<b>33 Trust funds</b>		
Security deposits	285,052	238,101
Other	<u>101,701</u>	<u>72,707</u>
	<u>386,753</u>	<u>310,808</u>
The Johnstone 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.		
Trust cash is invested with the Queensland Treasury Corporation cash fund management account. The deposits are bearing floating interest rates between 5.38% and 6.56% (2004 - 4.19% and 5.39%).		
<b>34 Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities</b>		
Result from ordinary activities	<u>(106,485)</u>	<u>(853,707)</u>
Non-cash operating items:		
Depreciation and amortisation	4,864,683	5,378,101
Non-cash donations subsidies and contributions	(498,441)	(7,983)
Provision for doubtful debts	54,237	(6,278)
Benefit from conversion of retirement village loan funds to equity funds	(35,660)	(28,876)
Loss on write-off of non-current assets	<u>178,904</u>	<u>                    </u>
	<u>4,563,723</u>	<u>5,334,964</u>
Investing and development activities :		
Net (profit) loss on disposal of non current assets	<u>(76,259)</u>	<u>(119,530)</u>
	<u>(76,259)</u>	<u>(119,530)</u>
Changes in operating assets and liabilities :		
(Increase) decrease in receivables	1,245,232	198,058
(Increase) decrease in other operating assets	(84,220)	(354,515)
Increase (decrease) in payables	440,219	18,769
Increase (decrease) in employee provisions	52,838	583,839
Increase (decrease) in other liabilities	<u>(45,845)</u>	<u>36,726</u>
	<u>1,608,224</u>	<u>482,877</u>
<b>Net cash inflow from operating activities</b>	<u>5,989,203</u>	<u>4,844,604</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

	2005 Actual \$	2004 Actual \$
<b>35 Transition to the Australian Equivalent to International Financial Reporting Standards (AEIFRS)</b>	Note	
<p>If this report (for the year ended 30 June 2005) had been prepared on the new basis the following differences would apply:</p>		
<b>(a) Reconciliation of the results from ordinary activities</b>		
<b>Result from ordinary activities (on current basis)</b>	(106,485)	
Adjustments based on reliable estimates:		
Change in plant depreciation due to change in valuation	(46,165)	
Change in provision for employee entitlements.	79,788	
<b>Result from ordinary activities (on AEIFRS basis)</b>	<u>(72,862)</u>	
<b>(b) Reconciliation of the net assets</b>		
<b>Net Assets (on Current basis)</b>	136,316,589	173,242,630
Adjustments based on reliable estimates:		
Plant and equipment adjustment to valuation	54,958	101,123
Change in provision of employee entitlements	79,788	-
<b>Net Assets (on AEIFRS basis)</b>	<u>136,451,335</u>	<u>173,343,753</u>
<b>(c) Reconciliation of equity</b>		
<b>Equity (on Current basis)</b>	136,316,589	173,242,630
Adjustments based on reliable estimates:		
Asset revaluation reserve		
Road and bridge network adjustment to valuation	29,153,108	29,153,108
Water adjustment to valuation	10,996,661	10,996,661
Sewerage adjustment to valuation	(51,858)	(51,858)
Capital		
Plant and equipment adjustment to valuation	101,123	101,123
Road and bridge network adjustment to valuation	(29,153,108)	(29,153,108)
Water adjustment to valuation	(10,996,661)	(10,996,661)
Sewerage adjustment to valuation	51,858	51,858
Retained surplus		
Adjustment to plant depreciation	(46,165)	
Change in provision of employee entitlements	79,788	-
<b>Equity (on AEIFRS basis)</b>	<u>136,451,335</u>	<u>173,343,753</u>

# JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2005

## 36 Financial instruments

### (a) Credit risk exposure

The credit risk on financial assets of the Council (consolidated) which have been recognised on the statement of financial position other than investments in shares, is generally the carrying amount, net of provision for doubtful debts. The Council (consolidated) has no major concentration of credit risk to any single debtor or group of debtors.

### (b) Interest rate risk

The Council's (consolidated) exposure to interest rate risk, which is the risk that the value of a financial instrument will fluctuate as a result of changes in market rates and the weighted average interest rate by maturity periods is set out in the table below. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposure arises predominantly from assets and liabilities bearing variable interest rates as the Council (consolidated) intends to hold fixed assets and liabilities to maturity.

Financial Instruments	Note	Floating interest rate		Fixed interest rate		Non-interest bearing		Total	Total
		2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
<b>Financial assets</b>									
Cash assets	13	4,330,327	2,156,454	-	-	2,470	2,470	4,332,797	2,158,924
Receivables	14	-	-	961,696	1,282,428	299,223	1,402,795	1,260,919	2,685,223
Tax assets	15	-	-	-	-	313,149	197,264	313,149	197,264
Other financial assets:						181,863	152,386	181,863	152,386
		4,330,327	2,156,454	961,696	1,282,428	796,705	1,754,915	6,088,728	5,193,797
Weighted average interest rate		5.6%	5.3%	11.0%	11.0%				
<b>Financial liabilities</b>									
Payables	20	-	-	-	-	1,294,704	854,485	1,294,704	854,485
Loans - QTC *	27	14,249,880	13,995,201	-	-	-	-	14,249,880	13,995,201
Finance leases	28	-	-	126,178	334,819	-	-	126,178	334,819
		14,249,880	13,995,201	126,178	334,819	1,294,704	854,485	15,670,762	15,184,505
Weighted average interest rate		7.4%	7.8%	6.5%	8.5%				
Net financial assets		(9,919,553)	(11,838,747)	835,518	947,609	(497,999)	900,430	(9,582,034)	(9,990,708)

\* QTC - denotes Queensland Treasury Corporation

### (c) Net fair value of financial assets and liabilities

The net fair value of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities of the Council (consolidated), approximates their carrying amounts.

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

The net fair value of non-traded equity investments is an assessment by the Council based on the underlying net assets, future maintainable earnings any special circumstances pertaining to a particular investment.

## JOHNSTONE SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2005

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### 37 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 its self. Excluded activities are (a) library services, and (b) an activity or part thereof prescribed by legislation.

Local government 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 CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the activities primary objective was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO's by the Council. Notwithstanding CSO's, the council is committed to operating these activities as business activities in accordance with the CCC.

Water & Sewerage  
Refuse Management  
Other Roads  
Property Services  
Community Services  
Workshop & Plant  
Private Works

The following table summaries the financial results for these, including competitive neutrality adjustments if applicable. Full information is available for inspection at the council offices.

**JOHNSTONE SHIRE COUNCIL**

Notes to the Financial Statements  
For the year ended 30 June 2005

**37 National Competition Policy - continued**

**(b) Financial performance of activities subject to competition reforms:**

	Water & Sewerage		Refuse Management		Other Roads	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenue for services provided to the Council	145	145			7,489	7,991
Revenue for services provided to external clients	4,890	4,925	2,894	2,658	921	1,157
* Community service obligations	1,438	1,448	199			
	6,473	6,518	3,093	2,658	8,410	9,148
Less : Expenditure	4,973	4,732	2,658	2,434	7,255	9,056
Surplus (deficiency)	1,500	1,786	435	224	1,155	92

	Property Services		Community Services		Workshop & Plant	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Revenue for services provided to the Council			1,178	1,479	2,461	1,771
Revenue for services provided to external clients	246	246	1,325	1,179	20	66
* Community service obligations	172	295				
	418	541	2,503	2,658	2,481	1,837
Less : Expenditure	178	314	2,404	2,216	1,772	1,565
Surplus (deficiency)	240	227	99	442	709	272

	Private Works	
	2005	2004
	\$	\$
Revenue for services provided to the Council		
Revenue for services provided to external clients	279	223
* Community service obligations		
	279	223
Less : Expenditure	197	113
Surplus (deficiency)	82	110

**(c) CSO's were paid during the reporting period to the following activities.**

Activities	CSO description	Actual
Water & Sewerage		1,438
Refuse Management	For providing free services to public areas	199
Property Services		172

**JOHNSTONE SHIRE COUNCIL**

**ANNUAL FINANCIAL STATEMENTS**

For the year ended 30 June 2005

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**MANAGEMENT CERTIFICATE**

For the year ended 30 June 2005

This general purpose financial report has been prepared pursuant to Section 532 of the Local Government Act 1993, the Local Government Finance Standards 1994 ( the Standard ) and other prescribed requirements.

In accordance with Section 54 of the Standard we certify -

- (i) the requirements under the Local Government Act 1993 for the keeping of the accounts have been complied with in all material respects; and
  
- (ii) the financial statements for the year ended 30 June 2005 and supporting notes presents the Council's operating results, cash flows and financial position as required by the *Local Government Act 1993*.

\_\_\_\_\_  
**Mayor**

\_\_\_\_\_  
**Chief Executive Officer**

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

## INDEPENDENT AUDIT REPORT

### To the Mayor of Johnstone Shire Council

#### Scope

##### *The Financial Report*

The financial report of Johnstone Shire Council consists of the statement of financial performance, statement of financial position, statement of changes in equity, statement of cash flows, statement to which the code of competitive conduct applies, notes to and forming part of the financial statements and certificates given by the Mayor and Chief Executive Officer for the year ended 30 June 2005.

##### *Council's Responsibility*

The Council is responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

##### *Audit Approach*

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements.

Audit procedures included -

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Council;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

#### Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all 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 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.

### **Qualification**

The reported value of Infrastructure Assets comprising Road and Bridge Network \$46,067,469, Water \$43,938,155 and Sewerage \$17,879,079 as shown in note 18 (a) to the accounts include revaluation transactions based on condition assessments and numerous critical assumptions that could not be supported by appropriate evidence or supporting documentation. I am therefore unable to form an opinion on the value of these assets which comprises \$107,884,703 of the total reported Property Plant and Equipment of \$149,094,257 disclosed in the statement of financial position and the depreciation expense of \$4,864,683 disclosed in the statement of financial performance.

### **Qualified Audit Opinion**

In accordance with s.532 of the *Local Government Act 1993* -

- (a) except for the documentation referred to in the qualification paragraph, I have 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) except for the effects on the financial report of the matter referred to in the qualification paragraph, the statements have been drawn up so as to present a true and fair view in accordance with the prescribed accounting standards of the transactions of the Johnstone Shire Council for the financial year 1 July 2004 to 30 June 2005 and of the financial position as at the end of that year.

G G Poole, FCPA  
Auditor-General of Queensland

Queensland Audit Office  
Brisbane

**THE FOLLOWING REPORTS DO NOT FORM PART OF THE  
AUDITED FINANCIAL STATEMENTS. THEY HAVE BEEN PROVIDED  
AS ADDITIONAL MANAGEMENT INFORMATION TO ASSIST THE  
READER IN THEIR ANALYSIS OF THE FINANCIAL STATEMENTS**

**Notes to the Financial Statements**

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
<b>Financial Ratios of the Accounts</b>	%	%
<b>Change in community equity ratio:</b>		
The percentage change in the net wealth of the Council.	-21.3%	22.4%
<b>Interest cover:</b>		
The percentage of interest costs to total operating income	4.6%	5.7%
<b>Debt servicing ratio:</b>		
The percentage of the Council's total operating income that is used to service loan interest and principal repayments	12.2%	14.2%
<b>General rate revenue ratio:</b>		
The Council's dependence on general rate revenue as a percentage of total operating income	42.7%	41.0%
<b>Revenue ratio:</b>		
The Council's dependence on net rates and utility charges as a percentage of total operating income	74.9%	71.6%
<b>Debt exposure ratio:</b>		
The percentage of Council's capital debt to total community equity	10.5%	8.3%
<b>Working capital ratio:</b>		
The ratio of unrestricted current assets available to meet current liabilities	0.8 : 1	0.8 : 1
<b>Unfunded depreciation ratio:</b>		
The percentage of unfunded depreciation to the total depreciation expense	59.4%	55.6%
<b>Borrowing ratio</b>		
The total capital borrowing as a percentage of total operating revenue	61.3%	65.6%
<b>Capital expenditure ratio</b>		
The ratio of capital expenditure to depreciation	97.8%	69.6%
<b>Rate arrears ratio</b>		
The percentage of rates and charges receivable to net rate and charges revenue	4.2%	7.0%
The effectiveness of Council's collection of rates and charges		

# JOHNSTONE SHIRE COUNCIL

## Statement of Operating Performance

For the year ended 30 June 2005

	2005	2004
	Actual	Actual
Note	\$	\$
<b>Operating Income</b>		
General rates	10,010,706	8,960,112
Separate rates	865,577	-
Water	2,644,564	2,513,370
Sewerage	2,130,430	2,129,410
Waste management	<u>2,626,551</u>	<u>2,400,264</u>
	18,277,828	16,003,156
Less: Discounts	(396,540)	-
Less: Pensioner remissions	<u>(298,518)</u>	<u>(369,790)</u>
<b>Net rates and utility charges</b>	17,582,770	15,633,366
Fees and Charges	1,864,156	1,621,510
Sales - Contract and recoverable works	299,064	228,903
Government grants, contributions and donations	3,357,597	3,936,058
Interest received from investments	255,784	262,331
Interest from overdue rates and utility charges	<u>106,554</u>	<u>159,117</u>
	<u>23,465,925</u>	<u>21,841,285</u>
<b>Operating Expenses</b>		
Employee benefits	8,966,831	8,940,515
Materials and services	9,616,276	9,443,605
Depreciation	4,864,683	5,378,101
Bank charges	50,695	54,710
Interest on loans	1,071,840	1,240,577
Other expenses	<u>462,151</u>	<u>444,855</u>
	<u>25,032,476</u>	<u>25,502,364</u>
<b>Surplus / (deficit) from operating activities</b>	<u>(1,566,551)</u>	<u>(3,661,079)</u>
<b>Capital income</b>		
Government grants and contributions	1,527,051	2,658,965
Gain on the sale of capital assets	76,259	119,530
Benefit from conversion of retirement village loan funds to equity funds	<u>35,660</u>	<u>28,876</u>
	<u>1,638,970</u>	<u>2,807,371</u>
<b>Capital expenses</b>		
Loss on write-off of non-current assets	<u>178,904</u>	<u>-</u>
	<u>178,904</u>	<u>-</u>
<b>Net Result</b>	<u><u>(106,485)</u></u>	<u><u>(853,708)</u></u>

**JOHNSTONE SHIRE COUNCIL**

Statement of Actual Results compared to Budget by Program

For the year ended 30 June 2005

	Note	Total on Consolidation	Sub-total of all Council programs	Waste Management	Water	Sewerage
		Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
<b>Operating revenue</b>						
Rates and utility charges	3	18,277,828	10,876,283	2,626,551	2,644,564	2,130,430
Less: Discounts & pensioner remissions	3	(695,058)	(695,058)	-	-	-
User fees and charges		1,864,156	1,531,689	229,505	58,656	44,306
Interest	3	362,338	362,338	-	-	-
Operational contributions and donations	7	730	730	-	-	-
Operational Government grants and subsidies	7	3,356,867	3,320,159	36,708	-	-
Sales - Contract and recoverable works		299,064	285,343	1,728	11,208	785
Other operating revenue		-	-	-	-	-
Internal dividends received		-	-	-	-	-
<b>Total operating revenue</b>		<b>23,465,925</b>	<b>15,681,484</b>	<b>2,894,492</b>	<b>2,714,428</b>	<b>2,175,521</b>
<b>Operating Expenses</b>						
Employee costs	10	8,933,860	8,357,894	43,155	334,048	198,763
Goods and services		9,616,276	5,866,143	2,366,905	905,309	477,919
Internal service provider expenditure		-	(722,000)	182,000	247,583	292,417
Depreciation	11	4,857,140	2,608,183	16,781	1,629,595	602,581
External finance and borrowing costs		1,122,535	783,652	136,102	116,926	85,855
Other expenses	12	495,122	495,122	-	-	-
<b>Total operating costs</b>		<b>25,024,933</b>	<b>17,388,994</b>	<b>2,744,943</b>	<b>3,233,461</b>	<b>1,657,535</b>
<b>Surplus (deficit) from operating activities</b>		<b>(1,559,008)</b>	<b>(1,707,510)</b>	<b>149,549</b>	<b>(519,033)</b>	<b>517,986</b>
Capital contributions		1,060,718	567,183	-	415,686	77,849
Capital grants and subsidies		466,333	466,333	-	-	-
Other capital income (expense)		(66,985)	(66,985)	-	-	-
<b>Net result for the period</b>		<b>(98,942)</b>	<b>(740,979)</b>	<b>149,549</b>	<b>(103,347)</b>	<b>595,835</b>
Retained surplus (deficit) brought fwd from prior year		(870,119)	(870,119)	-	-	-
Net result from above		(98,942)	(740,979)	149,549	(103,347)	595,835
Transfer from capital for unfunded depreciation		2,882,270	2,322,657	-	559,613	-
From (to) capital items of capital income & expense		(395,796)	(344,126)	-	(40,580)	(11,090)
Transfer (to) capital general revenue expended		(1,950,033)	(1,865,593)	(84,440)	(0)	(0)
Internal dividends paid		-	-	-	-	-
Surplus/(deficit) available for transfer to reserves		(432,620)	(1,498,160)	65,109	415,686	584,745
Net transfers from (to) capital reserves	26	(1,179,770)	(686,235)	-	(415,686)	(77,849)
Net transfers from (to) recurrent reserves	26	(76,716)	(76,716)	-	-	-
<b>Retained surplus (deficit) funds at period end</b>		<b>(1,689,106)</b>	<b>(2,261,111)</b>	<b>65,109</b>	<b>(0)</b>	<b>506,896</b>
<b>Capital Funding Sources</b>						
General revenue used (excess funds provided)		1,950,033	1,865,593	84,440	0	0
Disposal proceeds of capital assets	8	338,143	338,143	-	-	-
Funded depreciation & amortisation expended		1,376,278	285,526	16,781	846,390	227,581
Government capital grants and subsidies	7	546,363	546,363	-	-	-
Developer contributions and capital donations	7	632,109	467,813	-	153,206	11,090
Funds held in capital reserves	26	-	-	-	-	-
Loans for capital purposes	27	1,693,528	-	-	600,000	1,093,528
<b>Total capital funding sources</b>		<b>6,536,454</b>	<b>3,503,438</b>	<b>101,221</b>	<b>1,599,596</b>	<b>1,332,199</b>
<b>Capital Funding Applications</b>						
Non-current assets		3,358,629	2,158,051	-	1,192,616	7,962
Movement in capital work in progress		1,396,864	85,745	-	90,172	1,220,947
Intangible assets		-	-	-	-	-
Total asset acquisitions		4,755,493	2,243,796	-	1,282,788	1,228,909
Loan redemptions		1,780,961	1,259,642	101,221	316,808	103,290
Total capital applications		6,536,454	3,503,438	101,221	1,599,596	1,332,199
<b>Cash balances held at beginning of period</b>						
Capital reserve balances		1,631,583	699,780	145,376	332,514	453,913
Unspent loans and depreciation cash		257,898	-	257,898	-	-
Recurrent reserve balances		433,035	433,035	-	-	-
Total reserve cash held at beginning of the period		<b>2,322,516</b>	<b>1,132,815</b>	<b>403,274</b>	<b>332,514</b>	<b>453,913</b>
<b>Cash balances held at the end of period</b>						
Capital reserve balances		2,131,322	818,610	145,376	635,574	531,762
Unspent loan and depreciation cash held		989,962	-	257,898	223,592	508,472
Recurrent reserve balances		509,751	509,751	-	-	-
Total reserve cash held at the end of the period		<b>3,631,035</b>	<b>1,328,361</b>	<b>403,274</b>	<b>859,166</b>	<b>1,040,234</b>

**JOHNSTONE SHIRE COUNCIL**

Statement of Actual Results compared to Budget by Program

For the year ended 30 June 2005

	Sub-total of all Council programs	General Management	Corporate Services	Community Services	Environment Services	Engineering Services	Roads Services	Facilities Services
	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$	Actual \$
<b>Operating revenue</b>								
Rates and utility charges	10,876,283	-	10,010,706	-	-	-	865,577	-
Less: Discounts & pensioner remissions	(695,058)	-	(695,058)	-	-	-	-	-
User fees and charges	1,531,689	26,748	344,469	321,600	476,946	45,314	2,126	314,486
Interest	362,338	-	346,597	15,741	-	-	-	-
Operational contributions and donations	730	-	-	730	-	-	-	-
Operational Government grants and subsidies	3,320,159	-	1,049,307	1,232,813	185,826	-	848,478	3,735
Sales - Contract and recoverable works	285,343	-	27,577	-	154,025	50,631	53,110	-
Other operating revenue	-	-	-	-	-	-	-	-
Internal dividends received	-	-	-	-	-	-	-	-
<b>Total operating revenue</b>	<b>15,681,484</b>	<b>26,748</b>	<b>11,083,598</b>	<b>1,570,884</b>	<b>816,797</b>	<b>95,945</b>	<b>1,769,291</b>	<b>318,221</b>
<b>Operating Expenses</b>								
Employee costs	8,357,894	541,250	3,497,495	715,231	839,586	443,480	897,652	1,423,200
Goods and services	5,866,143	294,134	(1,201,853)	1,271,722	924,307	593,249	3,423,473	561,111
Internal service provider expenditure	(722,000)	28,448	(1,030,022)	94,941	72,929	59,423	6,941	45,340
Depreciation	2,608,183	-	68,310	108,794	8,882	6,701	1,716,643	698,853
External finance and borrowing costs	783,652	-	80,976	4,975	270	-	568,584	128,847
Other expenses	495,122	38,954	211,959	125,585	58,624	60,000	-	-
<b>Total operating costs</b>	<b>17,388,994</b>	<b>902,786</b>	<b>1,626,865</b>	<b>2,321,248</b>	<b>1,904,598</b>	<b>1,162,853</b>	<b>6,613,293</b>	<b>2,857,351</b>
<b>Surplus (deficit) from operating activities</b>	<b>(1,707,510)</b>	<b>(17,281)</b>	<b>(2,689,453)</b>	<b>164,049</b>	<b>595,464</b>	<b>149,702</b>	<b>(224,621)</b>	<b>314,630</b>
Capital contributions	567,183	9,472	-	-	-	-	447,157	110,554
Capital grants and subsidies	466,333	-	-	57,348	-	-	408,985	-
Other capital income (expense)	(66,985)	-	(15,157)	35,660	-	(6,157)	-	(81,331)
<b>Net result for the period</b>	<b>(740,979)</b>	<b>(7,809)</b>	<b>(2,704,610)</b>	<b>257,057</b>	<b>595,464</b>	<b>143,545</b>	<b>631,521</b>	<b>343,853</b>
Retained surplus (deficit) brought fwd from prior year	(870,119)	-	(870,119)	-	-	-	-	-
Net result from above	(740,979)	(7,809)	(2,704,610)	257,057	595,464	143,545	631,521	343,853
Transfer from capital for unfunded depreciation	2,322,657	-	-	-	-	-	1,623,804	698,853
From (to) capital items of capital income & expense	(344,126)	-	15,157	-	-	6,157	(426,541)	61,101
Transfer (to) capital general revenue expended	(1,865,593)	-	(982,318)	207,620	(19,844)	6,701	(593,636)	(484,116)
Internal dividends paid	-	-	-	-	-	-	-	-
Surplus/(deficit) available for transfer to reserves	(1,498,160)	(7,809)	(4,541,890)	464,677	575,620	156,403	1,235,148	619,691
Net transfers from (to) capital reserves	(686,235)	(9,472)	-	(133,008)	-	-	(433,201)	(110,554)
Net transfers from (to) recurrent reserves	(76,716)	-	-	(98,172)	(34,680)	-	56,136	-
<b>Retained surplus (deficit) funds at period end</b>	<b>(2,261,111)</b>	<b>(17,281)</b>	<b>(4,541,890)</b>	<b>233,497</b>	<b>540,940</b>	<b>156,403</b>	<b>858,083</b>	<b>509,137</b>
<b>Capital Funding Sources</b>								
General revenue used (excess funds provided)	1,865,593	-	982,318	(207,620)	19,844	(6,701)	593,636	484,116
Disposal proceeds of capital assets	338,143	-	233,629	-	-	-	-	104,514
Funded depreciation & amortisation expended	285,526	-	68,310	108,794	8,882	6,701	92,839	-
Government capital grants and subsidies	546,363	-	-	153,638	-	-	392,725	-
Developer contributions and capital donations	467,813	9,472	11,570	-	-	-	426,541	20,230
Funds held in capital reserves	-	-	-	-	-	-	-	-
Loans for capital purposes	-	-	-	-	-	-	-	-
<b>Total capital funding sources</b>	<b>3,503,438</b>	<b>9,472</b>	<b>1,295,827</b>	<b>54,812</b>	<b>28,726</b>	<b>-</b>	<b>1,505,741</b>	<b>608,860</b>
<b>Capital Funding Applications</b>								
Non-current assets	2,158,051	9,472	128,372	55,473	26,004	-	1,514,329	424,401
Movement in capital work in progress	85,745	-	-	-	-	-	67,654	18,091
Intangible assets	-	-	-	-	-	-	-	-
Total asset acquisitions	2,243,796	9,472	128,372	55,473	26,004	-	1,581,983	442,492
Loan redemptions	1,259,642	-	1,167,455	(661)	2,722	-	(76,242)	166,368
Total capital applications	3,503,438	9,472	1,295,827	54,812	28,726	-	1,505,741	608,860
<b>Cash balances held at beginning of period</b>								
Capital reserve balances	699,780	-	100,000	263,110	-	-	192,200	144,470
Unspent loans and depreciation cash	-	-	-	-	-	-	-	-
Recurrent reserve balances	433,035	-	82,500	109,239	169,320	-	56,136	15,840
Total reserve cash held at beginning of the period	<b>1,132,815</b>	<b>-</b>	<b>182,500</b>	<b>372,349</b>	<b>169,320</b>	<b>-</b>	<b>248,336</b>	<b>160,310</b>
<b>Cash balances held at the end of period</b>								
Capital reserve balances	818,610	-	88,430	242,480	-	-	232,676	255,024
Unspent loan and depreciation cash held	-	-	-	-	-	-	-	-
Recurrent reserve balances	509,751	-	82,500	207,411	204,000	-	-	15,840
Total reserve cash held at the end of the period	<b>1,328,361</b>	<b>-</b>	<b>170,930</b>	<b>449,891</b>	<b>204,000</b>	<b>-</b>	<b>232,676</b>	<b>270,864</b>