

Murgon Shire Council

ANNUAL REPORT 2005 / 2006

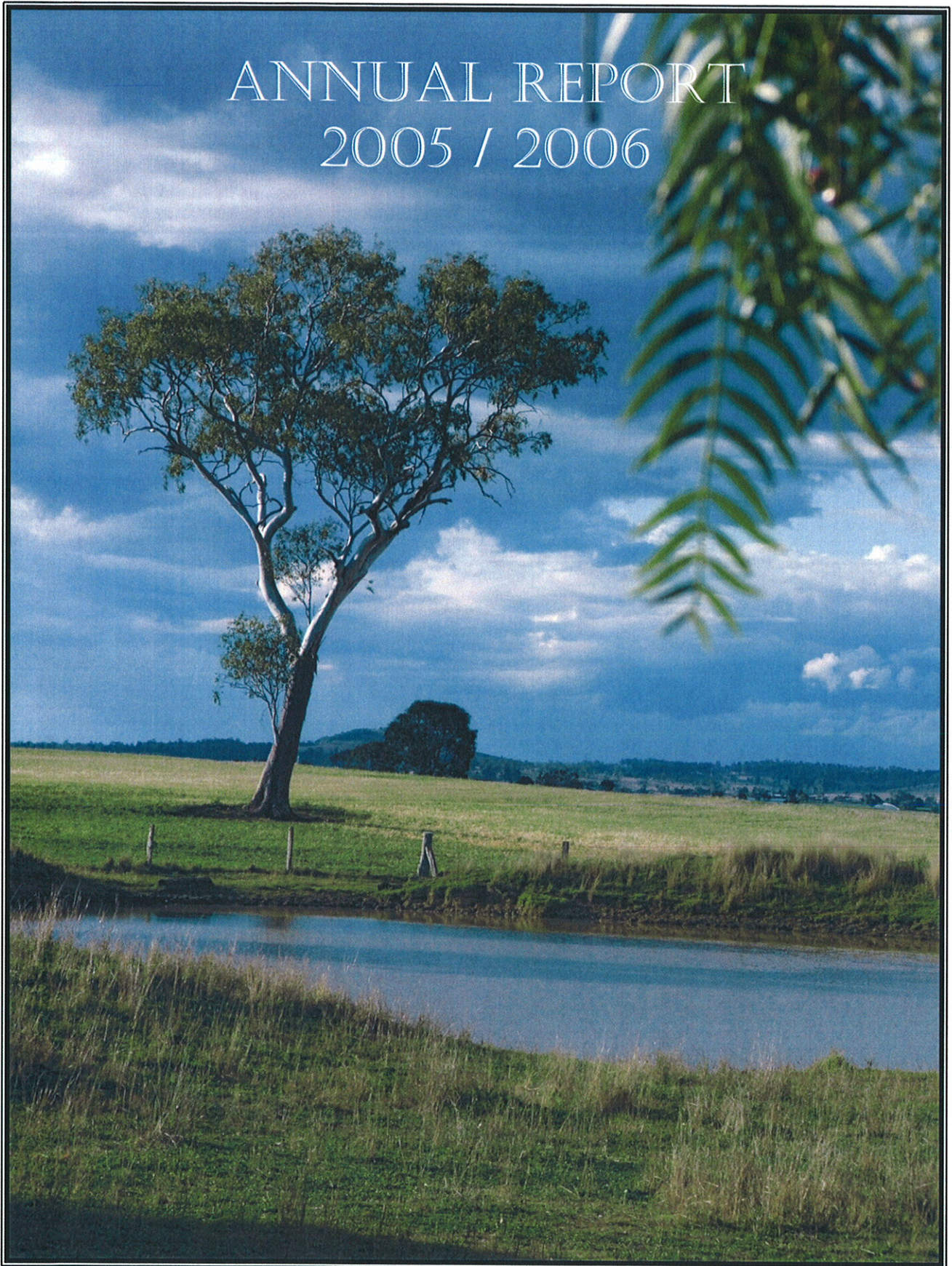




Table of Contents

| | |
|--|-----------|
| Foreword | 3 |
| Council – A Brief Overview | 4 |
| Councillors | 6 |
| Senior Officers | 11 |
| Our Performance | 13 |
| How Council Plans | 13 |
| 1. Corporate Plan | 13 |
| 2. Operational Plan | 14 |
| 3. The Budget. | 14 |
| Year in Review – Our Performance | 14 |
| Portfolio 1. Governance, Controlled Entities, Enterprises and Economic Development | 15 |
| Portfolio 2. Administration, Human Resources and Finance | 16 |
| Portfolio 3. Health, Building, Housing and Planning | 16 |
| Portfolio 4. Tourism, Community Support and Culture | 17 |
| Portfolio 5. Sport, Recreation and Environment | 17 |
| Portfolio 6. Works, Plant and Rural Services | 17 |
| Portfolio 7. Water, Waste Management and Emergency Services | 18 |
| Community Financial Report 2005 / 2006 | 20 |
| Financial Statements | 20 |
| 1. Income Statement | 20 |
| 2. Balance Sheet | 21 |
| 3. Cash Flow Statement | 22 |
| Notes to the Financial Statements | 23 |
| Financial Performance Indicators | 23 |
| Summary | 23 |
| Public Interest Disclosures | 25 |
| a. Revenue Policy | 25 |
| b. Borrowing Policy | 25 |
| c. Remuneration Policy | 25 |
| d. Councillor Meeting Attendance and Remuneration for 2005/06 | 26 |
| e. Purchasing Policy | 27 |
| f. Equal Employment Opportunity | 27 |
| g. Code of Conduct | 27 |
| h. Council Controlled Reserves | 28 |
| i. Council Controlled Roads | 28 |
| j. Local Government Owned Corporations (LGOC) | 28 |
| k. National Competition Policy & Competitive Neutrality | 28 |
| l. Freedom of Information | 28 |
| m. Registers Open and Available for Inspection | 29 |



Foreword

I would like to present this, the first Annual Report under my stewardship of the Council, to the ratepayers and residents of Murgon Shire.

Following my election to the position of Mayor in December 2005, I immersed myself into Council to rapidly acquire an understanding of the system of Local Government, and the role and responsibilities of our Council. I have certainly been impressed by the role Council plays, both within the Shire and also across the wider region. What I have since found is that Council is not good at communicating what it does to the community. This is an area that we will be seeking to address in the future.

Not long after my election, it became apparent that Council had been unsustainably pursuing a social service agenda, at the expense of looking after its core business. In addition, little emphasis had been placed on asset renewals and replacement in future years. Council had not been saving for the day when its infrastructure assets required replacements, and from the engineering reports obtained on our asset base, that day was rapidly approaching. To address this issue, Council commissioned a comprehensive review of its operations to identify cost savings, acceptable service standards and regrettably, where services could be cut to re-allocate funds into our assets. This review was designed to present a realistic picture of Council's operations – a 'warts-n-all' report. I must thank the Staff for their thorough and honest report, and also Council's Elected Members for having the guts to make the tough decisions resulting from the review, even where some of the decisions involved a reversal of Council's previous direction. As a result of the Operational Review, I am more confident that Council is on the right path, to not only be in a position to replace its assets when needed, but also to sustainably operate into the future.

Sustainability is a major issue affecting Local Government. The Beattie Government has initiated an industry wide review of local government. This review is titled 'Size, Shape Sustainability'. Consequently, it is designed to improve local governments' service deliveries through an investigation into Councils' internal operations, regional cooperation, boundary adjustments and / or amalgamations. Murgon Shire Council has committed to participate in this review, and is keeping an open mind on all options available to it within the regional context. The work that we have recently completed through an operational review has placed us in an excellent position to contribute to the industry review. From my perspective, the Size, Shape, Sustainability review will be a defining moment in our Shire's history and that of the local government industry, and holds significant opportunities, and grave possibilities for our region. For this reason we are actively involved to ensure that we positively shape our region's future.

In closing, I would like to thank my colleagues, the Elected Members. We have had a hectic and harrowing year, with much reflection on the past, and positive planning for the future sustainability of the Shire. This has challenged us, but we must recognise that we have made tremendous improvements through our decision-making. We have to thank our Chief Executive Officer, Senior Staff and Council's wider workforce for the commendable professionalism and dedication to serving the Council and Community. Finally, I wish to extend my thanks to the Shire's residents for granting me this opportunity to serve you.

Peter w Angel

Peter Angel
Mayor





Council – A Brief Overview

The Shire of Murgon is approximately 270 km northwest from Brisbane, in the heart of the South Burnett region of southeast Queensland. The shire is centrally located within a 2 hour driving radius from the Sunshine Coast, Toowoomba, Bundaberg, Hervey Bay and other major centers. The shire is traditionally rural, however in more recent years it has started to develop as a more diverse local economy. The Shire has a stable population of 3,750 and an area of 700 sq km. The population centre is the Town of Murgon, with 2,600 residents.



The Shire's diverse local economy includes a strong and varied agricultural base and rapidly emerging new industries in tourism, wine grapes and olives. The Bjelke-Petersen Dam is in the Shire, providing valuable irrigation water to the Shire's agricultural sector, as well as recreational fishing and water sports to tourists and residents alike.



The town of Murgon is fully serviced with all infrastructure and services expected with today's residential living. It boasts a full range of Health, Education, Government and Economic services to the surrounding district.

A broad commercial and business centre operates in Murgon and provides essentially all shopping and entertainment requirements. The business sector has developed and expanded to meet the needs of adjoining towns including Cherbourg, Wondai, Proston and Goomeri.



Council – A Brief Overview



Council provides traditional local government services such as roads, water, sewerage, garbage and regulatory services. Non-traditional local government services Council provides include: Yallakool Tourist Park (on the foreshore of the Bjelke-Petersen Dam), Castra Aged Persons Home, Barambah Community Services (Kindergarten and disability employment service) and Organics Reclaimed (recycling and vermiculture project). Approximately 60 people are directly employed by Council with an additional 40 being indirectly employed through Council associated activities and enterprises.



Organics Reclaimed products

Until recently Murgon, like many other similar shires, had been experiencing static population growth. However, with an upsurge in economic activity and property development, the Shire's population is poised to grow at a predicted rate of around 2% in the coming years. The challenge before Council is to meet the demands on infrastructure and community assets that this development creates while maintaining the country lifestyle we cherish.





Councillors

Murgon Shire Council is constituted by 7 Councillors (one Mayor and 6 Councillors) elected by the Shire Residents in March 2004. Councillors are elected for a four-year term, with the next quadrennial elections taking place in March 2008.

On the 12th October 2005, Mayor, Cr Warren Hubner tendered his resignation to take effect as of 21st October 2005. Under the provisions of the Local Government Act, Council was required to hold a by-election to fill the mayoral vacancy. The Mayoral by-election was subsequently held on Saturday 10th December 2005 with Cr Peter Angel elected as the Mayor. Cr Angel has held this position since.

Council has adopted a 'Portfolio' system to fairly distribute the corporate governance duties of Councillors amongst all 7 Councillors. The Portfolio system also allows Councillors to specialise in areas of Council's functions and services that are of interest to them.

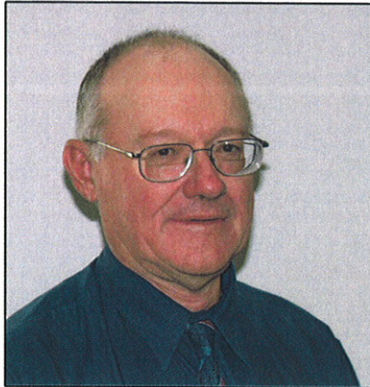


Administration Office, 42 Stephens Street, Murgon



Councillors

Listed below are the details and portfolio responsibilities pertaining to each elected member.



Cr Peter Angel
Mayor (from 13th December 2005)

Elected to Council: 10th December 2005

Contact Details:

Ph: 4169 9000 (Council Office)
0427 416 816 (Mobile)
4168 1628 (Home)
Fax: 4168 2627 (Council Office)

e-mail: peterangel@burnett.net.au



Cr Warren Hubner
Mayor (to 21st October 2005)

Elected to Council: March 2000
Resigned: 21st October 2005

Portfolio:

**Governance, Controlled Entities,
Enterprise & Economic Development**

- Barambah Community Services
- Corporate Governance
- Economic Development
- Shire Promotion
- Elections
- Governance
- Local Government Association & WBBROC
- Castra Retirement Home Ltd
- Organics Reclaimed Pty Ltd
- BP Dam Enterprises
- Events
- Road Alliance
- BIEDO



Councillors

Cr Raelene Dennis
Deputy Mayor

Elected to Council: March 2000

Contact Details:

Ph: 4168 1137 (Home)
4168 1800 (Bus)
Fax: 4168 2882

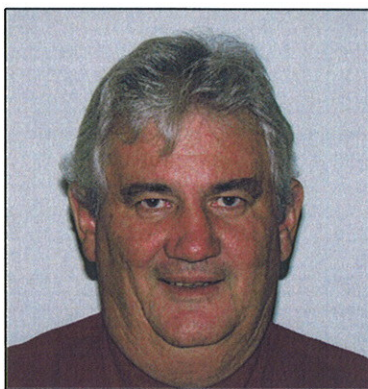
Email: rdennis@burnett.net.au



Portfolio:

Water & Waste Management & Emergency Services

- Water Augmentation - Murgon
- Water Augmentation – BP Dam
- Sewerage Aug. Murgon & BP Dam
- Refuse Management
- State Emergency Service



Cr Brian Mobbs

Elected to Council: March 2004

Contact Details:

Ph: 4168 1413 (Home)
4168 1599 (Bus)
Fax: 4168 1599

e-mail bmobbs@burnett.net.au

Portfolio:

Administration, Human Resources & Finance

- Accounting & Finance
- Administration – General
- Insurances
- Personnel & Industrial

Committee Representation

- Economic Development Committee
- Murgon Business & Development Board
- Police Liaison Committee



Councillors

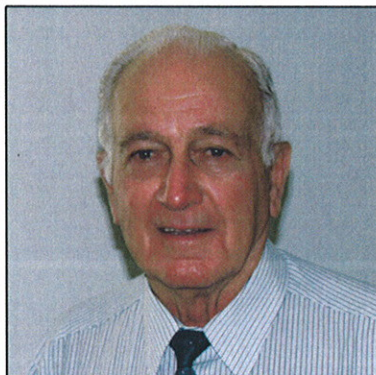
Cr Richard (Ritchie) O'Neill
Elected to Council: March 1997

Contact Details:

Ph: 4168 1915

Fax: 4168 1915

Email: oneill@burnett.net.au



Portfolio: Health, Building, Housing & Planning

- Building Control
- Health Administration
- Land, Property & Council Housing
- Planning & Development
- Pioneer Place
- Park View Units
- Animal Control
- Cemeteries



Cr Graham Burgess

Elected to Council: March 2000

Contact Details:

Ph 4168 1682

Fax: 4168 2281

Email: gburgess@burnett.net.au

Portfolio: Works, Plant & Rural Services

- Roads & Transport
- Plant & Equipment
- Noxious Weeds & Pests
- Saleyards
- Road Alliance

Councillors

Cr Cynthia Hatchett

Elected to Council: March 1997
(Appointed in 1996)

Contact Details

Ph: 4168 1781 (Home)
Fax: 4168 1781

Email: cynthiahatchett@burnett.net.au



Portfolio: Tourism, Community Support & Culture

- Community Support & Services
- Tourism Promotion
 - Visitor Information Centre
 - Murgon Caravan Park
 - Library Services
 - Public Halls
 - RADF
 - Museum
 - Aboriginal
 - Schools & Education



Cr Robert Eisenmenger

Elected to Council: March 1982

Contact Details

Ph: 4168 4657 (Home)
Email: reisenmenger@burnett.net.au

Portfolio: Sport, Recreation & Environment

- Parks & Reserves
- Natural Resources
- Sport & Recreation
- The Pulse
- BP Dam Day Recreational Facilities
- Fish Management Committee



Senior Officers

Mr Scott Greensill – Chief Executive Officer

Scott was appointed to the position of Chief Executive Officer in September 2003. He comes with significant local government experience having been employed as Chief Executive Officer of Pittsworth and Bauhinia Shires as well as senior positions in other Shires. He holds a Bachelor of Business (Local Government) and is studying toward a Masters of Business Administration.



Contact Details

Ph: 4169 9000

Fax: 4168 2627

Email: sgreensill@burnett.net.au

Mr Andrew McKenzie – Manager Corporate & Financial Services

Andrew was appointed to the position of Manager of Corporate and Financial Services in November 2004. He has been employed in the Local Government Industry for 15 years and has held the position of Chief Executive Officer at Bulloo and McKinlay Shire Councils and senior positions at Etheridge and Paroo Shire Councils. Andrew holds a Bachelor of Business (Accounting and Local Government) and a Masters of Business Administration.

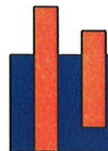


Contact Details

Ph: 4169 9000

Fax: 4168 2627

Email: amckenzie@burnett.net.au



Senior Officers

Gavin Crawford – Manager Community Services

Gavin was appointed to the position of Manager of Community Services in January 2001. Gavin has worked in the Local Government industry for 14 years, and has held environmental health positions with Wambo, Stanthorpe, Inglewood and Warwick Shire Councils. Gavin holds qualifications in Environmental Health, Building Surveying, Town Planning and postgraduate Qualifications in Town Planning and Management.



Contact Details

Ph: 4169 9000

Fax: 4168 2627

Email: gscrawford@burnett.net.au

Mr Steve Turner – Manager Works and Services

Steve was appointed to the position of Manager of Works and Services in November 2004. Steve has extensive civil construction and local government experience having been employed as Shire Engineer at Taroom and Chinchilla Shire Councils and in engineering consulting firms to the local government industry. Steve holds a Masters degree in Engineering and a Bachelors of Applied Science (Mathematics).



Contact Details

Ph: 4169 9000

Fax: 4168 2627

Email: sturner@burnett.net.au



Our Performance

How Council Plans

Primarily, there are three documents Council develops to guide its decisions and performance. These documents are:

1. Corporate Plan

Council's Corporate Plan establishes the overall policy framework for all the activities of the Council. It has a focus of 5 years, though it is reviewed annually to ensure that it remains relevant and current to the Council and the Community of the day.

Following the March 2004 Local Government Elections, Council reviewed its Corporate Plan, and on the 14th July 2004, adopted a new Corporate Plan for 2004 – 2008. In so doing, Council set the following statements as its Vision, Mission and Values: -

Vision

Council's vision is to create a shire that is a leading regional center where responsible economic development and progress are promoted in an environment that encapsulates a quality rural lifestyle, with natural beauty for the enjoyment of our residents and visitors.

Mission

Our Mission is to: -

Develop an environment that encourages economic development that includes:

- Residential growth
- Commercial and industrial expansion
- Enhancement and diversification of rural industries
- Promotion and development of Murgon Shire as an attractive tourist destination
- Promote our shire as a place where a quality lifestyle is a way of life
- Expand Murgon as a leading regional center for commerce, industry, recreation and local government.

Values

In undertaking our future planning and decision-making processes, we value:

- Our residents and their needs and opinions
- Our volunteers and community organisations
- Our employees
- Our businesses and their requirement to remain viable
- Our environment and the need for responsible and sustainable development and preservation
- Our visitors and their needs
- Our relationship with adjoining shires
- Our cultural heritage and the need to preserve it for future generations
- Our ethics and integrity when making decisions for the future benefit of the community and respect our statutory and regulatory functions.



Application of the Corporate Plan 2005 - 2006

2. Operational Plan

The purpose of the Operational Plan is to 'operationalise' Council's Corporate Plan for the immediate 12 to 24 months. It works in conjunction with the Budget (the third strategic document) to outline the specific goals and objectives Council wishes to achieve over the short term.

Council develops the Operational Plan prior to the year it relates to, and is reviewed quarterly to ensure that it remains relevant and current to the priorities of Council as the year unfolds.

3. The Budget.

If the Operational Plan 'operationalises' the specific goals and objectives of Council, then the Budget 'finances' them. In other words, the Operational Plan sets the service standards and expenditure outcomes of Council and the Budget provides the mechanism by which Council determines its revenue raising methods (such as grants, rates and fees and charges) to meet the expected costs of Council's operations.

Council reviews its budget quarterly to ensure that expenditures are in line with project parameters and service standards, and that revenues are received in time to meet commitments.

These three documents do not operate in a vacuum – sometimes Council's strategies, goals, objectives and finances are affected by influences outside of Council's control and at times not of Council's choosing. As such, Council continually reviews its Corporate Plan, Operational Plan and Budget to ensure they remain current and relevant to its needs.

All three of these documents are available for inspection or purchase by members of the public.

Year in Review – Our Performance

As we work through each financial year, it is easy to lose sight of what we have achieved as we turn our attention to the next challenge. It therefore comes as a pleasant surprise when we tally up our achievements, and wonder at how much we have achieved in the course of 12 months. 2005 / 06 has been no different in this respect.

Possibly, the greatest challenge Council has faced in the course of 2005 / 06 has been the realisation that we have been operating in an unsustainable manner. This realisation occurred in the latter part of 2005, as Council's cash position shrank to the point that Council could not afford to repair or replace infrastructure assets as the need arose, whilst maintaining its usual services to the community. Council was required to obtain an overdraft facility to meet our operational needs for the months of December 2005 and January 2006. When faced with this situation, Council commissioned a comprehensive operational review of all of its services to reduce unnecessary costs, identify and implement efficiency measures, and improve service delivery to our customer base. This operational review commenced early 2006, and was completed in April. Many of the recommendations coming from the review have been implemented, though their effect will not be seen until the 2006/07 financial year.



Application of the Corporate Plan 2005 - 2006

Portfolio 1. Governance, Controlled Entities, Enterprises and Economic Development

The governance function of local government relates to how we as a Council manage our corporate affairs, such as corporate and operational planning, the holding of Council meetings and the general management of Council's services by the elected members. Naturally, the governance function is regulated by a myriad of laws and regulations with which we have to comply, and it is pleasing to note that we have continued to operate within the laws.

In addition to Council's general functions, Council has also continued to operate and support its controlled entities of Castra Retirement Home Pty Ltd, Barambah Community Services Pty Ltd and Organics Reclaimed Pty Ltd. However, the following significant steps have been taken in relation to these subsidiary entities: -

- Commencement of the fire upgrade at Castra Retirement Home Ltd. This involves a replacement of all fire alarms, detectors and the installation of automatic sprinkler alarms. The upgrade is expected to cost in the vicinity of \$220,000, and is due for completion by 30th June 2006. However, due to technical issues with the fire upgrade, Castra has sought an extension of time to address the difficulties it is experiencing with the upgrade.
- Barambah Community Services. Following discussions with the Creche & Kindy Association (C&K - our licencing authority), and the Kindy Parent Group, Barambah Community Services Ltd and Council have initiated steps to hand control of the kindergarten to C&K. This follows extensive negotiations between the parties to ensure that appropriate corporate governance arrangements continue to apply, transparent accountability remains and that the kindergarten continues to serve the community of Murgon and district into the future. As a result of this move, Barambah Community Services and Council believe that the service will continue to operate well into the future and be more responsive of the needs of the community.

Castra Retirement Home



The enterprise function relates to the operation of Yallakool Tourist Park. Yallakool has continued to experience significant growth in tourist numbers, with the Easter holiday 2006 in particular experiencing over

Villas at Yallakool



14,000 bed nights. Council had initially planned to construct a new Manager's Residence and Ablution Block at the Park.

However, this project has been deferred whilst Council commissions an independent, strategic development plan for the Park. This will ensure that we develop the Park in a manner that it both appeals and satisfies the needs of its users.



Fishing on Lake Barambah



Application of the Corporate Plan 2005 - 2006

Portfolio 2. Administration, Human Resources and Finance

Council's Finance Staff have worked hard in managing Council's financial affairs to industry best practice. Following the revaluation of our land and buildings in 2004/05, Council revalued its infrastructure assets in 2005/06. This revaluation resulted in a significant write-down in the valuation of our assets, and significantly contributed to the year-end loss in operating capability. However, it should be noted that the revaluation and resulting operating deficit are book-entries only, and do not hold implications for future service delivery. That said, the revaluation, in conjunction with a change in depreciation methodology will reduce future year's depreciation charges, and will decrease the operating deficit in future years. Furthermore, through its Operational Review and in conjunction with its Strategic Asset Management Plans, Council has streamlined its future year asset investment program toward the sustainable operation, renewal and replacement of its core, infrastructure assets.

The administration function is usually the first point of contact the public have with Council. As such, particular attention has been given to improving our 'customer service' as well as behind the scenes processes, to ensure that customers receive friendly, effective service. A key achievement in 2005 / 06 has been the introduction of an 'industry best practice' complaints management system. This system dovetails neatly into Council's recently adopted Code of Conduct for Councillors and Staff.

Employee numbers have remained relatively constant over 2005 / 06. Council is conscious that many of its supervisory staff are approaching retirement age. We have therefore implemented a succession plan to identify and mentor prospective supervisors.

Road Work on Hebel Drive



Portfolio 3. Health, Building, Housing and Planning

Under various Commonwealth and State legislation, Council has a dual role, firstly to abide by the laws in offering our services to the shire and secondly to enforce the laws and regulations throughout the Shire. Council has diligently fulfilled both roles.

Over the last few years the Shire has experienced unprecedented movement in the real estate market. This trend continued in 2005 / 06. To illustrate, Council received applications to: -

| | 2005/06 | 2004/05 | 2003/04 |
|-------------------------------------|---------|---------|---------|
| Construct new dwellings | 27 | 20 | 10 |
| Create new allotments (subdivision) | 145 | 145 | 25 |
| Material Change of Use | 14 | 17 | 14 |

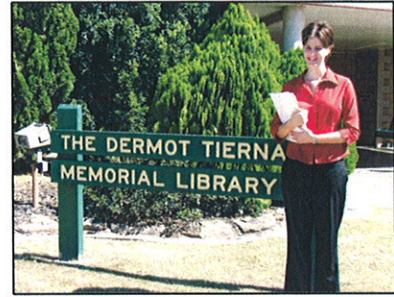
The development that has and continues to occur will place the Shire in a strong future position as new residents settle in the Shire and participate in the economy and social fabric of the area.



Application of the Corporate Plan 2005 - 2006

Portfolio 4. Tourism, Community Support and Culture

Council maintains an active role in the Shire's cultural activities. The Dermot Tiernan Memorial Library, continued to offer shire residents access to its stock of books, as well as requesting additional books from the State Library. In fact Murgon has decided to participate in a state wide trial of inter-library lending. Furthermore, the RADF Committee provided \$7,500 to local art and craft groups to improve their skills. 12 art and craft displays were shown in the Dermot Tiernan Library over 2005/06, and the Shire Hall hosted several productions and displays for the Shire's entertainment.



Ms Casey Blackburn, Librarian

Tourism continues to play a major part in the Shire's economy. Drawing on the success of Yallakool Tourist Park and Bjelke-Petersen Dam, Council strives to promote the region's tourist attractions to ensure our visitors see the South Burnett in all of its majesty. Through Council, the region is represented on the Fraser Coast South Burnett Regional Tourism Board and South Burnett Tourism Association, as well as many other 'special interest' tourism organisations. The Shire has greatly benefited from these associations. Bjelke-Petersen Dam, the Shire's wine region and historical sites have continued to be well publicised through lifestyle television shows such as the 'Great South East'.

Portfolio 5. Sport, Recreation and Environment



Netball at The Pulse

The Pulse of Murgon continues to be Council's hub for sport and recreation activities. Early 2006 witnessed a minor adjustment in its operations. These adjustments were the result of the Operational Review, which recommended that it could operate more efficiently by closer matching its open hours to its periods of patronage. Since these changes, participation in activities operating from the Pulse have improved, whilst costs have been reduced. In addition, the 2005/06 cricket season witnessed the first use of the new turf wicket at the Pulse, following its replacement in 2004/05.

Significant progress has been made in continuing with the Main Street Redevelopment. The Architectural Practice Academy have finalized their design for the main street redevelopment. Council is now awaiting the release of State / Commonwealth grants to commence the first stage of the project. It is expected that the first stage will be commenced in 2006/07.

Portfolio 6. Works, Plant and Rural Services

Probably the most visible service Council provides is that of road works. During the year, Council spent \$365,500 dollars in maintaining its road network (up from \$250,000 in 2005/06), and a further \$500,000 in capital works (including the sealing of the gravel section of Boat Mountain Road and various re-



Official Opening of Boat Mountain Road



Application of the Corporate Plan 2005 - 2006

sealing work across the Shire network). Council's road network extends over 300 km in length. Maintaining this network consumes considerable resources. As such, Council has commenced a 'strategic asset management' approach to the ongoing maintenance and improvement of its network, to ensure that the best result can be achieved for the available resources.

Council is active in the area of Rural Services as well. Rural Services essentially describes Council's services in stock route administration and pest control. During 2005 - 2006, Council spent \$70,000 in controlling noxious weeds and pests within the Shire. We also partnered with Wondai Shire Council and landholders adjoining Barambah Creek to control salvinia. Given the success of this program, it will be repeated in 2006/07.



The continued effects of the drought have had a significant impact upon the operation of the Murgon Municipal Saleyards. Throughput has decreased significantly, which in turn has meant that the financial return to Council has been disappointing. Council maintains that the facility is an important element of the local cattle industry and is committed to ensuring that it operates as effectively and efficiently as possible. This is evidenced in the successful implementation of an NLIS tracking and

reporting system to track movement of cattle through the Murgon Municipal Saleyards. Our system went live in July 2005, and following a few teething problems has since operated successfully. The next stage in the development of the Saleyards will be to focus on improving the workplace health and safety of the facility.

Portfolio 7. Water, Waste Management and Emergency Services



Murgon's water is supplied from Council's Weir, on Barambah Creek. Early in 2006, Council concluded negotiations with Sunwater to increase its water allocation from Bjelke Petersen Dam to ensure that it can continue to meet the needs of the town and major businesses. This has proved timely given the prolonged effects of the drought. With Bjelke Petersen Dam dropping to 4% of capacity.

All irrigation from its supply has effectively ceased, meaning that the residual holding is quarantined for town water supply for Murgon, Cherbourg and Wondai. During the year, Council also extended a water main to service properties along Boat Mountain Road at a cost of \$75,000.



Repairing the Raw Water Intake



Application of the Corporate Plan 2005 - 2006

Waste Management refers to both sewerage services as well as refuse collection and disposal. Council's sewerage scheme continued to operate in accordance with its environmental license. Similarly, Council's garbage collection and disposal service also continued to operate in accordance with its environmental license. Of particular note has been the awarding of a regional waste collection contract between JJ Richards (the contractor) and the Councils of Murgon, Kilkivan and Wondai. This contract runs for 7 years, and represents a modest decrease in costs for each Council. For Murgon Shire, this contract also extends the garbage collection service to rural residential areas and also to Moffatdale.





Community Financial Report 2005 / 2006

This Community Financial Report is prepared to give an overview of Council's financial operations over 2005/06 and its financial position as at 30th June 2006.

Council views its responsibilities to manage public funds responsibly and accountably. To ensure that we meet our legislated accountability requirements and community expectations, Council has adopted a range of financial policies that cover our financial management which includes purchasing, rating, thresholds for asset recognition and treatment of account recovery. All of these policies are available for inspection.

The annual financial statements report actual figures for 2004/2005 and 2005/2006. The columns of the statement show Council's result and a 'consolidated' result, which is a combination of Council's and its controlled entities financial statements.

Murgon Shire Council has three controlled entities, Castra Retirement Home Limited, Barambah Community Services Limited and Organics Reclaimed Pty Ltd.

Castra Retirement Home is a 32 bed aged care facility providing affordable and appropriate retirement accommodation in a sensitive, homely environment. While servicing Murgon and the South Burnett region with quality aged care, Castra Retirement Home also manages five, two unit duplexes providing independent living accommodation.

Barambah Community Services Limited operates Gumnut Place, a commercial kitchen and a workshop that produces quality timber furniture and manufactures pallets, providing supported employment for persons with disabilities. It also operates the Murgon Community Kindergarten and Preschool.

Organics Reclaimed Pty Ltd operates an innovative agricultural business originally established as a joint venture with Murgon Leather Company and the Queensland Worm Industry Association. It produces worm casting, vermi-cast and by-products for the agricultural, horticultural and home garden markets, and continues to provide a significant reduction to Council's landfill.

Financial Statements

1. *Income Statement*

Refer to page 1 of Financial Statements.

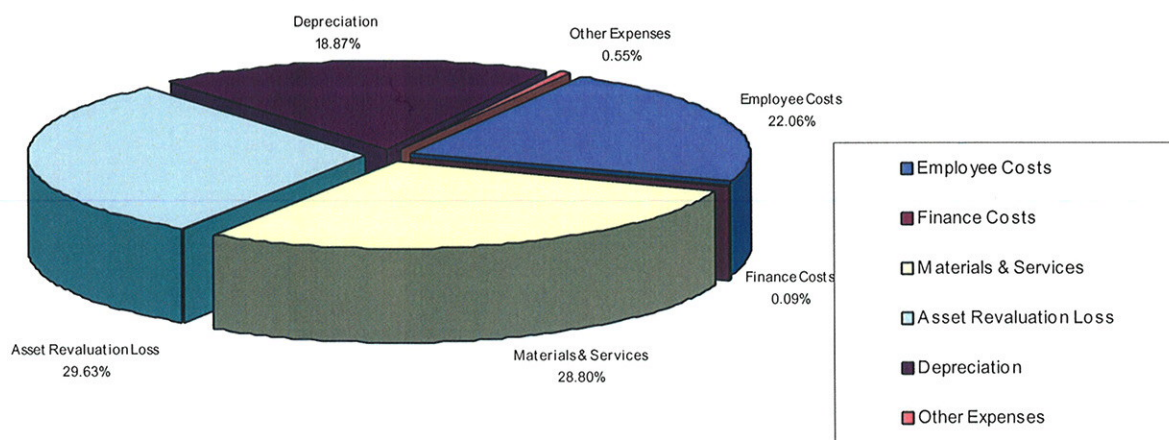
The Income Statement is a summary of Council's income and expenditure for the financial year. The Statement is prepared using accrual accounting principles. This means that all income and expenses for the year are recognised even though the income may not be received (such as interest) or expenses not yet paid (such as invoices not yet received for goods and services which have been used).

The net result for of all revenue and expenditure for the 2005/06 financial year was a decrease in operating capacity of \$6,775,053. The adoption of different road network valuation methodology accounted for \$4,399,657 of the decrease for the year.

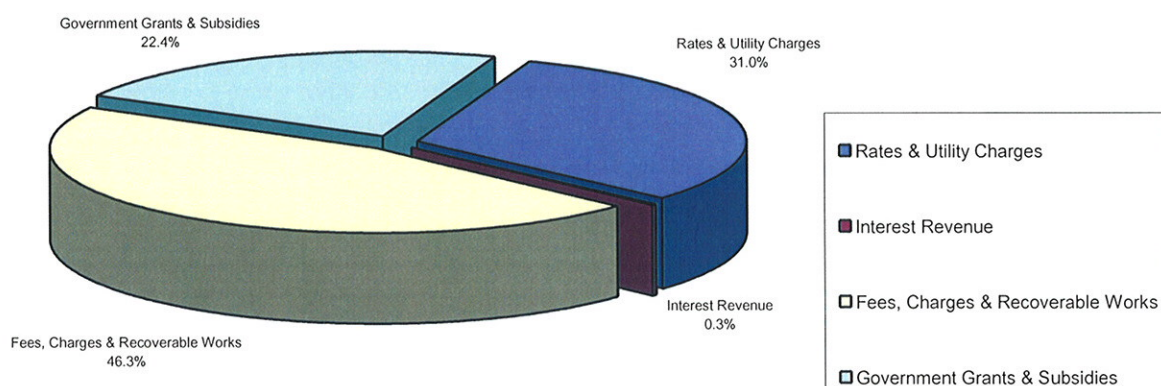
The following graphs represent the break-up of Revenues and Expenses in their respective categories.

Community Financial Report 2005 / 2006

Murgon Shire Council
Operating Expenditure 2005-2006



Murgon Shire Council
Operating Revenue 2005-2006



2. Balance Sheet

Refer to page 2 of the Financial Statements.

The Balance Sheet portrays the assets and liabilities of Council and reflects Council's net worth (Total Community Equity). Issues relevant to the management of assets and liabilities for the 2005/06 financial year were as follows:



Community Financial Report 2005 / 2006

Cash Balances: Decreased by 46% (from \$400,109 at 30 June 2005 to \$212,535 at 30 June 2006)

Receivables: Decreased by 56% due to an decrease in outstanding debtors from \$461,073 at 30 June 2005 to \$144,614 at 30 June 2006. Rates outstanding at 30 June 2006 were 5% of rating revenue for the year, which was a slight decrease on the 2004-2005 year.

Inventories: There was an increase in the value of stock held in store from \$3,987 at 30 June 2005 to \$4,581 at 30 June 2006. Land held for development and sale maintained the same value of \$100,000 as in the previous year.

Property Plant & Equipment: Council's infrastructure assets were revalued at 30 June 2006 by external consultants. Council also resolved to expense asset purchases less than \$10,000 during the year, and duly depreciated in full those items previously purchased for less than \$10,000. The result of these activities was that the value of property, plant and equipment reduced from \$52,686,168 at 30 June 2005 to \$44,055,589 at 30 June 2006. Council's depreciation expense for the year was \$2,802,476.

3. Cash Flow Statement

Refer to page 5 of the Financial Statements.

This Statement summarises Council's cash receipts and payments for the financial year and the net 'cash in hand' at the end of the reporting period. The Cash Flow Statement separately identifies the following three categories of cash flows:

Cash Flows from Operating Activities – details the income received in cash, and expenses paid for delivery of services to the community. It is essential that Council maintains a cash surplus to co-ordinate its day-to-day operations and provide for future community assets. During 2005/06 cash inflows from operating activities exceeded \$8.54 million while cash outflows exceeded \$7.77 million.

Cash Flows from Investing Activities – identifies payments for property, plant and equipment and infrastructure, and proceeds from the sales of these assets. Payments for non current assets totalled \$1,005,522 and proceeds from the sale of non current assets were \$69,785. Major asset acquisitions included improvements to the shire road network in excess of \$600,000 and land and building improvements in excess of \$390,000.

Cash Flows from Financing Activities – includes proceeds from, and repayment of loans to Queensland Treasury Corporation. Repayment of borrowings totaled \$30,593 in 2005/06.

The total net cash flow from operating, investing and financing activities gave a closing cash on hand balance of \$212,535 at 30 June 2006. This was a decrease of \$187,574 compared with cash on hand as at 30 June 2005.



Community Financial Report 2005 / 2006

Notes to the Financial Statements

The notes to the Financial Statements provide further details of the balances in the Statements and an explanation of the various accounting policies of Council. When viewing the Statements there is a 'note number' to the left of the balances. This note number links particular items and balances in the Financial Statements with their corresponding note to provide additional information to the reader.

Financial Performance Indicators

| | 2005/2006 | 2004/2005 | 2003/2004 |
|---|-----------|-----------|-----------|
| Revenue Ratio | | | |
| Percentage of Council's total operating income derived from rates and charges | 31.96% | 36.31% | 40.25% |
| Working Capital Ratio | | | |
| Current assets in relation to current liabilities, ie Council's ability to meet current commitments | 0.74 | 1.35 | 1.38 |
| Debt Servicing Ratio | | | |
| Percentage of total operating income used to service debt | 0.38% | 0.42% | 0.48% |
| Borrowing Ratio | | | |
| The relationship between total borrowings and total operating income | 0.76% | 1.31% | 1.99% |
| Rates Arrears Ratio | | | |
| The effectiveness of Council's collections of rates and charges | 4.99% | 6.31% | 7.8% |
| Capital Expenditure Ratio | | | |
| Ratio of capital expenditure to depreciation | 0.36 | 0.38 | 0.69 |

Summary

Council's cash position has continued to decrease year after year. Recognising the severity of this situation, Council initiated a full review of all of its operations to seek to increase efficiencies and remove unnecessary costs. This operational review was completed in April 2006, and in implementing its recommendation, Council anticipates saving in excess of \$500,000 cash and a further \$800,000 in non-cash expenditure (mainly depreciation). Consequently, the operating result and cash position will be far improved at the end of the 2006/07 financial year.

It is pleasing to see that Council is attracting a greater proportion of its operating revenue from sources other than from its Rates and Charges. For example, Council's Revenue Ratio has decreased by more than 8% meaning that, as a proportion of our total revenue a greater proportion was sourced through fees and charges, grants and private works contracts. The practical effect of this trend is that Council had not needed to increase its rates to fund its operations, rather we are better targeting users of our services to pay for the services they access, and not-subsidising services from general rates.



Community Financial Report 2005 / 2006

Of some concern over the longer term is the trend shown by the capital expenditure ratio decreasing to 0.36 (or 36% of Depreciation). This ratio shows the percentage of depreciation used to replace Council's assets. Ideally, a target of 1 (or 100%) should be Council's goal in either asset replacement and cash transfers to reserves for asset replacement in future years. Consequently, the result of 0.36 is concerning. To a large extent this trend can be explained through Council holding a large asset base creating a \$2.8M depreciation charge, yet our asset replacement capacity in our budget is meager \$1.005M in comparison. As such, the Operational Review conducted early 2006, has also addressed this issue, and Council believes that this trend will be reversed in 2006/07 as the review's recommendations are implemented. In addition, Council has reviewed the asset valuation and depreciation methodologies for its infrastructure assets, which in 2006/07 will reduce its depreciation charge by an approximate amount of \$800,000. Unfortunately this valuation and depreciation methodology review also resulted in the significant write-down in Council's asset base.

In looking toward 2006/07, Council believes that it will be in a much better financial position at the 30th June 2006 as its operational review's recommendations take effect.



Public Interest Disclosures

a. Revenue Policy

This policy is formulated in accordance with the requirements of the Local Government Act 1993 and the Local Government Finance Standard 2005.

The Policy outlines the principles used by Council in raising revenue and contains detailed information relating to Council's rating and utility charging processes. In addition information relating to the various rebates and concessions offered by Councils to rate payers is also contained in the policy.

A copy of the Revenue Policy follows the Annual Financial Statements.

b. Borrowing Policy

The Local Government Act requires Council to adopt a Borrowing Policy at the time of formulating its annual Budget. In developing its Borrowing Policy, Council considers the following:

- The purpose for which it is considering borrowing funds;
- Its ability to service the principal and interest repayments;
- Effect on service provision;
- Impact upon rates and charges.

For 2005/06, Council resolved to borrow an amount up to \$1,250,000 for the further development of Yallakool Tourist Park ("Yallakool"), specifically for the purpose of constructing a new amenities block, manager's residence and office together with other, ancillary land improvements. However, over the course of the year, Council found that it needed to defer the construction of these buildings, and did not apply for the loan.

Council's Borrowing Policy provides for future year borrowings should Council need to replace major components of the Murgon Water Supply Treatment Plant and also for any infrastructure reasonably believed to be necessary to encourage the town's residential and commercial development.

c. Remuneration Policy

The purpose of this policy is to provide for reasonable and adequate remuneration for Councillors for their time spent in attending to Council business.

The Policy sets out details as to the remuneration levels applicable to each Councillor for the various duties undertaken. This includes meeting attendance, annual allowances, travelling and reimbursement of expenses.

A copy of the full Policy follows the Annual Financial Statements

Set out below is a summary schedule of remuneration paid to Councillors.

Public Interest Disclosures

Summary Schedule of Remuneration

| Payment Category | Mayor | Deputy Mayor | Councillor |
|------------------------------|-----------|--------------|------------|
| Total Annual Allowance | \$ 43,200 | \$ 20,160 | \$ 15,840 |
| Organics Reclaimed Allowance | \$ 5,000 | - | - |
| Estimated Travel Allowance | Nil | \$ 600 | \$ 600 |
| Estimated Totals | \$ 48,200 | \$ 20,760 | \$ 16,440 |

Note: The above schedule is indicative of estimated remuneration for each type of elected representative. However, remuneration may be subject to minor changes due to varying circumstances such as attendance at authorised functions and conferences.

d. Councillor Meeting Attendance and Remuneration for 2005/06

During 2005/06, Council held a total of 19 Meetings – 15 General Meetings and 4 Special Meetings (including its Budget Meeting).

| Councillor | Portfolio | Attended General Meeting | Attended Special Meetings | Superannuation Payments | Total Remuneration |
|---|---|--------------------------|---------------------------|-------------------------|--------------------|
| Cr W. Hubner (from 30/06/2005 to 21/10/2005) | Governance, Controlled Entities, Enterprises & Economic Development | 4 from 5 | 1 from 1 | 592.65 | 14,816.72 |
| Cr P. Angel (from 13/12/2005) | Governance, Controlled Entities, Enterprises & Economic Development | 8 from 8 | 2 from 2 | 1569.26 | 26,154.29 |
| Cr R. Dennis | Water & Waste Management & Emergency Services | 14 | 4 | 973.28 | 24,332.20 |
| Cr G. Burgess | Works, Plant & Rural Services | 13 | 4 | Nil | 16,247.08 |
| Cr R. Eisenmenger | Sport, Recreation & Environment | 14 | 4 | 664.24 | 16,606.92 |
| Cr C. Hatchett | Tourism, Community Support & Culture | 15 | 3 | 649.94 | 16,247.08 |
| Cr B. Mobbs | Administration, Human Resources & Finance | 14 | 4 | 649.94 | 16,247.08 |
| Cr R. O'Neill | Health, Building, Housing & Planning | 12 | 4 | Nil | 16,247.08 |



Public Interest Disclosures

e. Purchasing Policy

Council has adopted a Purchasing Policy under which it acquires its goods and services. This policy is designed to compliment Council's requirements under the Local Government Act, and the principles of:

- Open and effective competition;
- Value for money;
- Enhancements of the capabilities of local businesses and industry;
- Environmental protection; and
- Ethical behaviour and fair dealing.

Within its Purchasing Policy, Council has established a local preference arrangement for local suppliers. Preference is given to local suppliers on a sliding scale, and is dependant upon the value of goods and services. No preference is giving to goods or services exceeding \$100,000 in value.

In 2005/06, Council did not resolve to short list potential suppliers before inviting tenders (pursuant to section 489 of the Local Government Act). However, Council did invite tenderers for the Supply of Waste Collection, Transportation and Disposal Services Contract to change their tenders upon the alteration of tender specifications (pursuant to section 488(2)). This contract was subsequently awarded to JJ Richards and Son.

f. Equal Employment Opportunity

Council is an equal opportunity employer and embraces the principles of merit based employment as enshrined in the *Local Government Act* and *Regulations*, as well as all other anti-discrimination legislation. To compliment these principles, Council has adopted an EEO Policy and Management Plan to guide Council's employees in staff selection and recruitment, behaviour toward one another and behaviour toward members of the public. Council reviews its Equal Employment Opportunity Policy and Management Plan annually. Copies of Council's EEO Policy and EEO Management Plan are obtainable from the Council Office.

g. Code of Conduct

Following the amendment of the Local Government Act in 2005, Murgon Shire Council has adopted the Model Code of Conduct for Councillors. Since the adoption of the Model Code of Conduct, Council has not received any complaints over alleged Code breaches by its elected members.

In addition to the Model Code of Conduct for Councillors, Council has also implemented a Code of Conduct, pursuant to the Public Sector Ethics Act 1994, to regulate the conduct of its workforce. Copies of the Code of Conduct are given to staff upon commencement of duties, and continuing staff are trained annually in its implementation.

Copies of both Codes of Conduct are available for inspection at the Council Office.



Public Interest Disclosures

h. Council Controlled Reserves

Council currently holds 46 reserves for various purposes, having a total area of 189.6 ha. As Reserve Land is held in trust by Council, Council is only able to use the land in accordance with the purpose for which it has been set aside. Consequently Council does not value this land for the purposes of reporting it as a Community Asset in its Annual Financial Statements.

i. Council Controlled Roads

Council currently services 369 km of dedicated road.

j. Local Government Owned Corporations (LGOC)

Council has not corporatised any significant business activities into a Local Government Owned Corporation for the purposes of Section 600 of the Local Government Act. Consequently it has no:

- Activities that were accredited with the Queensland Competition Authority;
- Activities for which the Queensland Competition Authority is a referee; and
- LGOCs or shareholder delegates pursuant to s.643.

k. National Competition Policy & Competitive Neutrality

Council reports as follows in relation to matters relating to implementation of National Competition Policy, pursuant to the relevant sections of the Local Government Act:

- | | |
|----------|---|
| a. s.581 | Council has no commercialised business units |
| b. s.847 | There were no current and completed complaint investigations. |
| c. s.768 | Pursuant to Section 766(4) of the Local Government Act, Council resolved during 2005/06 to no longer apply the Code of Competitive Conduct to its (voluntarily) identified Type 3 Business Activities as, on review, it was found that they no longer fell within the definition of 'Business Activity' (Section 762). Council's formerly identified Business Activities were: - <ul style="list-style-type: none">• Water Supply;• Sewerage;• Refuse Management;• Plant;• Other Roads;• Tourism; and• Commercial Properties. |

l. Freedom of Information

Council is an agency to which the Freedom of Information Act 1992 applies, in that members of the public may make application to Council under the Freedom of Information Act to access documents and information. People wishing to access information under the Act must make written application to the Chief Executive Officer, on the prescribed form with the applicable application fee.



Public Interest Disclosures

In 2005/06, Council did not receive any applications under the Freedom of Information Act.

This Annual Report satisfies the requirements of s.18 of the *Freedom of Information Act 1992*.

m. Registers Open and Available for Inspection

The following registers are maintained by Council and are open and available for public inspection: -

| <u>Register</u> | <u>Purpose</u> | <u>How to Access</u> |
|--|--|--|
| Road Register | A record of all of Council's road, categorised by type (i.e. formed, unformed, sealed etc) | The Road Register is available for public inspection at the Council Office |
| Land Record | A record of all property parcels contained with the Shire of Murgon. | The Land Record is available for public inspection at the Council Office. Fees may apply for written extracts (rate searches). |
| Schedule of Fees and Charges | The schedule contains a list of all Fees and Charges Council applies to services it provides to the community | A copy of the Schedule is available from the Council Office for inspection or purchase. |
| Legal Documents Register | A record of all legal documents held by Council | The Register is available for inspection at the Council Office |
| Register of Delegations | A record of all Delegations made by Council to the Chief Executive Officer or by the Chief Executive Officer to subordinate staff. | The Register is available for inspection at the Council Office. |
| Personal Interests of Councillors and Councillor's Related Persons | To record the financial and 'other personal' interests of Councillors and related persons. | Access to Councillor's Personal Interest Statements may be available upon written request to the Chief Executive Officer. |
| Personal Interests of the Chief Executive Officer and Specified Employees. | To record the financial and 'other personal' interests of the Chief Executive Officer and Senior Executive Staff. | Access is only available to the Mayor and Councillors of Murgon Shire Council. |



Public Interest Disclosures

| <u>Register</u> | <u>Purpose</u> | <u>How to Access</u> |
|---|---|--|
| Local Law and Local Law Policy Register | A Register containing all of Council's Local Laws and Local Law Policies. | Members of the public are able to inspect the Register at the Council Office. Copies of Council's Local Laws and Local Law Policies may also be purchased. |
| Policy Register | A Register containing all of Council's Policies | The Register is open for inspection at the Council Office. |
| Building Register | A Register of all Building Applications made in the Shire. | The Register is open for inspection at the Council Office. |
| Register of Enterprises | A Register of all Enterprises that Council has acquired or entered into under Section 496 of the Local Government Act | The Register is open for inspection at the Council Office |

In addition the following Documents are available for public inspection and / or purchase: -

- Minutes of Council's Meetings
- Corporate Plan
- Operational Plan
- Budget
- Annual Report (including Council's Annual Financial Statement)
- Town Plan



Murgon Shire Council and Controlled Entities

FINANCIAL STATEMENTS 2005 / 2006

Prepared in accordance with Australian Accounting Standards, Urgent Issues Group consensus views, the Local Government Act 1993 and the Local Government Finance Standard 2005.

MURGON SHIRE COUNCIL

FINANCIAL REPORT

For the year ended 30 June 2006

Table of Contents

Note

Income Statement

Balance Sheet

Statement of Changes in Equity

Cash Flow Statement

Notes to the Financial Statements

| | |
|----|--|
| 1 | Basis of preparation |
| 2 | Summary of Significant Accounting Policies |
| 3 | Analysis of results by function |
| 4 | Revenue analysis |
| 5 | Grants, subsidies, contributions and donations |
| 6 | Capital income |
| 7 | Employee benefits |
| 8 | Materials and services |
| 9 | Finance costs |
| 10 | Depreciation and amortisation |
| 11 | Loss on impairment |
| 12 | Revaluation Decrement |
| 13 | Cash and cash equivalents |
| 14 | Trade and other receivables |
| 15 | Inventories |
| 16 | Other financial assets |
| 17 | Equity investments |
| 18 | Property, plant and equipment |
| 19 | Capital work in progress |
| 20 | Trade and other payables |
| 21 | Borrowings |
| 22 | Asset revaluation reserve |
| 23 | Retained surplus |
| 24 | Other reserves |
| 25 | Commitments for expenditure |
| 26 | Contingent liabilities |
| 27 | Events after balance date |
| 28 | Superannuation |
| 29 | Trust funds |
| 30 | Reconciliation of result from ordinary activities to net cash inflow (outflow) |
| 31 | Financial instruments |
| 32 | Transition to International Financial Reporting Standards |
| | Management Certificate |

MURGON SHIRE COUNCIL

Income Statement

For the year ended 30 June 2006

| | | Consolidated | | Council | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| Income | | | | | |
| Revenue | | | | | |
| Recurrent Revenue | | | | | |
| Net rate and utility charges | 4(a) | 2,528,042 | 2,509,775 | 2,528,042 | 2,509,775 |
| Fees and Charges | 4(b) | 4,329,325 | 3,504,410 | 3,770,669 | 2,978,512 |
| Interest received | 4(c) | 65,661 | 93,448 | 22,952 | 43,122 |
| Profit from investments | 4(d) | - | - | (63,390) | (153,728) |
| Other recurrent income | 4(e) | 33,143 | 82,925 | - | 44,817 |
| Grants, subsidies and contributions | 5(a) | <u>2,512,468</u> | <u>2,092,699</u> | <u>1,696,082</u> | <u>1,394,745</u> |
| | | <u>9,468,639</u> | <u>8,283,257</u> | <u>7,954,355</u> | <u>6,817,243</u> |
| Capital revenue | | | | | |
| Grants, subsidies and contributions | 5(b) | <u>131,867</u> | <u>41,243</u> | <u>131,867</u> | <u>41,243</u> |
| | | <u>131,867</u> | <u>41,243</u> | <u>131,867</u> | <u>41,243</u> |
| Total revenue | | <u>9,600,506</u> | <u>8,324,500</u> | <u>8,086,222</u> | <u>6,858,486</u> |
| Capital income | 6 | (17,507) | 93,547 | (17,745) | 87,249 |
| Total income | | <u>9,582,999</u> | <u>8,418,047</u> | <u>8,068,477</u> | <u>6,945,735</u> |
| Expenses | | | | | |
| Employee benefits | 7 | (4,342,840) | (3,964,751) | (3,276,178) | (2,922,960) |
| Materials and services | 8 | (4,668,107) | (4,502,918) | (4,277,567) | (4,068,862) |
| Finance costs | 9 | (14,533) | (17,991) | (13,699) | (15,398) |
| Depreciation and amortisation | 10 | <u>(2,932,916)</u> | <u>(1,746,622)</u> | <u>(2,802,476)</u> | <u>(1,677,770)</u> |
| Total recurrent expenses | | <u>(11,958,396)</u> | <u>(10,232,282)</u> | <u>(10,369,920)</u> | <u>(8,684,990)</u> |
| Capital expenses | | | | | |
| Impairment losses | 11 | - | (902) | - | - |
| Revaluation decrements | 12 | <u>(4,399,657)</u> | <u>(119,441)</u> | <u>(4,399,657)</u> | <u>(119,441)</u> |
| | | <u>(4,399,657)</u> | <u>(120,343)</u> | <u>(4,399,657)</u> | <u>(119,441)</u> |
| Total expenses | | <u>(16,358,053)</u> | <u>(10,352,625)</u> | <u>(14,769,577)</u> | <u>(8,804,431)</u> |
| Net result attributable to council | | <u>(6,775,053)</u> | <u>(1,934,578)</u> | <u>(6,701,100)</u> | <u>(1,858,696)</u> |

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Balance Sheet

as at 30 June 2006

| | | Consolidated | | Council | |
|--------------------------------------|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and cash equivalents | 13 | 1,148,454 | 1,428,360 | 212,534 | 400,109 |
| Trade and other receivables | 14 | 281,346 | 677,943 | 271,065 | 622,085 |
| Inventories | 15 | 136,948 | 135,092 | 104,581 | 103,987 |
| Other financial assets | 16 | 22,175 | 84,637 | 18,000 | 84,637 |
| Total current assets | | <u>1,588,923</u> | <u>2,326,032</u> | <u>606,180</u> | <u>1,210,818</u> |
| Non-current Assets | | | | | |
| Investments | 17 | - | - | 108,543 | 171,933 |
| Property, plant and equipment | 18 | 45,880,213 | 54,433,536 | 44,055,589 | 52,686,168 |
| Capital works in progress | 19 | 127,204 | 308,508 | 127,204 | 308,508 |
| Total non-current assets | | <u>46,007,417</u> | <u>54,742,044</u> | <u>44,291,336</u> | <u>53,166,609</u> |
| TOTAL ASSETS | | <u>47,596,340</u> | <u>57,068,076</u> | <u>44,897,516</u> | <u>54,377,427</u> |
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Trade and other payables | 20 | 1,772,737 | 1,896,784 | 785,185 | 859,889 |
| Borrowings | 21 | 34,951 | 33,714 | 34,951 | 33,714 |
| Total current liabilities | | <u>1,807,688</u> | <u>1,930,498</u> | <u>820,136</u> | <u>893,603</u> |
| Non-current Liabilities | | | | | |
| Trade and other payables | 20 | 251,371 | 389,842 | 227,105 | 372,877 |
| Borrowings | 21 | 25,890 | 57,720 | 25,890 | 57,720 |
| Total non-current liabilities | | <u>277,261</u> | <u>447,562</u> | <u>252,995</u> | <u>430,597</u> |
| TOTAL LIABILITIES | | <u>2,084,949</u> | <u>2,378,060</u> | <u>1,073,131</u> | <u>1,324,200</u> |
| NET COMMUNITY ASSETS | | <u>45,511,391</u> | <u>54,690,016</u> | <u>43,824,385</u> | <u>53,053,227</u> |
| Community Equity | | | | | |
| Retained surplus/(deficiency) | 23 | 36,951,556 | 43,757,447 | 36,442,554 | 43,136,584 |
| Asset revaluation reserve | 22 | 8,161,700 | 10,565,272 | 7,092,031 | 9,619,773 |
| Other reserves | 24 | 398,130 | 367,292 | 289,800 | 296,870 |
| TOTAL COMMUNITY EQUITY | | <u>45,511,386</u> | <u>54,690,011</u> | <u>43,824,385</u> | <u>53,053,227</u> |

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Statement of Changes in Equity

For the year ended 30 June 2006

Consolidated

| | Asset revaluation reserve 22 \$ | Retained surplus 23 \$ | Other Reserves 24 \$ | Total \$ |
|--|---|---------------------------------|-------------------------------|-------------|
| Balance at 30 June 2004 | 8,978,216 | 46,000,314 | 59,003 | 55,037,533 |
| Changes in Equity for the year ended 30 June 2005 | | | | |
| Revaluations of property, plant and equipment | 1,587,056 | | | 1,587,056 |
| Available for sale investments: | | | | |
| Valuation gains/(losses) | - | | | - |
| Transferred to income statement on sale | | | | - |
| Net income recognised directly in equity | 1,587,056 | - | - | 1,587,056 |
| Surplus for the period | | (1,934,578) | | (1,934,578) |
| Total recognised income and expense | 1,587,056 | (1,934,578) | - | (347,522) |
| Transfers to and from reserves | | | | |
| Transfers to general reserves | | (308,289) | 308,289 | - |
| Transfers from general reserves | | - | - | - |
| Total transfers to and from reserves | - | (308,289) | 308,289 | - |
| Balance at 30 June 2005 | 10,565,272 | 43,757,447 | 367,292 | 54,690,011 |
| | | | | 5 |
| Changes in Equity for the year ended 30 June 2006 | | | | |
| Revaluations of property, plant and equipment | (2,403,572) | | | (2,403,572) |
| Available for sale investments: | | | | |
| Valuation gains/(losses) | - | | | - |
| Transferred to income statement on sale | | | | - |
| Impairment Losses | - | | | - |
| Net income recognised directly in equity | (2,403,572) | - | - | (2,403,572) |
| Surplus for the period | | (6,775,053) | | (6,775,053) |
| Total recognised income and expense | (2,403,572) | (6,775,053) | - | (9,178,625) |
| Transfers to and from reserves | | | | |
| Transfers to general reserves | | (37,908) | 37,908 | - |
| Transfers from general reserves | | 7,070 | (7,070) | - |
| Total transfers to and from reserves | - | (30,838) | 30,838 | - |
| Balance at 30 June 2006 | 8,161,700 | 36,951,556 | 398,130 | 45,511,386 |

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

MURGON SHIRE COUNCIL

Statement of Changes in Equity

For the year ended 30 June 2006

| Council | Asset revaluation reserve 22 \$ | Retained Surplus 23 \$ | Other Reserves 24 \$ | Total \$ |
|--|---|---------------------------------|-------------------------------|-------------|
| Notes | | | | |
| Balance at 30 June 2004 | 8,758,702 | 45,292,150 | - | 54,050,852 |
| Changes in Equity for the year ended 30 June 2005 | | | | |
| Revaluations of property, plant and equipment | 861,071 | | | 861,071 |
| Available for sale investments: | | | | |
| Valuation gains/(losses) | - | | | - |
| Transferred to income statement on sale | - | | | - |
| Net income recognised directly in equity | 861,071 | - | - | 861,071 |
| Surplus for the period | | (1,858,696) | | (1,858,696) |
| Total recognised income and expense | 861,071 | (1,858,696) | - | (997,625) |
| Transfers to and from reserves | | | | |
| Transfers to general reserves | | (296,870) | 296,870 | - |
| Transfers from general reserves | | - | - | - |
| Total transfers to and from reserves | - | (296,870) | 296,870 | - |
| Balance at 30 June 2005 | 9,619,773 | 43,136,584 | 296,870 | 53,053,227 |
| Changes in Equity for the year ended 30 June 2006 | | | | |
| Revaluations of property, plant and equipment | (2,527,742) | | | (2,527,742) |
| Available for sale investments: | | | | |
| Valuation gains/(losses) | - | | | - |
| Transferred to income statement on sale | - | | | - |
| Impairment Losses | - | | | - |
| Net income recognised directly in equity | (2,527,742) | - | - | (2,527,742) |
| Surplus for the period | | (6,701,100) | | (6,701,100) |
| Total recognised income and expense | (2,527,742) | (6,701,100) | - | (9,228,842) |
| Transfers to and from reserves | | | | |
| Transfers to general reserves | | - | - | - |
| Transfers from general reserves | | 7,070 | (7,070) | - |
| Total transfers to and from reserves | - | 7,070 | (7,070) | - |
| Balance at 30 June 2006 | 7,092,031 | 36,442,554 | 289,800 | 43,824,385 |

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

MURGON SHIRE COUNCIL

Cash Flow Statement

For the year ended 30 June 2006

| | | Consolidated | | Council | |
|--|------|--------------------|------------------|------------------|------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| Cash flows from operating activities : | Note | \$ | \$ | \$ | \$ |
| Receipts from customers | | 10,057,159 | 8,186,617 | 8,543,724 | 6,943,610 |
| Payments to suppliers and employees | | (9,339,409) | (7,987,779) | (7,774,221) | (7,039,566) |
| | | 717,749 | 198,838 | 769,502 | (95,956) |
| Interest received | | 65,661 | 93,448 | 22,952 | 43,122 |
| Borrowing costs | | (13,699) | (4,455) | (13,699) | (4,123) |
| Net cash inflow (outflow) from operating activities | | 769,711 | 287,831 | 778,755 | (56,957) |
| Cash flows from investing activities: | | | | | |
| Payments for property, plant and equipment | | (1,089,048) | (670,759) | (1,005,522) | (634,417) |
| Payments for equity investments | | - | (171,933) | - | (171,933) |
| Payments for land development | | - | (252,905) | - | (252,905) |
| Proceeds from land sales | | - | 510,899 | - | 510,899 |
| Proceeds from sale of property plant and equipment | | 70,023 | 427,621 | 69,785 | 328,269 |
| Net cash inflow (outflow) from investing activities | | (1,019,025) | (157,077) | (935,737) | (220,087) |
| Cash flows from financing activities: | | | | | |
| Proceeds from borrowings | | - | - | - | - |
| Repayment of borrowings | | (30,593) | (32,479) | (30,593) | (29,484) |
| Net cash inflow (outflow) from financing activities | | (30,593) | (32,479) | (30,593) | (29,484) |
| Net increase (decrease) in cash held | | (279,906) | 98,275 | (187,574) | (306,528) |
| Cash at beginning of reporting period | | 1,428,360 | 1,330,085 | 400,109 | 706,637 |
| Cash at end of reporting period | 13 | 1,148,454 | 1,428,360 | 212,535 | 400,109 |

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

1 Basis of preparation

1.01 General

The financial statements have been prepared in accordance with Australian Equivalents to International Financial Reporting Standards (AEIFRS) for the first time. The disclosures required by AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards concerning the transition from previous Generally Accepted Accounting Principles (GAAP) to AEIFRS and other policy changes are provided in Note 32.

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (IFRS). Because the Council is a not-for-profit entity and the Australian accounting standards include requirements for not-for-profit entities which are inconsistent with IFRS, to the extent these inconsistencies are applied this Report does not comply with IFRS. The main impact is in the offsetting of revaluation and impairment gains and losses within a class of assets.

This financial report has been prepared as a general purpose financial report and complies with the requirements of the Local Government Act 1993, the Local Government Finance Standard 2005, and the Australian Accounting Standards including AAS27.

Except where otherwise stated the financial report has been prepared in accordance with the historical cost basis.

1.02 Early adoption of new Accounting Standards.

The following Australian Accounting Standards are not mandatory for the financial year 2005-06 but, as permitted, have been applied in preparing this report.:

AASB7
AASB2005-1, 4, 5, 6, 9, 10
AASB2006-1

None of these Standards makes a material difference to the information reported.

1.03 Currency

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

1.04 Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by the Murgon Council (Council) as at 30 June 2006 and the results of all controlled entities for the year then ended. The Council and its controlled entities together form the economic entity which is referred to in this financial report as the consolidated entity. There are three entities included in the consolidation, all of which are wholly owned by Murgon Shire Council. These entities are Barambah Community Services Limited, Castra Retirement Home Limited and Organics Reclaimed Pty Ltd.

In the process of reporting the Council as a single economic entity, all transactions with entities controlled by the Council have been eliminated.

1.05 Constitution

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

1.06 Date of authorisation

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

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

2 Summary of Significant Accounting Policies

2.01 Rates, Grants and Other Revenue

Rates, Grants and Other Revenue are recognised as revenue on receipt of funds or earlier unconditional entitlement to the funds.

(i) Rates

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

(ii) Grants and Subsidies

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

(iii) Non-Cash Contributions

Non-cash contributions in excess of the recognition thresholds set out in note 2.09 in value, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue only.

(iv) Other Revenue Including Contributions

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

2.02 Cash and Cash Equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash assets include all cash and cheques receipted but not banked as well as deposits at call with financial institutions. It also includes bank overdrafts and liquid investments with short periods to maturity that are readily convertible to cash at the Council's option without penalty and that are subject to a low risk of changes in value.

The Council considers all its term deposits, being for periods of less than one year to be cash equivalents.

2.03 Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery, settlement on trade debtors being generally required within 30 days from the invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off at 30 June.

Loans and advances are recognised at cost. Terms are usually a maximum of five years with interest charged at commercial rates. Security is not normally obtained.

2.04 Other Financial Assets

Other Financial Assets are recognised at cost.

2.05 Inventories

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

Inventories held for distribution are:

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

These goods are valued at the lower of cost and replacement cost.

2.06 Land Held for Resale

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

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

Land acquired for use by the Council which is no longer required is reclassified within property, plant and equipment to land held for development and resale. It continues to be measured at fair value until it is actively being marketed and expected to be sold within one year. When this occurs it is transferred to Non-current assets held for resale and revalued at fair value less costs to sell.

2.07 Investments

Financial institution deposits at call and term deposits are treated as cash equivalents.

Interest and dividend revenues are recognised on an accrual basis.

The controlled entity is accounted for at cost in the Council's separate financial statements.

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

2.08 Investment Property

Investment property, which is property held for the primary purpose of earning rentals and/or capital appreciation, is initially recognised at cost including transaction costs. Where investment property is acquired at no or nominal cost it is recognised at fair value. Investment property is subsequently carried at fair value at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in the income statement for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

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

2.09 Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Council has adopted the following recognition thresholds for different asset classes. Items which have a value below the set amount are expensed.

- (a) land - \$1
- (b) plant and equipment - \$5,000
- (c) all other classes of asset - \$10,000

(i) Acquisition of Assets

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

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

(ii) Capital and operating expenditure

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

(iii) Valuation

Land, buildings, infrastructure and heritage and cultural assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and the *Local Government Finance Standard 2005*. All other non-current assets, principally plant and equipment and intangibles, are measured at cost.

Non-current physical assets measured at fair value are revalued where required so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This revaluation may involve the application of a suitable index to the cost elements of each asset, or may involve an independent assessment of the value. Only those assets, the total values of which are material, compared to the value of the class of assets to which they belong, are comprehensively revalued.

Details of valuers and methods of valuations are disclosed in Note 18(c).

The Council has determined that individual items of plant and equipment with a cost in excess of \$1m are of high value to the local government. These items are classified as Major Plant & Equipment and are recorded at fair value. Murgon Shire Council currently hold no items which meet this criteria. All other items of plant and equipment are measured at depreciated cost. The carrying amounts for plant and equipment measured at depreciated cost should not differ materially from their fair value.

(iv) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council.

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

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

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

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in note 18

(v) Unfunded Depreciation

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

2.10 Intangible Assets

Only intangible assets which have a cost exceeding \$10,000 are recognised as intangible assets.

Expenditure on internally generated intangible assets is recognised from the date of the approval by the Council of a capital expenditure authorisation for the acquisition or development of the asset. This approval is taken to indicate that the project meets the criteria for recognition in AASB138.57

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised.

It has been determined that there is not an active market for any of the department's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

2.11 Capital Work in Progress

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

2.12 Impairment

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the department determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

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

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

2.13 Leases

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

(i) Finance leases

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

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

(ii) Operating leases

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

2.14 Payables

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

2.15 Liabilities - Employee Benefits

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

(i) Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability is treated as a payable and not as a provision.

(ii) Annual Leave

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

(iii) Sick Leave

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

(iv) Superannuation

The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees.

Details of those arrangements are set out in Note 28

(v) Long Service Leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs.

2.16 Borrowings

Loans payable are measured at amortised cost. Interest is recognised as it accrues.

Borrowing costs are treated as an expense and not capitalised.

2.17 Asset Revaluation Reserve

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

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

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

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

2.18 Reserves

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

(i) Buildings reserve

This reserve is held by Castra Retirement Home Limited, a wholly owned Council entity, and represents amounts set aside for the future replacement of buildings.

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

for the Year Ended 30 June 2006

(ii) Water reserve

This reserve represents the amount of Council's net funds set aside to meet future water infrastructure needs.

(iii) Sewerage reserve

This reserve represents the amount of Council's net funds set aside to meet future sewerage infrastructure needs.

(iv) Employee entitlements reserve

This reserve represents the amount of Council's net funds set aside to fund employee entitlements as they are claimed.

(v) Constrained works reserve

This reserve represents the amount of Council's funds required for the purpose of performing determined works.

2.19 Retained Surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs. The main part of this amount is not available for Council to spend as it has already been invested in assets used to provide services.

2.20 Financial Risk Management

The Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year.

The Council does not invest in derivatives or other risky investments.

When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk.

Details of financial instruments and the associated risks are shown at note 31.

2.21 Trust Funds Held for Outside Parties

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

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

2.22 Taxation

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

The controlled entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 1993*.

Where an activity of the controlled entity of the Council is subject to the National Tax Equivalents Regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

3 Analysis of results by function

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

| Functions | Revenue | | Total revenue | Total expenses | Net result for period | Assets |
|---------------------------------------|------------------|------------------|------------------|-------------------|-----------------------|-------------------|
| | Grants | Other | | | | |
| | 2006 \$ | 2006 \$ | 2006 \$ | 2006 \$ | 2006 \$ | 2006 \$ |
| Governance, Controlled Entities | 43,663 | 329,166 | 372,829 | 799,553 | (426,724) | 3,258,683 |
| Administration, HR, Finance | 1,080,102 | 2,392,764 | 3,472,866 | 2,359,758 | 1,113,108 | 947,914 |
| Health, Building, Planning | 77,407 | 207,195 | 284,602 | 298,561 | (13,959) | 2,296,240 |
| Community, Tourism, Culture | 16,062 | 42,522 | 58,584 | 365,718 | (307,134) | 1,786,459 |
| Works, Plant, Rural Services | 528,569 | 1,822,770 | 2,351,339 | 8,563,603 | (6,212,264) | 21,673,199 |
| Sport, Recreation, Environment | 38,868 | 98,956 | 137,824 | 1,102,866 | (965,042) | 6,776,098 |
| Waste, Water, Sewerage | 43,278 | 1,347,155 | 1,390,433 | 1,279,518 | 110,915 | 8,158,923 |
| | | | | | | |
| Total Council | 1,827,949 | 6,240,528 | 8,068,477 | 14,769,577 | (6,701,100) | 44,897,516 |
| Controlled entity net of eliminations | 816,386 | 698,136 | 1,514,522 | 1,588,476 | (73,953) | 2,698,824 |
| Total Consolidated | 2,644,335 | 6,938,664 | 9,582,999 | 16,358,053 | (6,775,053) | 47,596,340 |

Prior Year

| Functions | Revenue | | Total revenue | Total expenses | Net result for period | Assets |
|---------------------------------------|------------------|------------------|------------------|-------------------|-----------------------|-------------------|
| | Grants | Other | | | | |
| | 2005 \$ | 2005 \$ | 2005 \$ | 2005 \$ | 2005 \$ | 2005 \$ |
| Governance, Controlled Entities | 51,817 | 661,909 | 713,726 | 1,447,703 | (733,977) | 2,598,116 |
| Administration, HR, Finance | 1,090,237 | 1,385,648 | 2,475,885 | 1,394,085 | 1,081,800 | 1,838,243 |
| Health, Building, Planning | - | 572,766 | 572,766 | 618,217 | (45,451) | 2,644,079 |
| Community, Tourism, Culture | 8,500 | 52,012 | 60,512 | 352,772 | (292,260) | 1,783,173 |
| Works, Plant, Rural Services | 224,026 | 1,391,493 | 1,615,519 | 2,951,502 | (1,335,983) | 30,637,019 |
| Sport, Recreation, Environment | 58,408 | 102,333 | 160,741 | 803,292 | (642,551) | 6,801,199 |
| Waste, Water, Sewerage | 3,000 | 1,343,586 | 1,346,586 | 1,236,860 | 109,726 | 8,075,598 |
| | | | | | | |
| Total Council | 1,435,988 | 5,509,747 | 6,945,735 | 8,804,431 | (1,858,696) | 54,377,427 |
| Controlled entity net of eliminations | 697,954 | 774,358 | 1,472,312 | 1,548,194 | (75,882) | 2,690,649 |
| Total Consolidated | 2,133,942 | 6,284,105 | 8,418,047 | 10,352,625 | (1,934,578) | 57,068,076 |

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

3 (b) Components of council functions

The activities relating to the Council's components reported on in Note 3(a) are as follows :

Governance, Controlled Entities

Includes controlled entities, corporate governance, economic development, elections and shire promotion

Administration, HR, Finance

Includes revenue, purchasing, creditors and payments, payroll, costing, budgeting

Includes personnel, records, recruitment, training and development, public relations

Health, Building, Housing, Planning

Includes strategic (town) planning, subdivisional and building application administration

Includes animal control, pest control and health regulation and compliance

Includes building related inspectorial services and community housing

Tourism, Community, Culture

Includes library, visitor information centre, caravan park, museum and halls

Includes schools and education

Works, Plant, Rural Services

Includes construction and maintenance of roads, stormwater drainage, footpaths and bicycle ways

Includes saleyards, plant and equipment

Sport, Recreation, Environment

Includes parks and gardens administration and maintenance

Includes sporting facilities and natural resources

Waste, Water, Sewerage

Includes sewerage treatment and disposal

Includes refuse collection, disposal and recycling

Includes water distribution, water pumping stations and reticulation

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Note | Consolidated | | Council | |
|---|------|--------------|-----------|-----------|-----------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| | | \$ | \$ | \$ | \$ |
| <u>Notes on the Income Statement</u> | | | | | |
| 4 Revenue analysis | | | | | |
| (a) Rate and charges | | | | | |
| General rates | | 1,499,924 | 1,418,796 | 1,499,924 | 1,418,796 |
| Water | | 198,596 | 173,299 | 198,596 | 173,299 |
| Water consumption, rental and sundries | | 457,064 | 597,323 | 457,064 | 597,323 |
| Sewerage | | 495,636 | 464,257 | 495,636 | 464,257 |
| Garbage charges | | 200,271 | 179,817 | 200,271 | 179,817 |
| Total rates and utility charge revenue | | 2,851,491 | 2,833,492 | 2,851,491 | 2,833,492 |
| Less: Discounts | | (306,429) | (306,703) | (306,429) | (306,703) |
| Less: Pensioner remissions | | (17,020) | (17,014) | (17,020) | (17,014) |
| Net rates and utility charges | | 2,528,042 | 2,509,775 | 2,528,042 | 2,509,775 |
| (b) Fees and charges | | | | | |
| Fees and Charges | | 4,329,325 | 3,504,410 | 3,770,669 | 2,978,512 |
| | | 4,329,325 | 3,504,410 | 3,770,669 | 2,978,512 |
| (c) Interest received | | | | | |
| Interest received from investments | | 51,198 | 78,256 | 8,489 | 27,930 |
| Interest from overdue rates and utility charges | | 14,463 | 15,192 | 14,463 | 15,192 |
| | | 65,661 | 93,448 | 22,952 | 43,122 |
| (d) Profit from investments | | | | | |
| Profit from wholly owned ventures - Organics Reclaimed Pty Ltd | | (0) | 0 | (63,390) | (153,728) |
| | | (0) | 0 | (63,390) | (153,728) |
| (e) Other recurrent income | | | | | |
| Other Income | | 33,143 | 82,925 | - | 44,817 |
| | | 33,143 | 82,925 | - | 44,817 |
| 5 Grants, subsidies, contributions and donations | | | | | |
| (a) Recurrent - government grants and subsidies, other contributions and donations are analysed as follows. | | | | | |
| General purpose grants | | 1,713,580 | 988,483 | 1,037,730 | 988,483 |
| State Government subsidies and grants | | 739,594 | 1,013,271 | 617,480 | 317,107 |
| Donations | | 18,422 | 15,880 | - | 14,090 |
| Contributions | | 40,872 | 75,065 | 40,872 | 75,065 |
| Total recurrent revenue | | 2,512,468 | 2,092,699 | 1,696,082 | 1,394,745 |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | | Consolidated | | Council | |
|---|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| (b) Capital - government grants and subsidies, and other contributions are analysed as follows. | | | | | |
| State Government subsidies and grants | | 131,867 | 41,243 | 131,867 | 41,243 |
| Contributions | | - | - | - | - |
| Total capital revenue | | <u>131,867</u> | <u>41,243</u> | <u>131,867</u> | <u>41,243</u> |

6 Capital income

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

| | | | | |
|---|-----------------|------------------|-----------------|------------------|
| (a) Proceeds from the sale of plant & equipment | 70,023 | 345,105 | 69,785 | 328,269 |
| Less: Book value of disposed items | <u>(87,530)</u> | <u>(386,157)</u> | <u>(87,530)</u> | <u>(375,619)</u> |
| | <u>(17,507)</u> | <u>(41,052)</u> | <u>(17,745)</u> | <u>(47,350)</u> |
| (b) Proceeds from sale of land and improvements | - | 510,899 | - | 510,899 |
| Less: Book value of land sold | <u>-</u> | <u>(376,300)</u> | <u>-</u> | <u>(376,300)</u> |
| | <u>-</u> | <u>134,599</u> | <u>-</u> | <u>134,599</u> |
| Total gain (loss) on the disposal of non-current assets | <u>(17,507)</u> | <u>93,547</u> | <u>(17,745)</u> | <u>87,249</u> |

7 Employee benefits

| | | | | |
|--|-------------------|------------------|------------------|------------------|
| Total staff wages and salaries | 3,185,364 | 2,900,958 | 2,316,291 | 2,030,457 |
| Councillors' remuneration | 146,990 | 153,099 | 146,990 | 153,099 |
| Annual, sick and long service leave entitlements | 459,560 | 400,289 | 357,377 | 315,853 |
| Superannuation | 28 <u>378,838</u> | <u>326,460</u> | <u>298,774</u> | <u>249,185</u> |
| | 4,170,752 | 3,780,806 | 3,119,432 | 2,748,594 |
| Other employee related expenses | <u>312,224</u> | <u>294,004</u> | <u>296,882</u> | <u>284,425</u> |
| | 4,482,976 | 4,074,810 | 3,416,314 | 3,033,019 |
| Less : Capitalised employee expenses | <u>(140,136)</u> | <u>(110,059)</u> | <u>(140,136)</u> | <u>(110,059)</u> |
| | <u>4,342,840</u> | <u>3,964,751</u> | <u>3,276,178</u> | <u>2,922,960</u> |

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

| | | |
|--|-----------|-----------|
| Total Council employees at the reporting date: | 2006 | 2005 |
| Elected members | 7 | 7 |
| Administration staff | 24 | 26 |
| Depot and outdoors staff | 33 | 31 |
| Total full time equivalent employees | <u>64</u> | <u>64</u> |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Note | Consolidated | | Council | |
|--|------|------------------|------------------|------------------|------------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| | | \$ | \$ | \$ | \$ |
| 8 Materials and services | | | | | |
| Audit services | | 71,652 | 39,250 | 50,474 | 28,750 |
| Donations paid | | 11,890 | 5,592 | 11,890 | 5,592 |
| Rentals - Operating leases | | 22,623 | 15,012 | 22,623 | 15,012 |
| Other material and services | | 4,561,942 | 4,443,064 | 4,192,580 | 4,019,508 |
| | | <u>4,668,107</u> | <u>4,502,918</u> | <u>4,277,567</u> | <u>4,068,862</u> |
| 9 Finance costs | | | | | |
| Finance costs charged by the Queensland Treasury Corporation | | 4,878 | 4,123 | 4,878 | 4,123 |
| Finance costs relating to other bank loans | | - | 610 | - | - |
| Bank charges | | 8,906 | 9,274 | 8,072 | 7,291 |
| Bad and doubtful debts | | 749 | 3,984 | 749 | 3,984 |
| | | <u>14,533</u> | <u>17,991</u> | <u>13,699</u> | <u>15,398</u> |
| 10 Depreciation and amortisation | | | | | |
| Depreciation of non-current assets | | | | | |
| Buildings and land improvements | | 807,173 | 577,805 | 731,281 | 555,990 |
| Plant and equipment | | 312,733 | 261,145 | 258,185 | 214,108 |
| Road, Drainage and Bridge Network | | 1,553,425 | 594,707 | 1,553,425 | 594,707 |
| Water | | 134,089 | 187,230 | 134,089 | 187,230 |
| Sewerage | | 125,496 | 125,496 | 125,496 | 125,496 |
| Other Assets | | - | 239 | - | 239 |
| | | <u>2,932,916</u> | <u>1,746,622</u> | <u>2,802,476</u> | <u>1,677,770</u> |
| Total depreciation of non current assets | | 2,932,916 | 1,746,622 | 2,802,476 | 1,677,770 |

Unfunded Depreciation

Accumulated Unfunded Depreciation

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

It is anticipated external borrowings will be required as the assets are replaced resulting in higher future operating costs. Recognition of un-funded depreciation represents a decline in the capital value of the shire.

Net adjusted un-funded depreciation 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.

The gross un-funded depreciation across all assets for the period is \$2,301,443 (2005 - \$1,677,770)

The net adjusted un-funded depreciation across all assets for the period is \$2,079,455 (2005 - \$1,677,770)

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | | Consolidated | | Council | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| 11 Loss on impairment | | | | | |
| Loss on impairment of assets classified as held for sale | | - | - | - | - |
| Loss on impairment of property plant and equipment | 18 | - | 902 | - | - |
| | | <u>-</u> | <u>902</u> | <u>-</u> | <u>-</u> |
| 12 Revaluation Decrement | | | | | |
| Revaluation down of property, plant and equipment | 18 | 4,399,657 | 119,441 | 4,399,657 | 119,441 |
| | | <u>4,399,657</u> | <u>119,441</u> | <u>4,399,657</u> | <u>119,441</u> |

Notes on the Balance Sheet

13 Cash and cash equivalents

| | | | | |
|--|------------------|------------------|----------------|----------------|
| Cash at bank and on hand | 380,757 | 1,155,542 | 212,534 | 127,291 |
| Deposits at call | <u>767,697</u> | <u>272,818</u> | <u>-</u> | <u>272,818</u> |
| Balance per cash flow statement | <u>1,148,454</u> | <u>1,428,360</u> | <u>212,534</u> | <u>400,109</u> |

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

| | | | | |
|--|----------------|----------------|---------------|----------------|
| Unspent government grants and subsidies | 137,625 | 380,595 | 29,592 | 168,891 |
| Total unspent restricted cash for capital projects | <u>137,625</u> | <u>380,595</u> | <u>29,592</u> | <u>168,891</u> |

Cash and deposits at call are held in the Commonwealth Bank of Australia in normal term deposits and business cheque accounts.

14 Trade and other receivables

(a) Current

| | | | | |
|--------------------------------------|----------------|----------------|----------------|----------------|
| Rateable revenue and utility charges | 126,235 | 158,424 | 126,235 | 158,424 |
| Interest Receivable | 216 | 2,588 | 216 | 2,588 |
| Other debtors | <u>154,895</u> | <u>516,931</u> | <u>144,614</u> | <u>461,073</u> |
| | <u>281,346</u> | <u>677,943</u> | <u>271,065</u> | <u>622,085</u> |

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.

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | | Consolidated | | Council | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| 15 Inventories | | | | | |
| Current | | | | | |
| Inventories for consumption: | | | | | |
| Stores and Raw Materials | | 36,948 | 35,092 | 4,581 | 3,987 |
| Total inventories for consumption | | 36,948 | 35,092 | 4,581 | 3,987 |
| Valued at the lower of cost and selling price less cost to sell. | | | | | |
| Land purchased for development and sale | | 100,000 | 100,000 | 100,000 | 100,000 |
| Total inventories | | 136,948 | 135,092 | 104,581 | 103,987 |
| 16 Other financial assets | | | | | |
| Current | | | | | |
| Prepayments | | 22,175 | 84,637 | 18,000 | 84,637 |
| | | 22,175 | 84,637 | 18,000 | 84,637 |
| 17 Equity investments | | | | | |
| Wholly owned ventures - Organics Reclaimed Pty Ltd | | - | - | 108,543 | 171,933 |
| | | - | - | 108,543 | 171,933 |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

18 (a) Consolidated property, plant and equipment

Asset Values

Opening gross value at cost
 Opening gross value at valuation
 Additions at cost
 Disposals
 Revaluation adjustment to the ARR
 Revaluation adjustment to Income
 Assets classified as held for sale
 Assets transferred to Investment Property
 Internal transfers
 Closing gross value

| Land | Buildings & Land Imps | Plant and equipment | Road Network | Water | Sewerage | Town Plan | Total |
|-----------|-----------------------|---------------------|--------------|-----------|-----------|-----------|--------------|
| 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| - | - | 5,837,772 | - | - | - | - | 5,837,772 |
| 1,571,000 | 31,648,378 | - | 56,690,505 | 9,902,926 | 7,417,415 | 21,199 | 107,251,423 |
| - | 400,415 | 193,731 | 624,105 | 52,101 | - | - | 1,270,352 |
| (27,000) | - | (203,892) | - | - | - | (21,199) | (252,091) |
| 53,515 | 2,811,924 | - | (20,840,965) | 20,799 | 170,080 | - | (17,784,647) |
| - | - | - | (4,399,657) | - | - | - | (4,399,657) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,597,515 | 34,860,717 | 5,827,611 | 32,073,988 | 9,975,826 | 7,587,495 | - | 91,923,152 |

Accumulated Depreciation and Impairment

Opening balance
 Depreciation provided in period
 Depreciation on disposals
 Revaluation adjustment to the ARR
 Impairment adjustment to the ARR
 Impairment adjustment to Income
 Assets classified as held for sale
 Assets transferred to Investment Property
 Internal transfers
 Accumulated depreciation at period end
 Written down value at cost
 Written down value at fair value at period end

| | | | | | | | |
|-----------|------------|-----------|--------------|-----------|-----------|----------|--------------|
| - | 17,101,878 | 4,340,204 | 27,947,635 | 4,378,059 | 4,866,684 | 21,199 | 58,655,659 |
| - | 807,173 | 312,733 | 1,553,425 | 134,089 | 125,496 | - | 2,932,916 |
| - | - | (143,362) | - | - | - | (21,199) | (164,561) |
| - | 1,716,077 | - | (17,458,833) | 202,826 | 158,855 | - | (15,381,075) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 19,625,128 | 4,509,575 | 12,042,227 | 4,714,974 | 5,151,035 | - | 46,042,939 |
| - | - | 1,318,036 | - | - | - | - | 1,318,036 |
| 1,597,515 | 15,235,589 | - | 20,031,761 | 5,260,852 | 2,436,460 | - | 44,562,177 |

Consolidated book value at period end

| | | | | | | | |
|-----------|------------|-----------|------------|-----------|-----------|---|------------|
| 1,597,515 | 15,235,589 | 1,318,036 | 20,031,761 | 5,260,852 | 2,436,460 | - | 45,880,213 |
|-----------|------------|-----------|------------|-----------|-----------|---|------------|

Range of estimated useful life in years

| | | | | | | |
|-----------------|----------|--------|---------|---------|---------|---------|
| Not depreciated | 40 - 100 | 2 - 20 | 5 - 100 | 20 - 80 | 20 - 60 | 20 - 40 |
|-----------------|----------|--------|---------|---------|---------|---------|

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

18 (b) Council property, plant and equipment

Asset Values

Opening gross value at cost
 Opening gross value at valuation
 Additions at cost
 Disposals
 Revaluation adjustment to the ARR
 Revaluation adjustment to Income
 Assets classified as held for sale
 Assets transferred to Investment Property
 Internal transfers
 Closing gross value

| Land | Buildings & Land Imps | Plant and equipment | Road Network | Water | Sewerage | Town Plan | Total |
|-----------|-----------------------|---------------------|--------------|-----------|-----------|-----------|--------------|
| 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| - | - | 5,425,503 | - | - | - | - | 5,425,503 |
| 1,556,000 | 30,020,843 | - | 56,690,505 | 9,902,926 | 7,417,415 | 21,199 | 105,608,888 |
| - | 392,733 | 117,887 | 624,105 | 52,101 | - | - | 1,186,826 |
| (27,000) | - | (198,992) | - | - | - | (21,199) | (247,191) |
| 53,515 | 2,544,034 | - | (20,840,965) | 20,799 | 170,080 | - | (18,052,537) |
| - | - | - | (4,399,657) | - | - | - | (4,399,657) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 1,582,515 | 32,957,610 | 5,344,398 | 32,073,988 | 9,975,826 | 7,587,495 | - | 89,521,832 |

Accumulated Depreciation and Impairment

Opening balance
 Depreciation provided in period
 Depreciation on disposals
 Revaluation adjustment to the ARR
 Impairment adjustment to the ARR
 Impairment adjustment to Income
 Assets classified as held for sale
 Assets transferred to Investment Property
 Internal transfers
 Accumulated depreciation at period end

| | | | | | | | |
|---|------------|-----------|--------------|-----------|-----------|----------|--------------|
| - | 17,043,600 | 4,091,046 | 27,947,635 | 4,378,059 | 4,866,684 | 21,199 | 58,348,223 |
| - | 731,281 | 258,185 | 1,553,425 | 134,089 | 125,496 | - | 2,802,476 |
| - | - | (138,462) | - | - | - | (21,199) | (159,661) |
| - | 1,572,357 | - | (17,458,833) | 202,826 | 158,855 | - | (15,524,795) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 19,347,238 | 4,210,769 | 12,042,227 | 4,714,974 | 5,151,035 | - | 45,466,243 |

Written down value at cost
 Written down value at fair value

| | | | | | | | |
|-----------|------------|-----------|------------|-----------|-----------|---|------------|
| - | - | 1,133,629 | - | - | - | - | 1,133,629 |
| 1,582,515 | 13,610,372 | - | 20,031,761 | 5,260,852 | 2,436,460 | - | 42,921,960 |

Total written down value at period end
 Range of estimated useful life in years

| | | | | | | | |
|-----------------|------------|-----------|------------|-----------|-----------|---------|------------|
| 1,582,515 | 13,610,372 | 1,133,629 | 20,031,761 | 5,260,852 | 2,436,460 | - | 44,055,589 |
| Not depreciated | 40 - 100 | 2 - 20 | 5 - 100 | 10 - 60 | 20 - 60 | 20 - 40 | |

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Consolidated | | Council | |
|------|--------------|--------|---------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Note | Actual | Actual | Actual | Actual |
| | \$ | \$ | \$ | \$ |

18 (e) Property, plant and equipment valuations were determined by reference to the following:

Land

Land was valued by Rushtons Pty Ltd independent valuers as at 30 June 2005. Land has been revalued using cost indices as at 30 June 2006. The indices used were obtained from the Australian Bureau of Statistics report ABS Cat. No 8755.0

Land under infrastructure and reserve land does not have a value for the purpose of the Murgon Shire Council's financial statements.

Buildings

Buildings and land improvements were valued by Rushtons Pty Ltd independent valuers as at 30 June 2005. Buildings and land improvements have been revalued using cost indices as at 30 June 2006. The indices used were obtained from the Australian Bureau of Statistics report ABS Cat. No 8755.0. Buildings have been included at their written down current replacement cost.

Plant and Equipment

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

Infrastructure

Water and Sewerage Infrastructure -

Included at the written down current replacement cost as at 30 June 2006 as determined by Farr Evrat Engineers Pty Ltd.

Road and Drainage and other Infrastructure -

Included at the written down current replacement cost as at 30 June 2006 as determined by Farr Evrat Engineers Pty Ltd.

19 Capital work in progress

| | | | |
|---------|---------|---------|---------|
| 127,204 | 308,508 | 127,204 | 308,508 |
| 127,204 | 308,508 | 127,204 | 308,508 |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Note | Consolidated | | Council | |
|-------------------------------------|------|------------------|------------------|----------------|----------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| | | \$ | \$ | \$ | \$ |
| 20 Trade and other payables | | | | | |
| Current | | | | | |
| Creditors and accruals | | 403,021 | 479,014 | 337,984 | 380,404 |
| Sundry Loans | | 3,000 | - | 3,000 | 26,778 |
| Unearned revenue charged in advance | | - | 22,246 | - | 22,246 |
| Unearned grants received in advance | | 137,625 | 380,595 | 29,592 | 168,891 |
| Entry contributions | | 708,439 | 656,134 | - | - |
| Annual leave | | 261,475 | 243,685 | 199,657 | 170,484 |
| Long service leave | | 243,149 | 98,462 | 202,359 | 76,603 |
| Other employee entitlements | | 16,028 | 16,648 | 12,593 | 14,483 |
| | | <u>1,772,737</u> | <u>1,896,784</u> | <u>785,185</u> | <u>859,889</u> |
| Non Current | | | | | |
| Annual leave | | 134,531 | 121,106 | 122,999 | 115,229 |
| Long service leave | | 116,840 | 268,736 | 104,106 | 257,648 |
| | | <u>251,371</u> | <u>389,842</u> | <u>227,105</u> | <u>372,877</u> |

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

These estimates are then adjusted for the probability of the employee remaining in the council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value.

21 Borrowings

(i) Queensland Treasury Corporation

| | | | | |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| Opening balance | 91,434 | 120,918 | 91,434 | 120,918 |
| Loans raised | - | - | - | - |
| Principal repayments | <u>(30,593)</u> | <u>(29,484)</u> | <u>(30,593)</u> | <u>(29,484)</u> |
| Book value at period end | <u>60,841</u> | <u>91,434</u> | <u>60,841</u> | <u>91,434</u> |
| Classified as : | | | | |
| Current | 34,951 | 33,714 | 34,951 | 33,714 |
| Non-current | <u>25,890</u> | <u>57,720</u> | <u>25,890</u> | <u>57,720</u> |
| | <u>60,841</u> | <u>91,434</u> | <u>60,841</u> | <u>91,434</u> |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Note | Consolidated | | Council | |
|--|------|--------------|---------|---------|--------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| | | \$ | \$ | \$ | \$ |
| <p>The loan market value at the reporting date was \$59,264-72. 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.</p> | | | | | |
| (ii) Other Bank Loans | | | | | |
| Opening balance | | - | 9,372 | - | - |
| Loans raised | | - | - | - | - |
| Repayments | | - | (9,372) | - | - |
| Book value at period end | | - | - | - | - |
| Classified as : | | | | | |
| Current | | - | - | - | - |
| Non-current | | - | - | - | - |
| | | - | - | - | - |

22 Asset revaluation reserve

(i) Movements in the asset revaluation reserve were as follows:

| | | | | |
|--|-------------|------------|-------------|-----------|
| Balance at beginning of period | 10,565,272 | 8,978,216 | 9,619,773 | 8,758,702 |
| Net adjustment to non-current assets at end of period to reflect a change in current fair value: | | | | |
| Land | 53,515 | 657,414 | 53,515 | 657,414 |
| Buildings and improvements | 1,095,847 | 40,166 | 971,677 | (685,819) |
| Plant and equipment | - | - | - | - |
| Road, Drainage and Bridge Network | (3,382,132) | 568,637 | (3,382,132) | 568,637 |
| Water | (182,027) | 908,007 | (182,027) | 908,007 |
| Sewerage | 11,225 | (587,168) | 11,225 | (587,168) |
| Balance at end of the year | 8,161,700 | 10,565,272 | 7,092,031 | 9,619,773 |

(ii) Asset revaluation reserve analysis

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

| | | | | |
|-----------------------------------|-----------|------------|-----------|-----------|
| Land | 710,930 | 657,415 | 710,930 | 657,415 |
| Buildings and improvements | 6,061,377 | 4,965,530 | 4,991,708 | 4,020,031 |
| Plant and equipment | - | - | - | - |
| Road, Drainage and Bridge Network | 0 | 3,382,132 | - | 3,382,132 |
| Water | 1,378,138 | 1,560,165 | 1,378,138 | 1,560,165 |
| Sewerage | 11,225 | - | 11,225 | - |
| Town Plan | 30 | 30 | 30 | 30 |
| | 8,161,700 | 10,565,272 | 7,092,031 | 9,619,773 |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| For the year ended 30 June 2006 | | Consolidated | | Council | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| 23 Retained surplus | | | | | |
| Movements in the retained surplus were as follows: | | | | | |
| Retained surplus/(deficit) at the beginning of financial year | | 43,757,447 | 46,000,314 | 43,136,584 | 45,292,150 |
| Result from ordinary activities | | (6,775,053) | (1,934,578) | (6,701,100) | (1,858,696) |
| Transfers (to) from capital reserves for future capital project funding, or from reserves funds that have been expended: | 24 | | | | |
| Buildings reserve | | (37,908) | (11,419) | - | - |
| Water reserve | | - | (69,300) | - | (69,300) |
| Sewerage reserve | | - | (120,500) | - | (120,500) |
| Employee entitlements reserve | | - | (100,000) | - | (100,000) |
| Constrained works reserve | | 7,070 | (7,070) | 7,070 | (7,070) |
| Retained surplus at the end of the financial year | | 36,951,556 | 43,757,447 | 36,442,554 | 43,136,584 |

24 Other reserves

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

| | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|
| (i) Buildings reserve | 108,330 | 70,422 | - | - |
| (ii) Water reserve | 69,300 | 69,300 | 69,300 | 69,300 |
| (iii) Sewerage reserve | 120,500 | 120,500 | 120,500 | 120,500 |
| (iv) Employee entitlements reserve | 100,000 | 100,000 | 100,000 | 100,000 |
| (v) Constrained works reserve | - | 7,070 | - | 7,070 |
| | <u>398,130</u> | <u>367,292</u> | <u>289,800</u> | <u>296,870</u> |

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

(i) Buildings reserve

| | | | | |
|--|----------------|---------------|----------|----------|
| Balance at the beginning of period | 70,422 | 59,003 | - | - |
| Transfer from retained earnings for future expenditure | 37,908 | 11,419 | - | - |
| Transfer to the retained earnings | - | - | - | - |
| Balance at the end of period | <u>108,330</u> | <u>70,422</u> | <u>-</u> | <u>-</u> |

(ii) Water reserve

| | | | | |
|--|---------------|---------------|---------------|---------------|
| Balance at the beginning of period | 69,300 | - | 69,300 | - |
| Transfer from retained earnings for future expenditure | - | 69,300 | - | 69,300 |
| Transfer to the retained earnings | - | - | - | - |
| Balance at the end of period | <u>69,300</u> | <u>69,300</u> | <u>69,300</u> | <u>69,300</u> |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

ended 30 June 2006

| | | Consolidated | | Council | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | Note | 2006 Actual \$ | 2005 Actual \$ | 2006 Actual \$ | 2005 Actual \$ |
| (iii) Sewerage reserve | | | | | |
| Balance at the beginning of period | | 120,500 | - | 120,500 | - |
| Transfer from retained earnings for future expenditure | | - | 120,500 | - | 120,500 |
| Transfer to the retained earnings | | - | - | - | - |
| Balance at the end of period | | 120,500 | 120,500 | 120,500 | 120,500 |
| (iv) Employee entitlements reserve | | | | | |
| Balance at the beginning of period | | 100,000 | - | 100,000 | - |
| Transfer from retained earnings for future expenditure | | - | 100,000 | - | 100,000 |
| Transfer to the retained earnings | | - | - | - | - |
| Balance at the end of period | | 100,000 | 100,000 | 100,000 | 100,000 |
| (v) Constrained works reserve | | | | | |
| Balance at the beginning of period | | 7,070 | - | 7,070 | - |
| Transfer from retained earnings for future expenditure | | - | 7,070 | - | 7,070 |
| Transfer to the retained earnings | | (7,070) | - | (7,070) | - |
| Balance at the end of period | | - | 7,070 | - | 7,070 |

25 Commitments for expenditure

(a) Operating leases

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

| | | | | |
|-------------------|---------|---------|---------|---------|
| Within one year | 22,500 | 22,500 | 22,500 | 22,500 |
| One to five years | 112,500 | 112,500 | 112,500 | 112,500 |
| | 135,000 | 135,000 | 135,000 | 135,000 |

(b) Contractual Commitments

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

| | | | | |
|--|-----------|---|-----------|---|
| Garbage collection contract expires September 2013 | 1,062,800 | - | 1,062,800 | - |
| | 1,062,800 | - | 1,062,800 | - |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Consolidated | | Council | |
|------|--------------|--------|---------|--------|
| | 2006 | 2005 | 2006 | 2005 |
| Note | Actual | Actual | Actual | Actual |
| | \$ | \$ | \$ | \$ |

26 Contingent liabilities

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

The Murgon Shire Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation, authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$70,734.58.

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

As at June 2005 the financial statements reported accumulated member funds of \$2,907,519.

27 Events after balance date

There were no material adjusting events after the balance date.

28 Superannuation

The Murgon Shire Council contributes to the local government superannuation scheme (the scheme). The scheme has two elements referred to as the defined benefits scheme and the accumulation scheme.

Both these schemes are defined contribution schemes as defined in the Australian Accounting Standard AASB119 Employee benefits. Council has no liability to or interest in the scheme other than the payment of the statutory contributions.

Any amount by which either scheme is over or under funded would only affect future benefits and is not an asset or liability of the council.

Accordingly there is no recognition in the financial statements of any over- or under-funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2005 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the accrued benefits.

The general purpose financial statements disclose that the most recent actuarial assessment of the scheme was undertaken as at the 30 June 2005. 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 Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

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

| | | | |
|---------|---------|---------|---------|
| 378,838 | 326,460 | 298,774 | 249,185 |
|---------|---------|---------|---------|

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Note | Consolidated | | Council | |
|---|------|---------------|---------------|---------------|---------------|
| | | 2006 | 2005 | 2006 | 2005 |
| | | Actual | Actual | Actual | Actual |
| | | \$ | \$ | \$ | \$ |
| 29 Trust funds | | | | | |
| Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities | | 33,877 | 28,052 | 33,877 | 28,052 |
| Security deposits | | 29,674 | 28,150 | 29,674 | 28,150 |
| | | <u>63,551</u> | <u>56,202</u> | <u>63,551</u> | <u>56,202</u> |

The Murgon 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.

30 Reconciliation of result from ordinary activities to net cash inflow (outflow) from operating activities

| | | | | |
|--|------------------|------------------|------------------|------------------|
| Result from ordinary activities | (6,775,053) | (1,934,578) | (6,701,100) | (1,858,696) |
| Non-cash operating items: | | | | |
| Depreciation and amortisation | 2,932,916 | 1,746,622 | 2,802,476 | 1,677,770 |
| Revaluation down of property, plant and equipment | 4,399,657 | 119,441 | 4,399,657 | 119,441 |
| Loss on impairment of property plant and equipment | - | 902 | - | - |
| Entries related to previous financial year | - | 178,577 | - | 178,299 |
| | <u>7,332,573</u> | <u>2,045,542</u> | <u>7,202,133</u> | <u>1,975,510</u> |
| Investing and development activities : | | | | |
| Net (profit) loss on disposal of non current assets | 17,507 | 41,052 | 17,745 | 47,350 |
| Net (profit) loss on disposal of current assets (land) | - | (134,599) | - | (134,599) |
| Contributed assets | - | (500) | - | - |
| Net (profit) loss on investments | - | - | 63,390 | - |
| | <u>17,507</u> | <u>(94,047)</u> | <u>81,135</u> | <u>(87,249)</u> |
| Changes in operating assets and liabilities : | | | | |
| (Increase) decrease in receivables | 396,597 | (290,875) | 351,020 | (274,185) |
| (Increase) decrease in other operating assets | 60,606 | (69,715) | 66,043 | (64,922) |
| Increase (decrease) in payables | (262,519) | 472,059 | (220,476) | 116,351 |
| Increase (decrease) in other provisions | - | 96,477 | - | 73,266 |
| Increase (decrease) in other liabilities | - | 62,968 | - | 62,968 |
| | <u>194,684</u> | <u>270,914</u> | <u>196,587</u> | <u>(86,522)</u> |
| Net cash inflow from operating activities | <u>769,711</u> | <u>287,831</u> | <u>778,755</u> | <u>(56,957)</u> |

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

31 Financial instruments

(a) Credit risk exposure

The credit risk on financial assets of the Council (consolidated) which have been recognised on the balance sheet 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 | | Non-interest bearing | | Total | Total |
|----------------------------------|------|------------------------|---------|----------------------|-----------|-----------|-----------|
| | | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial assets | | | | | | | |
| Cash assets and cash equivalents | 13 | 767,697 | 272,818 | 380,757 | 1,155,542 | 1,148,454 | 1,428,360 |
| Receivables | 14 | - | - | 281,346 | 677,943 | 281,346 | 677,943 |
| Prepayments | 16 | - | - | 22,175 | 84,637 | 22,175 | 84,637 |
| | | 767,697 | 272,818 | 684,278 | 1,918,122 | 1,451,975 | 2,190,940 |
| Weighted average interest rate | | 5.5% | 5.0% | | | | |
| Financial liabilities | | | | | | | |
| Payables | 20 | - | - | 2,024,108 | 2,286,626 | 2,024,108 | 2,286,626 |
| Loans - QTC * | 21 | 60,841 | 91,434 | - | - | 60,841 | 91,434 |
| | | 60,841 | 91,434 | 2,024,108 | 2,286,626 | 2,084,949 | 2,378,060 |
| Weighted average interest rate | | 7.3% | 6.8% | | | | |
| Net financial assets | | 706,856 | 181,384 | (1,339,830) | (368,504) | (632,974) | (187,120) |

* 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.

___ AUDITED ___

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Consolidated | Council | Consolidated | Council |
|------|--------------|---------|--------------|---------|
| | 2005 | 2005 | 2004 | 2004 |
| | Actual | Actual | Actual | Actual |
| Note | \$ | \$ | \$ | \$ |

32 Transition to International Financial Reporting Standards

Changes have been made to the Australian Accounting Standards to align Australian practice more closely with accounting in the international community. These changes required 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.

The areas which have changed significantly are set out below.

Property, plant and equipment

The main area of impact is in recognition and measurement of property, plant and equipment. The Council has adopted permitted methods which measure Land, Buildings and infrastructure on the revaluation basis. Plant and equipment is measured at its depreciated actual or deemed cost.

Intangible Assets

The criteria for intangible assets have changed. This means that the Town Plan, which had been shown as part of Property Plant and Equipment is not recognised, but computer software which had previously been treated as an expense will be recognised as an asset.

Impairment testing

Most assets are subject to impairment testing. This means the council has to assess whether the benefits to be obtained from the asset (value in use) or its realisable value exceed the value at which it would be shown in the books. If they both fall short, the asset will be written down to the higher of those two values. For the council these requirements are less severe than for many organisations as the council carries many of its assets at depreciated replacement cost where this is equivalent to fair value, and this is one of the measures for value in use for a Not-for-Profit organisation.

Provisions for disposal and restoration of long lived assets

The council has an obligation to meet future costs for the disposal of some of its long lived assets, or for the restoration of land on which they stand. This obligation is now recognised as a liability and added to the cost of the asset.

The following reconciliations show how the results and financial position as stated on the new basis differ from the amounts on the old basis.

| | | | | |
|--|--------------------|--------------------|-------------------|-------------------|
| Result from ordinary activities (on old basis) | (1,920,058) | (1,842,330) | | |
| Decrease in depreciation charge for plant. (Plant will be accounted for at cost rather than at a mixture of cost and fair value) | 7,683 | 7,683 | | |
| Impairment expenditure | (902) | | | |
| Change in employee entitlements | (23,143) | (24,049) | | |
| Result from ordinary activities (on new basis) | <u>(1,936,420)</u> | <u>(1,858,696)</u> | | |
| Net Assets (on old basis) | 54,730,152 | 53,095,233 | 54,880,128 | 53,898,193 |
| Plant and equipment adjusted to cost basis | (53,949) | (53,047) | (60,730) | (60,730) |
| Change in employee entitlements | 13,813 | 11,041 | 39,841 | 35,090 |
| Organics Reclaimed share purchase 2004 | | | 178,299 | 178,299 |
| Net Assets (on new basis) | <u>54,690,016</u> | <u>53,053,227</u> | <u>55,037,538</u> | <u>54,050,852</u> |

MURGON SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2006

| | Consolidated | Council | Consolidated | Council |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2005 | 2005 | 2004 | 2004 |
| | Actual | Actual | Actual | Actual |
| Note | \$ | \$ | \$ | \$ |
| Equity | | | | |
| <u>Asset Revaluation Reserve</u> | | | | |
| On old basis | 10,565,272 | 9,619,773 | 8,978,216 | 8,758,702 |
| On new basis | <u>10,565,272</u> | <u>9,619,773</u> | <u>8,978,216</u> | <u>8,758,702</u> |
| <u>Retained Surplus</u> | | | | |
| On old basis | 43,797,588 | 43,178,590 | 45,842,909 | 45,139,491 |
| Organics Reclaimed share purchase 2004 | | | 178,299 | 178,299 |
| Change in employee entitlement calculation | 13,813 | 11,041 | 39,841 | 35,090 |
| Plant and equipment adjusted to cost basis | (53,949) | (53,047) | (60,730) | (60,730) |
| On new basis | <u>43,757,452</u> | <u>43,136,584</u> | <u>46,000,319</u> | <u>45,292,150</u> |
| <u>Other reserves</u> | | | | |
| On old basis | 367,292 | 296,870 | 59,003 | - |
| On new basis | <u>367,292</u> | <u>296,870</u> | <u>59,003</u> | <u>-</u> |
| Total Equity (on old basis) | <u>54,730,152</u> | <u>53,095,233</u> | <u>54,880,128</u> | <u>53,898,193</u> |
| Total Equity (on new basis) | <u>54,690,016</u> | <u>53,053,227</u> | <u>55,037,538</u> | <u>54,050,852</u> |

MURGON SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2006

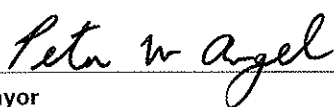
MANAGEMENT CERTIFICATE

For the year ended 30 June 2006

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

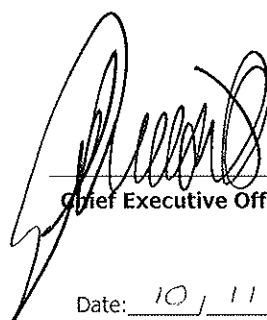
In accordance with Section 48 of the Standard we certify that:-

- (i) the local government considers the relevant recording and reporting procedures have been complied with in the preparation of the
- (ii) the financial statements for the year ended 30 June 2006 and supporting notes present the Council's income, equity, balance sheet and cash flows as required by the Local Government Act 1993.



Mayor

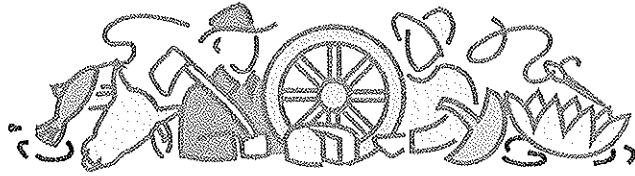
Date: 10 / 11 / 2006



Chief Executive Officer

Date: 10 / 11 / 2006

___ AUDITED ___



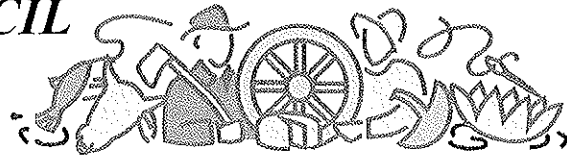
Council of the Shire of Murgon Shire Council

Revenue Policy

2005 / 06

MURGON SHIRE COUNCIL

REVENUE POLICY 2005/06



This policy is formulated in accordance with the requirements of Part 2A Chapter 7 of the Local Government Act 1993 and section 8 of the Local Government Finance Standard 1994.

The Policy outlines the principles used by Council in raising revenue.

RATING

General Rates:

The amount of revenue raised through the levy of a general rate shall be sufficient to fund the operational, capital and provisional costs of the programs of Council, net of income gained through other sources. Council shall consider the economic and environmental circumstances being experienced by the Shire in setting its Rates and Charges.

The general rate shall be charged as a rate in the dollar on the unimproved value of rateable land and the application of a minimum general rate.

Council will adopt a Differential Rating System for the purposes of equitable levying of rates throughout the shire.

A Minimum General Rate is implemented in recognition that all rateable properties receive a minimum level of services for which they should be charged, irrespective of the rate in the dollar calculated from their unimproved capital value.

The Minimum General Rate, shall apply to all lands with the exception of land except with those assessments exempted by the revenue statement.

UTILITY CHARGES

Sewerage Charges

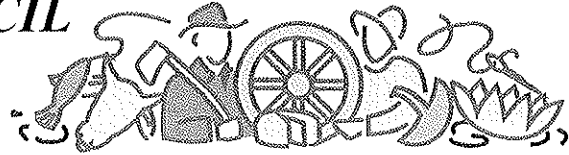
Council will set the level of sewerage charges at a level where the operation of the sewerage service will be self-funding. This shall include the renewal and replacement of infrastructure assets, both within the current financial year and into the future.

A sewerage charge will be levied on each rateable property, both vacant and occupied, that Council has provided or is able to provide with sewerage services (that is the serviced area).

Charges will be based on a user pays system with levies being set for Vacant land, first pedestal and subsequent pedestals.

MURGON SHIRE COUNCIL

REVENUE POLICY 2005/06



Cleansing Charges

Council shall set cleansing charges to raise sufficient income to ensure the refuse collection and disposal service is self funding. This shall include the renewal and replacement of land infrastructure assets, both within the current financial year and into the future. The charge will be based on the cost of providing a refuse removal and disposal service in designated urban and designated rural residential and rural areas of the Shire.

Water Charges

Council shall set water charges to raise sufficient income to ensure the water operations are self funding. This shall include the renewal and replacement of infrastructure assets, both within the current financial year and into the future.

Water charges will be levied on each rateable property, both vacant and occupied, that Council has provided or is able to provide with water services (that is the serviced area).

Water charges will be set on the basis of a two part tariff with a base charge to comprise an annual charge for vacant land, or connection to the system and a volumetric charge for each kilolitre of water consumed.

REBATES AND CONCESSIONS

Pensioner Concession

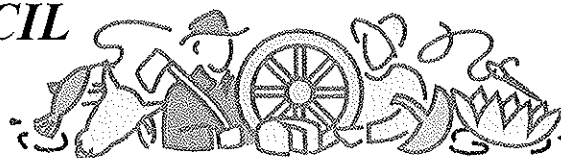
As a concession, and in accordance with Section 1034 of the *Local Government Act - 1993*, Council will allow all recipients of the State Government Pensioner Rate Subsidy a rate rebate in accordance with the following:

1. Remissions shall only be granted in respect of the property to which the state government pensioner subsidy applies.
2. Applications for remission of rates shall be made in the approved form.

Applications shall be lodged by 30th June, for the subsequent year. In exceptional circumstances, late applications may be accepted prior to the issue of rate notices, provided completed applications are lodged in person.

MURGON SHIRE COUNCIL

REVENUE POLICY 2005/06



Remission of Rates

Council will have regard to the Part 6, Chapter 14 of the Local Government Act 1993 when granting exemption remissions under this section of the policy.

RATING IN GENERAL

Rates Adjustments

Where a rate adjustment is due to be charged, as a result of an amended valuation, Council will not charge where the gross adjustment does not offset the cost of charging and recovering such rate. This amount will be kept to a minimum to ensure that rates are charged equitably.

Discount

Council will grant a discount on all General Rates, Separate Rates, Sewerage Charges, Garbage Charges and Water Charges to encourage the early payment of rates.

Issue of Rate Notices

Council shall rate twice yearly, with the bulk issue of rate notices to take place during August and February in each financial year, with the due date falling in September and March respectively.

Interest on Overdue Rates and Charges

Council will levy interest on overdue rates and charges in accordance with the provisions of the Local Government Act 1993.

Payment By Instalments

Council will accept part payments of rates, however will not enter into formal arrangements for the payment of rates by instalments.

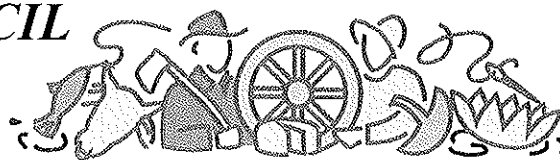
Payment In Advance

Council will accept payments in advance of the levy of rates.

Recovery of Unpaid Amounts of Rates and Charges

MURGON SHIRE COUNCIL

REVENUE POLICY 2005/06



Council will recover Rates and Charges outstanding for a period of more than 6 months and the Sale/Acquisition provisions of the Local Government Act for arrears over 3 years (or 3 months for a mining claim).

General Charges

Council will review its Schedule of Fees and Charges, Sundry Leases and Agreements, Private Works Charges and Development Contributions annually. Fees and Charges will be fixed at levels generally considered reasonable in the circumstances. Council recognises that due to economies of scale full cost recovery is not possible for some functions.

Business Activities

Council has identified the following business activities to which it will apply the Code of Competitive Conduct on an annual basis:

- Water Supply;
- Sewerage;
- Refuse Management;
- Plant;
- Other Roads;
- Tourism; and
- Commercial Properties

Pricing for these business units is set at a level that includes a return on investment.

The business activities will be priced to achieve a return on investment of 8.5% or a Return on Turnover of 5% where there is no capital outlay.

Refer to Section 763 onwards

Business Activity threshold is \$200k

POLICY DETAILS

This policy was adopted by Council on 29th June 2005.

This policy shall commence on 1 July 2005 and expire on 30 June 2006.

MURGON SHIRE COUNCIL

REMUNERATION POLICY

2004

1 Purpose and Effect of Policy

The purpose of this policy is to provide for reasonable and adequate remuneration for Councillors for their time spent in attending to Council business.

The effect of the policy is that remuneration shall be paid pursuant to the formula and basis of payment as set out below, for services and time spent in attending to Council business, including attendance at:

- (a) General and Special Meetings;*
- (b) Meetings of other bodies on which Council is represented and any Standing Committee and other Committee Meetings of Council which Council may from time to time convene or authorise; and*
- (c) Conferences, seminars, other meetings, discussions, delegations, workshops, inspections and any other activity which is consistent with Council's corporate or operational plans, including time travelling to and from same.*

This policy:

- has effect pursuant to s237 of Part 3 of Chapter 4 of the Local Government Act 1993;*
- will commence on 1st July 2004; and*
- will remain in effect until otherwise altered by the Council pursuant to the Act.*

2 Formula and Basis of Remuneration

Definitions

For the purposes of this policy -

"all inclusive' allowance" means remuneration for all services and time spent in attending to Council business, other than benefits and remuneration specified in subparagraphs 2(a)(ii) and 2(d) to 2(i) inclusive.

"daily allowance" means the amount equivalent to eight (8) hours at the ordinary hourly rate (excluding allowances) of Level 8 (eight) Increment 3 (three) of the General Salary Scale as prescribed for the time being under the Queensland Local Government (Officers) Award 1998, rounded up to the nearest whole dollar. At the adoption of this policy the "daily allowance" equates to \$230 and is subject to change from time to time as National Wages Decisions are applied to the award.

(a) Mayor's Monthly Allowance

- (i) The Mayor shall be paid an 'all inclusive' allowance of 15 (fifteen) times the daily allowance, per month.
- (ii) In addition the Mayor shall be paid an allowance of \$5,000 per annum while the Mayor occupies a directorship of Organics Reclaimed Pty Ltd (ACN 097 579 096) (under the company's shareholders agreement of which Council is a party).

(b) Deputy Mayor's Monthly Allowance

The Deputy Mayor shall be paid an 'all inclusive' allowance of 7 (seven) times the daily allowance, per month.

(c) Other Councillors' Monthly Allowance

All Councillors, other than the Mayor and Deputy Mayor, shall be paid an 'all inclusive' allowance of 5½ (five and one-half) times the daily allowance, per month.

(d) Special Projects and Conferences over Extended Periods

In addition to the above, Councillors shall be paid daily allowances for the number of full days spent attending special projects and conferences which extend over a continuous period of two or more days, provided that such attendances have been authorised by prior resolution of the Council.

(e) Standard Travelling Allowances

All Councillors, except the Mayor, shall be paid a standard travelling allowance for travelling in their private vehicles (within the Shire) for official purposes as follows:

- (i) \$50 per month for Councillors who reside up to 10km from the Council Chambers;
- (ii) \$80 per month for Councillors who reside more than 10km from the Council Chambers.

(f) Mayoral Vehicle

The Council shall provide the Mayor with an official vehicle for official use, and private use in accordance with the default conditions of Council's private use policy.

(g) Out-of-pocket expenses

Councillors shall be reimbursed for reasonable out-of-pocket expenses actually and necessarily incurred in attendances authorised under this policy; such expenses to be verified by receipts / supporting documentation.

(h) Professional Development

Each Councillor will be eligible for reimbursement to a maximum of \$1,500 pa for costs incurred whilst undertaking professional development activities. A Councillor prior to undertaking any professional development activity is to seek approval from the Mayor and Chief Executive Officer before reimbursement of any expenses is given.

(i) Use of Councillors Vehicles for Council Business

Where Elected Members are required to use their private vehicles for travel on authorised Council business, outside the Shire, they shall be paid, in addition to other remuneration entitlements, a motor vehicle mileage allowance equivalent to the mileage allowance paid under the Local Government Officers' Award 1998.

(j) Superannuation and Additional Remuneration for Non-contributing Councillors

Pursuant to s.238 of the Act, Council will make contributions to existing voluntary superannuation schemes that meet the requirements of the Commonwealth Superannuation Act, in which Councillors elect to participate, the proportion of such contributions to be on the same basis as contributions payable by the Council for its standard permanent employees, up to a maximum contribution by Council of 8% of the Councillor's all inclusive allowances.

2 Superannuation for Councillors (AD 14/4)

Councillors seeking to participate in the voluntary superannuation option are required to complete and return the appropriate forms for implementation.

3 Summary Schedule of Remuneration

| Payment Category | Mayor | Deputy Mayor | Councillor |
|----------------------------|------------------|------------------|------------------|
| Total Annual Allowance | \$ 41,400 | \$ 19,320 | \$ 15,180 |
| Estimated Travel Allowance | \$ 0 | \$ 600 | \$ 600 |
| Estimated Totals | \$ 41,400 | \$ 19,920 | \$ 15,780 |

Note: The above schedule is indicative of estimated remuneration for each type of elected representative. However, remuneration may be subject to minor changes due to varying circumstances such as attendance at authorised functions and conferences. Benefits such as motor vehicles, directorships, conference attendances, professional development, superannuation, increased travelling distance etc are not included.