



ISAAC REGIONAL COUNCIL

FINANCIAL STATEMENTS

2009/2010



ISAAC REGIONAL COUNCIL

Financial Report

For the year ended 30 June 2010

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Statement of Comprehensive Income

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
Income			
Revenue			
Recurrent Revenue			
Rates and levies	3 (a)	48,266,496	40,328,169
Sales of major services	3 (b)	1,052,504	959,130
Fees and charges		5,486,001	3,729,970
Rental and levies	3 (c)	910,547	777,434
Interest received	3 (d)	2,199,664	2,035,757
Sales of contract and recoverable works	3 (e)	4,855,203	6,304,948
Other recurrent income	3 (f)	540,878	3,608,545
Grants, subsidies, contributions and donations	4 (i)	15,565,943	19,108,056
Proceeds from sales of land developed for resale	5	17,784,731	26,382,951
Total recurrent revenue		<u>96,661,967</u>	<u>103,234,960</u>
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	<u>17,269,622</u>	<u>12,324,385</u>
		<u>17,269,622</u>	<u>12,324,385</u>
Total revenue		<u>113,931,589</u>	<u>115,559,345</u>
Capital income	6	<u>265,435</u>	<u>59,913</u>
	2	<u>114,197,024</u>	<u>115,619,258</u>
Net gain on restructure of local government	8	<u>-</u>	<u>575,631,449</u>
Total income		<u>114,197,024</u>	<u>691,250,707</u>
Expenses			
Recurrent expenses			
Employee benefits	9	(18,729,457)	(21,300,052)
Materials and services	10	(32,530,478)	(43,049,392)
Current cost of developed land sold	5	(871,727)	(1,682,389)
Finance costs	11	(81,199)	(471,284)
Depreciation and amortisation	12	<u>(17,832,289)</u>	<u>(23,099,566)</u>
Total recurrent expenses		<u>(70,045,150)</u>	<u>(89,602,683)</u>
Capital expenses	13	<u>(2,777,195)</u>	<u>(950,314)</u>
Total expenses	2	<u>(72,822,345)</u>	<u>(90,552,997)</u>
Net result attributable to council		41,374,679	600,697,710
Increase / (decrease) in asset revaluation surplus		-	29,848,117
Total comprehensive income for the period		<u>41,374,679</u>	<u>630,545,827</u>

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

ISAAC REGIONAL COUNCIL

Statement of Financial Position

As at 30 June 2010

		2010	2009
		Actual	Actual
	Note	\$	\$
Current Assets			
Cash assets and cash equivalents	15	82,242,145	32,260,198
Trade and other receivables	16	10,164,413	12,745,087
Inventories	17	6,371,749	6,662,337
		<u>98,778,307</u>	<u>51,667,622</u>
Non-current Assets			
Investment properties	19	10,150,462	10,917,483
Property, plant and equipment	20 (a)	581,789,708	579,562,982
Intangible assets	21	112,997	149,111
		<u>592,053,167</u>	<u>590,629,576</u>
TOTAL ASSETS		<u>690,831,474</u>	<u>642,297,198</u>
Current Liabilities			
Trade and other payables	22	8,884,502	9,789,497
Provisions	23	98,352	251,028
Borrowings	24	444,449	-
		<u>9,427,303</u>	<u>10,040,525</u>
Non-current Liabilities			
Trade and other payables	22	720,580	522,648
Provisions	23	1,506,281	1,188,198
Borrowings	24	7,256,804	-
		<u>9,483,665</u>	<u>1,710,846</u>
TOTAL LIABILITIES		<u>18,910,968</u>	<u>11,751,371</u>
NET COMMUNITY ASSETS		<u><u>671,920,506</u></u>	<u><u>630,545,827</u></u>
Community Equity			
Shire Capital:			
Investment in capital assets	25	560,767,368	564,436,985
Restricted capital cash held	26	9,940,284	1,558,724
Asset revaluation surplus	27	29,848,117	29,848,117
Retained surplus (deficiency)	28	329,895	(4,114,030)
Other reserves	29	71,034,842	38,816,031
TOTAL COMMUNITY EQUITY		<u><u>671,920,506</u></u>	<u><u>630,545,827</u></u>

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

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity For the year ended 30 June 2010

	Councils Capital Equity comprises											
	Total		Retained surplus (deficit) Note 28		Other reserves Note 29		Restricted capital cash held Note 26		Asset revaluation surplus Note 27		Council Capital Note 25	
							15.5 months 2009		15.5 months 2009		15.5 months 2009	
	2010	\$	2010	\$	2010	\$	2010	\$	2010	\$	2010	\$
Balance at beginning of period	630,545,827	-	(4,114,030)	-	38,816,031	-	1,558,724	-	29,848,117	-	564,436,985	-
Restated opening balances	630,545,827	-	(4,114,030)	-	38,816,031	-	1,558,724	-	29,848,117	-	564,436,985	-
Net result attributable to council	41,374,679	600,697,710	41,374,679	600,697,710								
Other comprehensive income for the period												
Revaluations:												
Property, plant & equipment	-	29,848,117							-	29,848,117		
Total comprehensive income for period	41,374,679	630,545,827	41,374,679	600,697,710	-	-	-	-	-	29,848,117	-	-
Transfers of capital amounts arising from council activities:												
Capital value contained in the gain from restructure of local government	-	-	-	(533,262,902)			-	1,558,724			-	531,704,178
Capital income	-	-	(265,435)	(59,913)							265,435	59,913
Capital expenses	-	-	2,777,195	950,314							(2,777,195)	(950,314)
Unfunded depreciation	-	-	3,508,866	4,905,582							(3,508,866)	(4,905,582)
Capital revenue for asset funding transferred to general revenue	-	-	-	(29,381,586)							-	-
Reserves and capital funds expended on capital assets	-	-				(8,124,524)	(9,147,204)	-			-	-
Capital cash funds set aside in period	-	-						8,381,560	-		(8,381,560)	-
Working capital cash adjustment	-	-	(2,608,045)	-							2,608,045	-
Change in capital capacity arising from council activities in the period	-	-	3,412,581	(556,848,505)	(8,124,524)	(9,147,204)	8,381,560	1,558,724	-	-	(3,669,617)	564,436,985
Transfers between retained surplus and council reserves:												
Capital revenue of cash			(17,269,622)	(12,324,385)	17,269,622	12,324,385						
General revenue funds available	-	-	(26,679,854)	(24,921,874)	26,679,854	24,921,874						
Transfers from general reserves	-	-	3,606,141	(10,716,976)	(3,606,141)	10,716,976						
Net transfers to (from) retained surplus	-	-	(40,343,335)	(47,963,235)	40,343,335	47,963,235	-	-	-	-	-	-
Balance at end of period	671,920,506	630,545,827	329,895	(4,114,030)	71,034,842	38,816,031	9,940,284	1,558,724	29,848,117	29,848,117	560,767,368	564,436,985

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Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 \$	15.5 months-2009 \$
Cash flows from operating activities :			
General rates and utility charges		48,575,512	46,670,591
Sales of major services		1,052,504	959,130
Rental and levies, fees and charges		6,390,626	4,507,404
Grants, subsidies and contributions		15,565,943	19,108,056
Interest received		1,899,593	2,035,757
Proceeds from sales of land developed for resale		17,784,731	26,382,951
Other income		7,617,933	3,507,697
GST received		4,982,339	10,006,519
Payments to suppliers		(31,076,958)	(40,018,856)
Payment to employees		(17,951,318)	(21,245,831)
Interest expense		(1,253)	(617,403)
Costs incurred on inventory land held for sale		-	(5,248,255)
GST paid		(5,566,069)	(8,609,916)
Net cash inflow (outflow) from operating activities	35	<u>49,273,583</u>	<u>37,437,844</u>
Cash flows from investing activities:			
Commonwealth government grants		7,252,164	2,256,419
State Government subsidies & grants		5,187,934	4,930,637
Capital contributions		4,829,524	5,137,329
Payments for property, plant and equipment		(24,322,255)	(44,654,200)
Payments for intangible assets		-	(179,902)
Payments for investment property		-	(7,371,374)
Proceeds from sale of property plant and equipment	7	98,456	791,925
Net movement in loans and advances		(38,712)	12,602
Net cash inflow (outflow) from investing activities		<u>(6,992,889)</u>	<u>(39,076,564)</u>
Proceeds from borrowings	24	7,701,253	-
Repayment of borrowings	24	-	(6,500,000)
Net cash inflow (outflow) from financing activities		<u>7,701,253</u>	<u>(6,500,000)</u>
Net increase (decrease) in cash held		<u>49,981,947</u>	<u>(8,138,721)</u>
Cash transferred on the restructure of local government	8 (b)	-	40,398,919
Cash at beginning of reporting period		32,260,198	-
Cash at end of reporting period	15	<u>82,242,145</u>	<u>32,260,198</u>

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1 Summary of Significant Accounting Policies

1. 1 Basis of Preparation

These general purpose financial statements for the period 30 June 2009 to 30 June 2010 have been prepared in accordance with Australian Accounting Standards and comply with the requirements of the Local Government Act 1993 and the Local Government Finance Standard 2005.

Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008, the Isaac Regional Council was formed on 15 March 2008 as a consequence of the amalgamation of Nebo Shire, Broadsound Shire and Belyando Shire Councils' (former councils).

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former councils to the Isaac Regional Council as at changeover date.

Pursuant to Section 159YQ of the Local Government Act 1993 and Sections 26 and 35 of the Local Government Reform Implementation Regulation 2008, financial statements for 2008-09 were prepared for a 15 month period from the 15 March 2008 to 30 June 2009. The 2009-10 financial year is for a 12 month period from 1 July 2009 to 30 June 2010.

Assets and liabilities of the former councils have been recognised by Isaac Regional Council on 15 March 2008 at the previous book values of the transferor local governments. This is shown as income in the comparative figures of the Statement of Comprehensive Income and details are disclosed in note 8 (b).

Isaac Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from the former councils as at 15 March 2008. These accounting policy alignment adjustments are shown in the comparative figures in note 8 and details are disclosed in note 8 (b).

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

1. 2 Statement of Compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

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Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 3 Adoption of new and revised Accounting Standards
Presentation of Financial Statements (AASB 101 Presentation of Financial Statements, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101)

The revised Standard and Amending Pronouncements do not affect any of the amounts presented in the financial statements, but have changed the disclosures made in the financial statements. The change in terminology in the revised AASB 101 has resulted in the Balance Sheet being renamed the Statement of Financial Position, and the Cash Flow Statement being renamed the Statement of Cash Flows. The former Income Statement has been replaced with a single Statement of Comprehensive Income. In line with the new concept of "comprehensive income" the bottom of the Statement contains other Comprehensive Income that was previously included in the Statement of Changes in Equity.

Investment Property (AASB 140 Investment Property)
Investment property under construction or being developed for future use is now classified as investment property rather than being classified as work in progress or property, plant and equipment. Council currently has no investment property under construction or being developed for future use.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.	Effective for annual report periods beginning on or after:
AASB 124 Related Party Disclosures (December 2009)	1 January 2011
2009-8 Group Cash-settled Share-based Payment Transactions (July 2009)	1 January 2010
2009-9 Additional Exemptions for First-time Adopters (September 2009)	1 January 2010
2009-10 Classification of Rights Issues (October 2009)	1 January 2013
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1 January 2013
2009-12 Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments (December 2009)	1 January 2011
2009-13 Amendments to AAS arising from Interpretation 19 (December 2009)	1 July 2010
2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14) (December 2009)	1 January 2011
Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (December 2009)	1 July 2010

Management have yet to assess the impact that AASB 9 Financial Instruments and 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 is likely to have on the financial statements of Council as it is anticipated that further amendments will occur. Council does not expect to implement the amendments prior to the adoption date of 1 January 2013.

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Notes to and forming part of the Financial Statements
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The 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project includes amendments to AASB 117 Leases which revise the criteria for classification of leases involving land and buildings. Council will be required to reassess the classification of the land components of all unexpired leases that Council has entered into as at 1 July 2010, on the basis of the information existing at the inception of the relevant lease. If any such leases are reclassified to become finance leases, retrospective accounting adjustments will be processed as far as practicable.

Initial application of the other Standards/Interpretations in issue but not yet effective is not expected to have any material impact on Council's financial statements.

1. 4 **Critical accounting estimates**

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

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

1. 5 **Currency**

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

1. 6 **Constitution**

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

1. 7 **Date of authorisation**

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

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

1. 8 **Critical accounting judgements and key sources of estimation uncertainty**

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation of property, plant and equipment - note 1.17 and note 20 (b)

Impairment of property, plant and equipment - note 1.20 and note 20 (a)

Provisions - note 1.25 and 1.23 and note 23

Contingencies - note 32

1. 9 **Rates, levies, grants and other revenue**

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

1. 9 (a) **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.

1. 9 (b) **Grants, Subsidies and Contributions**

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is placed in a reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the Unspent capital grants reserve. Council spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

1. 9 (c) **Non-Cash Contributions**

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

1. 9 (d) **Rental income**

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

1. 9 (e) **Interest and dividends**

Interest received from term deposits is accrued over the term of the investment. Dividends are recognised once they are formally declared by the directors of the controlled entity.

1. 9 (f) **Other Revenue**

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.

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Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 10 **Financial assets and financial liabilities**

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Isaac Regional Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (note 1.11)

Receivables - measured at amortised cost (note 1.12)

Financial liabilities

Payables - measured at amortised cost (note 1.22)

Borrowings - measured at amortised cost (note 1.24)

Finance lease liabilities - measured at amortised cost (note 1.21)

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

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in note 24 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 36.

1. 11 **Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 12 Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

Loans and advances are recognised in the same way as other receivables. Terms are usually a maximum of five years with interest charged at negotiated rates. Security is not normally obtained. In accordance with the accounting standards loans and advances are not considered financial assets when assessing credit risk as disclosed in note 36.

1. 13 Inventories

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

Inventories held for distribution (internal consumption) 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.

Inventory for distribution is valued at cost, adjusted when applicable for any loss of service potential.

1. 14 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 land is treated as a current asset except where it is anticipated that a material portion of land value will not be sold within 12 months. Land held beyond 12 months is reported as non-current inventory.

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

1. 15 Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2010 Council did not have any term deposits in excess of three months.

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Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 16 Investment Property

Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.

Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance sheet date. Where investment property is acquired at no or nominal cost it is recognised at fair value.

Pursuant to revised accounting standard AASB 140 Investment Property, from 1 July 2009 property that is being constructed or developed for future use as investment property is now classified as investment property rather than as property, plant and equipment. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Income for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

1. 17 Property, Plant and Equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5000, and infrastructure assets and buildings with a total value of less than \$10000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property plant and equipment recognised by the council are reported in note 20 (a).

(a) Major Plant

The Council has determined that plant which has an individual cost in excess of \$500,000 is of high value to the Council. Plant which meets this criteria is major plant if it is prone to a high degree of price fluctuations or in danger of becoming obsolete. The asset class primarily includes specialised earthmoving equipment.

(b) Acquisition of Assets

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

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

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Notes to and forming part of the Financial Statements
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Assets transferred from the former councils, as a result of a Government restructure, were initially recognised at the amount at which they were recognised by the former councils as at the changeover day as disclosed in Note 1.1 and Note 8 (b). Those assets are reflected as transfers from abolished councils at net carrying value in the Note 20 (a) comparatives.

(c) **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.

(d) **Valuation**

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

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

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

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

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

Details of valuers and methods of valuations are disclosed in Note 20 (b).

(e) **Depreciation**

Land is not depreciated as it has an unlimited useful life. Depreciation on land improvements and other property, plant and equipment is based on the pattern in which the asset's future economic benefits are expected to be consumed. This may vary from asset to asset, but where appropriate, 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.

ISAAC REGIONAL COUNCIL

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For the year ended 30 June 2010

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

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

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

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 20 (a).

(f) Unfunded Depreciation

The Council has elected not to fund depreciation expenses for assets that will not be replaced or where external funding sources other than loans will be obtained to fund their replacement. Depreciation is funded to the extent necessary to meet council defined future service delivery levels to the community unless insufficient revenue sources are available to cover this depreciation amount. In this case the unfunded depreciation reflects a more serious decline to the council's capital value and sustained shortfalls may affect the council's ability to maintain this level of service into the future.

(g) Land Under Roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Isaac Regional Council currently does not have any such land holdings.

1. 18 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 Council's intangible assets. Therefore, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 19 **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.

Investment property under construction is classified as investment property. Refer to note 1.16 for further information.

1. 20 **Impairment of Non Current Assets**

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

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

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

1. 21 **Leases**

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

(a) **Finance leases**

Where Council enters into a finance lease, Council recognises an asset equal to the lower of fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount. 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.

(b) **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.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 22 Payables

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

1. 23 Liabilities - Employee Benefits

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

(a) Salaries and Wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is included in note 22 as a payable.

(b) Annual Leave

A liability for annual leave is recognised. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non current portion is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. This liability represents an accrued expense and is reported in note 22 as a payable.

(c) Sick Leave

Sick leave taken in the future will be met by future entitlements and hence no recognition of accrued sick leave entitlements have been made in these financial statements. No entitlement vests with the employee on termination.

(d) 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 33.

(e) Long Service Leave

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

This liability represents an accrued expense and is reported in note 23 as a provision.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 24 **Borrowings**

Loans payable are measured at book value at date of reporting.

Borrowing costs, which includes interest and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are included in payables.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Borrowings are classified as current liabilities except for the principal amount that is due and payable, under the contractual terms of the loan agreement, 12 months after the end of the reporting. This amount is classified as a non current amount. Further details are provided in note 24.

1. 25 **Restoration Provision**

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of the facility. Further details can be found in note 23.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The current QTC lending rate is considered an appropriate rate.

(a) **Restoration on land not controlled by Council**

Where the restoration site is on State reserves which the council does not control, the cost of the provisions for restoration of these sites has to be treated as an expense in the year the provision is first recognised. Changes in the provision due to either time, discount rate or expected future cost are treated as an expense or income in the reporting in which they arise.

(b) **Restoration on land controlled by Council**

Where the restoration site is on Council controlled land, the cost of the restoration provision is added to the cost of the land as an improvement and amortised over the expected useful life. Changes in the provision not arising from the passing of time are added to or deducted from the asset revaluation surplus for land. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases if any.

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

1. 26 **Council capital value**

The council's capital value represents the net carrying value of the capital assets less the amount of capital debt at the reporting date and includes the initial value of operating assets and liabilities recognised at its inception.

The maintenance of the Councils capital capacity is fundamental to its long term sustainability to continue to deliver essential services to the community, it has therefore been separately identified and the change in value is reported in the Statement of Changes in Equity.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 27 **Asset Revaluation Surplus**

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

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

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

When an asset is disposed of the amount in the reserve in respect of that asset is retained in the reserve. The asset revaluation surplus does not therefore reflect a surplus that can be related to currently held assets and, as council infrastructure assets are not valued on a market value basis, this surplus does reflect a realisable amount.

1. 28 **Reserves held for future capital expenditure**

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

1. 28 (a) **Grants, Subsidies and Contributions Reserve**

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

(b) **Grants, Subsidies and Contributions Reimbursed Reserve**

This reserve is credited with all grants, subsidies and contributions of monetary revenue received during the reported period which the council has identified as being a reimbursement of capital funds expended in a prior period.

(c) **Land and Improvements Reserve**

This reserve was created to provide funding for future capital projects.

(d) **Buildings Reserve**

This reserve has been established to provide funding for future housing projects.

(e) **Plant and Equipment Reserve**

This reserve was created for to provide funding for new plant and equipment purchases.

(f) **Roads Infrastructure Reserve**

This reserve has been established for future construction work on roads and to enable the future introduction of business principles to construction operations.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

(g) **Water Reserve**

This reserve has been established to provide funding for future water projects.

(h) **Sewerage Reserve**

This reserve has been established to provide funding for future sewerage projects.

(i) **Other Infrastructure Reserve**

This reserve has been established for future project associated with infrastructure assets within the Isaac Regional Council.

(j) **Community Facilities Reserve**

This reserve has been established to provide funding for future community facilities within the Isaac Regional Council.

(k) **Carry Over Capital Reserve**

This reserve has been established to provide funding for carry over capital project not funded through carry over funded depreciation.

1. 29 **Reserves held for funding future recurrent expenditure:**

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

(a) **Natural Disaster Reserve**

This reserve has been established to fund the trigger point for any future natural disasters which may occur for Isaac Regional Council.

(b) **Constrained Works - Operational Grants Reserve**

This reserve has been established to constrain unspent grant monies.

(c) **Mines Operating Projects Reserve**

This reserve has been established to identify operating revenue that has the potential to be refunded back to the contributor.

1. 30 **Retained surplus**

The retained surplus represents that part of the Council's equity, that is cash backed and not identified to meet specific future funding needs at the reporting date. The balance of this account represents the cumulative unrestricted surplus amount available to Council that may be used as a general funding source to be offset against expenditure in the following year or, if a deficit, the additional amount of revenue required to be raised to achieve a total overall balanced funding position. In accordance with the Queensland Local Government Finance Standards all Councils must demonstrate the ability to recover any retained deficits in future years through the budget process.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 31 Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1 or, where that amount is \$0.50 or less, to zero.

The Isaac Regional Council was formed on 15 March 2008 as a consequence of the amalgamation of Nebo Shire, Broadsound Shire and Belyando Shire Councils. Pursuant to Section 159YQ of the Local Government Act 1993 and Sections 26 and 35 of the Local Government Reform Implementation Regulation 2008, financial statements for 2008-09 were prepared for the period 15 March 2008 to 30 June 2009. Therefore comparative figures presented in the financial statements for the year ending June 2009 are for a 15 and a half month period.

The assets and liabilities of the former Nebo Shire, Broadsound Shire and Belyando Shire Councils were transferred to the Isaac Regional Council on the changeover date. Therefore asset and liability balances disclosed in the notes as being at the beginning of the comparative financial year, comprise asset and liabilities that were transferred from Nebo Shire, Broadsound Shire and Belyando Shire Councils due to the restructure.

1. 32 Financial Risk Management

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

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

The Council does not invest in derivatives or other high risk investments.

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

Details of financial instruments and the associated risks are shown at note 36.

1. 33 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 recovery, 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.

For details see note 34.

1. 34 Judgements and Assumptions

The council has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
For the year ended 30 June 2010

1. 35 **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 council pays payroll tax to the Queensland Government on certain activities.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

2 Analysis of results by function

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

Functions	Income		Total income	Total expenses	Net result for period	Assets
	Grants	Other				
	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$	2010 \$
Office of the CEO	-	83,473	83,473	(13,122,595)	13,206,068	-
Planning & Environmental Services	22,953	2,562,047	2,585,000	4,063,947	(1,478,947)	-
Governance & Community Services	5,425,238	4,163,229	9,588,467	11,551,721	(1,963,254)	120,432,096
Commercial Services	1,472,639	18,082,710	19,555,349	15,268,884	4,286,465	136,986,611
Corporate Services	669,272	53,934	723,206	5,001,223	(4,278,017)	182,511
Financial Services	4,964,463	37,600,885	42,565,348	15,287,718	27,277,630	93,653,734
Technical & Civil Services	14,864,314	24,228,367	39,092,681	33,439,000	5,653,681	339,576,522
Change Management	3,500	-	3,500	1,332,447	(1,328,947)	-
Total	27,422,379	86,774,645	114,197,024	72,822,345	41,374,679	690,831,474

Prior Year

Functions	Income		Total income	Total expenses -	Net result for period	Assets
	Grants	Other				
	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	2009 \$
Office of the CEO	-	(86,072)	(86,072)	33,052,307	(33,138,379)	-
Planning & Environmental Services	55,140	1,274,376	1,329,516	1,257,602	71,914	-
Governance & Community Services	1,849,617	1,734,757	3,584,374	9,127,827	(5,543,453)	117,325,953
Commercial Services	424,604	16,989,856	17,414,460	15,168,492	2,245,968	137,333,559
Corporate Services	83,182	4,003,195	4,086,377	1,801,485	2,284,892	157,654
Financial Services	8,175,897	28,824,743	37,000,640	6,847,138	30,153,502	45,654,391
Technical & Civil Services	15,478,097	36,811,866	52,289,963	23,298,146	28,991,817	341,825,641
Total	26,066,537	89,552,721	115,619,258	90,552,997	25,066,261	642,297,198

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

2 (b) Components of council functions

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

Office of the CEO

Comprises the support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements.

Planning & Environmental Services

Management of the development of the region and approval processes for development & building.
Management of environmental licences and approvals.

Governance & Community Services

Comprises community services & council facilities including cultural, welfare, recreational services and corporate communications.
This function includes libraries and community centres/halls.

Commercial Services

Provides water supply and sewerage services as well as refuse collection and disposal services.
Management of council's fleet and other commercial business activities which includes saleyards, aerodromes and private works.

Corporate Services

Comprises the support functions for management of information technology, human resources, customer services and administration.

Financial Services

Comprises the support functions for management of the Council's finance, asset management and purchasing and procurement.

Technical & Civil Services

Provides and maintains the regional council's roads, drainage, bridges, parks and cemeteries.

Change Management

Support management to provide leadership in the implementation of policies and procedures relevant to the Isaac Regional Council.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
3 Revenue analysis		
(a) Rates and levies	1.9(a)	
General rates	25,059,114	21,438,248
Separate rates	12,294,996	9,349,258
Economic development levy	-	977,778
Water	5,450,948	5,110,413
Water consumption, rental and sundries	-	86,074
Sewerage	4,557,449	4,303,356
Garbage charges	3,192,757	1,462,300
Rates and utility charge revenue	50,555,264	42,727,427
Less: Discounts	(2,043,054)	(2,205,365)
Less: Pensioner remissions	(245,714)	(193,893)
Net rates and utility charges	48,266,496	40,328,169
(b) Sales of major services		
Recycling services	59,056	-
Green waste services	140,134	81,372
Airport services	853,314	877,758
	1,052,504	959,130
(c) Rental and levies		
Housing rentals	910,547	777,434
	910,547	777,434
(d) Interest received		
Investments	2,029,014	1,882,025
Other sources	13,090	-
Over due rates and utility charges	157,560	153,732
	2,199,664	2,035,757
(e) Sales of contract and recoverable works		
Revenue	4,855,203	6,304,948
	4,855,203	6,304,948
The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.		
There are no contracts in progress at the period end.		
The contract work carried out is not subject to retentions.		
(f) Other recurrent income		
Other Income	540,878	3,608,545
	540,878	3,608,545

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
4 Grants, subsidies, contributions and donations	1.9(b)		
(i) Recurrent - grants and subsidies, other contributions and donations are analysed as follows:			
General purpose grants		6,458,488	9,668,336
TSRA grants		20,907	2,937,381
State Government subsidies & grants		8,502,886	6,273,764
Donations		6,650	5,291
Contributions		577,012	223,284
Total recurrent revenue		<u>15,565,943</u>	<u>19,108,056</u>
(ii) Capital - grants and subsidies, and other contributions are analysed as follows:			
Monetary revenue constrained for capital purposes:			
Commonwealth government grants		7,252,164	2,256,419
State Government subsidies & grants		5,187,934	4,930,637
Contributions		4,829,524	5,137,329
Total capital revenue		<u>17,269,622</u>	<u>12,324,385</u>
(iii) Conditions over contributions			
Grants and contributions which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date			
Grants for infrastructure		3,679,666	1,213,316
Contributions for infrastructure		<u>3,007,831</u>	<u>4,499,164</u>
		<u>6,687,497</u>	<u>5,712,480</u>
Grants and contributions which were recognised as revenues during a previous reporting period and were expended during the current reporting period in accordance with the Council's obligations			
Grants for infrastructure		895,265	
Contributions for infrastructure		<u>1,947,085</u>	
		<u>2,842,350</u>	<u>-</u>
5 Gain (loss) on the disposal of inventory land developed for resale			
Proceeds from sales of land developed for resale		17,784,731	26,382,951
Current cost of developed land sold	18	<u>(871,727)</u>	<u>(1,682,389)</u>
		<u>16,913,004</u>	<u>24,700,562</u>
6 Capital income			
Gain on the sale of capital assets	7	98,456	59,913
Revaluation of investment property - land and buildings	19	<u>166,979</u>	<u>-</u>
		<u>265,435</u>	<u>59,913</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010 Actual \$	15.5 months-2009 Actual \$
7 Gain (loss) on the disposal of capital assets	Note		
Proceeds from the sale of plant and equipment		98,456	791,925
Less: Book value of plant and equipment sold		-	(732,012)
		<u>98,456</u>	<u>59,913</u>
Total gain (loss) on the disposal of capital assets	6	<u>98,456</u>	<u>59,913</u>
8 Gain on restructure of local government			
Net result attributable to Council		<u>41,374,679</u>	<u>600,697,710</u>
Less:			
Assets and liabilities transferred from abolished councils		-	575,939,858
Adjustment for unrecognised assets	8(a)	-	(308,409)
Net gain on restructure of local government	8 (b)	-	<u>575,631,449</u>
Net result before gain on restructure of local government		<u>41,374,679</u>	<u>25,066,261</u>
(a) Adjustments due to accounting policy alignment			
Property, Plant and Equipment			(308,409)
Isaac Regional Council adopted an asset recognition threshold for assets, other than land and plant and equipment, of \$10,000. This resulted in the derecognition of assets transferred from the former Councils where the gross value fell below the asset recognition threshold.			
An analysis of work in progress during 09/10 period identified expenditure that		-	<u>(308,409)</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

8 (b) Net gain on assets transferred from abolished councils

The Local Government Reform Commission report to the Minister for Local Government, Planning and Sport on 27 July 2007 recommended that the former Nebo Shire, Broadsound Shire and Belyando Shire Councils be amalgamated to form the Isaac Regional Council. Pursuant to Part 1B of the Local Government Act 1993 and in accordance with the Local Government Reform Implementation Regulation 2008 the amalgamation was effective from the changeover date of 15 March 2008.

The Local Government Reform Implementation Regulation 2008 and the Local Government Reform Implementation (Transferring Areas) Amendment Regulation (No.1) 2008 transferred the assets and liabilities of the former Councils (referred to paragraph 1), to the Isaac Regional Council as at changeover date. The assets and liabilities of the former councils have been recognised at the amounts at which they were recognised by the transferor local governments as at the changeover day.

Isaac Regional Council adopted consistent accounting policies from its commencement date of 15 March 2008. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from former councils as at 15 March 2008.

Details are as follows:

	Nebo Shire Council	Broadsound Shire Council	Belyando Shire Council	Total gain recognised by council	Adjustments due to accounting policy alignment	Net Gain on restructure of local government
	\$	\$	\$	\$		
Assets						
Current assets						
Cash and cash equivalents	4,471,089	18,201,714	17,726,116	40,398,919		40,398,919
Trade receivables	501,863	860,413	11,725,847	13,088,123		13,088,123
Inventory	92,886	796,688	424,952	1,314,526		1,314,526
Other financial assets	63,680	118,482	-	182,162		182,162
	5,129,518	19,977,297	29,876,915	54,983,730	-	54,983,730
Non-current assets						
Receivables	-	-	8,788	8,788		8,788
Investment property	-	-	934,000	934,000	-	934,000
Property, plant and equipment	59,746,499	167,713,742	308,776,765	536,237,006	(308,409)	535,928,597
	59,746,499	167,713,742	309,719,553	537,179,794	(308,409)	536,871,385
Total assets	64,876,017	187,691,039	339,596,468	592,163,524	(308,409)	591,855,115
Liabilities						
Current liabilities						
Trade payables	545,719	1,355,290	5,957,758	7,858,767	-	7,858,767
Borrowings	-	-	6,500,000	6,500,000	-	6,500,000
Provisions	-	-	122,309	122,309	-	122,309
Other	-	66,899	-	66,899	-	66,899
	545,719	1,422,189	12,580,067	14,547,975	-	14,547,975
Non-current liabilities						
Payables	95,492	730,764	-	826,256	(176,871)	649,385
Provisions	-	-	1,026,306	1,026,306		1,026,306
	95,492	730,764	1,026,306	1,852,562	(176,871)	1,675,691
Total liabilities	641,211	2,152,953	13,606,373	16,400,537	(176,871)	16,223,666
Net gain from assets transferred	64,234,806	185,538,086	325,990,095	575,762,987	(131,538)	575,631,449

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
9 Employee benefits			
Total staff wages and salaries		15,089,684	18,354,664
Councillors' remuneration		663,525	808,460
Annual, sick and long service leave entitlements		1,455,686	2,756,530
Superannuation	33	1,873,391	1,923,193
		19,082,286	23,842,847
Other employee related expenses		496,370	291,162
		19,578,656	24,134,009
Less : Capitalised employee expenses		(849,199)	(2,833,957)
		18,729,457	21,300,052

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

Total Council employees at June 2010:	2010	2009
Elected members	9	9
Administration staff	137	127
Depot and outdoors staff	185	184
Total full time equivalent employees	331	320

10 Materials and services

Audit fees	287,508	242,898
Professional fees	1,179,027	883,798
Donations Paid	148,787	35,345
Electricity	1,439,480	2,191,441
Refuse collection	1,867,327	1,681,992
Plant and vehicle expense	2,597,589	3,599,713
IT and telecommunications	903,659	763,704
Contracts	2,184,764	4,521,108
Insurance and legal fees	948,757	1,094,077
Rentals - Operating leases	315,473	293,397
Other material and services	20,658,107	27,741,919
	32,530,478	43,049,392

11 Finance costs

Finance costs charged by the Queensland Treasury Corporation	1,253	388,926
Bank charges	57,684	80,322
Impairment of receivables	3,309	2,036
Other finance costs	18,953	-
	81,199	471,284

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
12 Depreciation and amortisation	1.17(e)		
(a) Depreciation of non-current assets			
Land and improvements		183,264	546,106
Buildings		2,738,549	3,266,246
Plant and equipment		1,884,091	2,875,051
Road and bridge network		8,794,328	10,644,457
Water		2,301,685	3,137,321
Sewerage		1,829,841	2,518,101
Waste Management		19,513	24,550
Aerodrome		44,904	56,943
Total depreciatoin of Non Current Assets		17,796,175	23,068,775
(b) Amortisation of intangible assets			
Computer software		36,114	30,791
Total amortisation of intangible assets		36,114	30,791
Total depreciation and amortisation		17,832,289	23,099,566

Unfunded Depreciation

1.17(f)

The gross un-funded depreciation across all assets for the period is \$3,508,866 (- \$4,905,582)

The net adjusted un-funded depreciation across all assets for the period is \$0 (- \$0)

The net adjusted un-funded depreciation is the council's assessment of a future funding shortfall that may arise on the assets future replacement.

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.

13 Capital expenses

Loss on write-off of non-current assets	14	2,777,195	-
Revaluation down of investment properties	19	-	118,173
Revaluation down of property, plant and equipment	20 (a)	-	832,141
Total capital expenses		2,777,195	950,314

14 Write off of capital assets

Land and improvements	17,573	-
Buildings	64,100	-
Plant and equipment	6,027	-
Road and bridge network	2,540,942	-
Sewerage	148,553	-
	2,777,195	-

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
15 Cash assets and cash equivalents	1.11		
Cash in operating bank account		15,363,133	7,552,402
Cash in other banks and on hand		4,980	1,960,611
Investments with financial institutions at variable interest rates		-	16,379,355
Deposits and investments held with QTC at variable interest rate		66,874,032	6,367,830
Balance per statement of cash flows		<u>82,242,145</u>	<u>32,260,198</u>

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

Unspent government grants and subsidies	29 (i)	3,909,389	1,110,089
Unspent developer contributions	29 (i)	14,848,291	13,802,447
Unspent loan monies	26 (ii)	7,701,253	-
Total unspent restricted cash for capital projects		<u>26,458,933</u>	<u>14,912,536</u>

Cash and deposits at call are held in the following banks: ANZ Bank, Queensland Country Credit Union, National Australia Bank and Queensland Treasury.

16 Trade and other receivables 1.12

Current

Rateable revenue and utility charges		1,291,169	1,602,363
Less: Impairment provision		-	(2,178)
		<u>1,291,169</u>	<u>1,600,185</u>
GST recoverable		-	226,327
Other debtors		8,986,189	10,932,388
Less: Impairment provision		(363,210)	(390,241)
		<u>8,622,979</u>	<u>10,768,474</u>
Prepayments		202,765	367,640
Loans and advances to community organisations		47,500	8,788
		<u>250,265</u>	<u>376,428</u>
		<u>10,164,413</u>	<u>12,745,087</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.

All loans and advances relate to loans made to various community bodies. These loans arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010 Actual \$	15.5 months-2009 Actual \$
17 Inventories	1.13		
Current			
Inventories for internal use:			
Quarry and road materials		724,137	-
Stores and materials		523,039	666,037
		<u>1,247,176</u>	<u>666,037</u>
Valued at cost, adjusted when applicable for any loss of service potential.			
Land purchased for development and sale	18	5,124,573	5,996,300
		<u>6,371,749</u>	<u>6,662,337</u>
18 Land purchased for development and sale	1.14		
Opening balance		5,996,300	2,430,434
Land acquired in period		-	5,248,255
Less: Cost of developed land sold		(871,727)	(1,682,389)
Closing balance at period end		<u>5,124,573</u>	<u>5,996,300</u>
Land purchased for development and sale is valued at the lower of cost and net realisable value.			
19 Investment properties	1.16		
Property held for rental income and capital growth		10,150,462	10,917,483
Fair value at end of period		<u>10,150,462</u>	<u>10,917,483</u>
Movement in assets during the reporting period:			
Property held for rental income and capital growth			
Opening balance		10,917,483	-
Fair value of assets transferred to/from other asset category		(934,000)	2,500,000
Acquisitions		-	7,371,374
Revaluation adjustment to income statement		166,979	(118,173)
Cost assumed / (divested) during year. (e.g. on amalgamation / boundary change)		-	1,164,282
		<u>10,150,462</u>	<u>10,917,483</u>

The property was valued at market value by

J. Long Valuers at 30 June 2010.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

20 (a) Property, plant and equipment

Land and improvements	Buildings	Plant and equipment	Road and bridge network	Water	Sewerage	Waste Management	Aerodrome	Works in progress	Total
Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
2010	2010	2010	2010	2010	2010	2010	2010	2010	2010
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
37,586,347	96,166,490	14,407,766	421,724,056	138,851,328	93,985,936	386,695	2,898,465	7,480,386	813,487,469
-	21,791,985	-	-	-	-	-	-	-	21,791,985
-	-	-	-	-	-	-	-	21,866,096	21,866,096
(31,357)	(180,400)	(8,333)	(8,238,900)	-	(507,564)	-	-		(8,966,554)
760,950	4,608,658	1,423,485	11,846,650	530,342	2,106,836	29,701	-	(20,372,622)	934,000
38,315,940	122,386,733	15,822,918	425,331,806	139,381,670	95,585,208	416,396	2,898,465	8,973,860	849,112,996

Basis of measurement

Asset Values

Opening gross value
Adjustment to opening balance
Additions at cost
Write-offs
Internal transfers to other asset classes
Closing gross value

Accumulated depreciation and impairment

546,106	28,007,475	2,086,530	90,320,631	63,937,382	48,275,119	161,390	589,854	233,924,487
-	21,791,985	-	-	-	-	-	-	21,791,985
183,264	2,738,549	1,884,091	8,794,328	2,301,685	1,829,841	19,513	44,904	17,796,175
(13,784)	(116,300)	(2,306)	(5,697,958)	-	(359,011)	-	-	(6,189,359)
715,586	52,421,709	3,968,315	93,417,001	66,239,067	49,745,949	180,903	634,758	267,323,288

Opening balance

Adjustment to opening balance

Depreciation provided in period

Depreciation on write-offs

Closing accumulated depreciation and impairment balance

	37,600,354	69,965,024	11,854,603	331,914,805	73,142,603	45,839,259	235,493	2,263,707	581,789,708
1 - 50	10 - 60	1 - 50	1 - 120	10 - 150	15 - 80	1 - 20	10 - 70		

Net value at 30 June 2010

Range of estimated useful life in years

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

20 (a) Property, plant and equipment - prior year

	Land and improvements	Buildings	Plant and equipment	Road and bridge network	Water	Sewerage	Waste Management	Aerodrome	Works in progress	Total
	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$	15.5 months 2009 \$
Asset Values										
Transferred from abolished councils	31,809,633	61,825,522	12,955,133	294,372,631	72,891,667	42,982,811	249,855	2,365,554	14,239,973	533,692,779
Correction to opening balance	(37,117)	-	(636,007)	-	-	-	-	-	364,715	(308,409)
Additions at cost	-	-	-	-	-	-	-	-	51,014,699	51,014,699
Disposals	-	-	(1,531,612)	-	-	-	-	-	-	(1,531,612)
Revaluation adjustment to the ARR	5,021,708	30,831,442	-	95,412,974	63,249,461	45,485,952	136,840	532,911	-	240,671,288
Internal transfers to other asset classes	792,123	3,509,526	3,620,252	31,938,451	2,710,200	5,517,173	-	-	(50,767,627)	(2,679,902)
Transfer to investment properties	-	-	-	-	-	-	-	-	(7,371,374)	(7,371,374)
Closing gross value	37,586,347	96,166,490	14,407,766	421,724,056	138,851,328	93,985,936	386,695	2,898,465	7,480,386	813,487,469

Accumulated depreciation and impairment

Opening balance	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	546,106	3,266,246	2,875,051	10,644,457	3,137,321	2,518,101	24,550	56,943	-	23,068,775
Depreciation on disposals	-	-	(799,600)	-	-	-	-	-	-	(799,600)
Revaluation adjustment to the ARR	-	24,737,213	-	79,676,174	60,801,222	44,938,811	136,840	532,911	-	210,823,171
Revaluation adjustment to the Income	-	15,095	-	-	-	817,046	-	-	-	832,141
Internal transfers	-	(11,079)	11,079	-	(1,161)	1,161	-	-	-	-
Closing accumulated depreciation and impairment balance	546,106	28,007,475	2,086,530	90,320,631	63,937,382	48,275,119	161,390	589,854	-	233,924,487

Net value at 30 June 15.5 months-2009

37,040,241	68,159,015	12,321,236	331,403,425	74,913,946	45,710,817	225,305	2,308,611	7,480,386	579,562,982
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Range of estimated useful life in years

20	10 - 60	1 - 50	1 - 120	10 - 150	15 - 80	1 - 20	10 - 70		
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ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
20 (b) Property, plant and equipment valuations were determined by reference to the following:			

Land

Valuation of land, being the market value, was provided by Mr N Nelson, Registration No. 3124 and Mr D Griggs Registration No. 3204, of Rushton Assetval Pty Ltd as at 15 March 2008 and 30 June 2009.

Land that is a reserve under the Land Act 1994 does not have a value for the purpose of Isaac Regional Council's financial statements.

Buildings

Valuation of buildings, being the current replacement cost, was provided by Mr N Nelson, Registration No. 3124 and Mr D Griggs Registration No. 3204, of Rushton Assetval Pty Ltd as at 15 March 2008 and 30 June 2009.

Plant and Equipment

Other plant and equipment is measured at cost.

Plant and equipment under the value of \$500,000 and mobile plant and equipment with an expected life of under five years is not revalued.

Infrastructure

Water and Sewerage Infrastructure -

Valuation of water and sewerage infrastructure, being the current replacement cost, was provided by Moira Zeillinga Member IPWEAQ and RPEQ, of Soluze Civil Engineers as at 15 March 2008. Water and sewerage infrastructure constructed or acquired during the 2008/09 and 2009/10 financial periods are recorded at cost.

Road and Drainage Infrastructure -

Valuation of roads and drainage infrastructure, being the current replacement cost, was provided by Mr D Shepherd, BE (Civil) RPEQ, of Shepherd Services Pty Ltd, Asset and Infrastructure Management as at 15 March 2008. Roads and drainage infrastructure constructed during the 2008/09 and 2009/10 financial periods are recorded at cost.

21 Intangible assets

1.18

Net carrying value at period end:

Computer software

112,997	149,111
112,997	149,111

Computer software

Opening gross carrying value

179,902 -

Acquired at cost

-	179,902
179,902	179,902

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
Accumulated amortisation		
Opening balance	30,791	-
Amortisation in the period	36,114	30,791
	<u>66,905</u>	<u>30,791</u>
Net carrying value at the period end	<u>112,997</u>	<u>149,111</u>

The computer software has a finite life of 3 years.

Straight line amortisation has been used with no residual value.

22 Trade and other payables

1.22

Current

Accruals	2,911,258	1,601,579
Creditors	4,505,827	6,245,644
GST payable	34,118	844,175
Employee related tax payable	(2,159)	-
Annual leave	1,303,413	1,026,944
Other entitlements	132,045	71,155
	<u>8,884,502</u>	<u>9,789,497</u>

Non Current

Annual leave	720,427	522,495
Other entitlement	153	153
	<u>720,580</u>	<u>522,648</u>

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

The non-current portion of annual leave and long service leave is then discounted to the present value. Further details on employee entitlements are reported in Note 1.23

23 Provisions

Current

Long service leave	98,352	251,028
	<u>98,352</u>	<u>251,028</u>

Non-Current

Long service leave	1,506,281	1,188,198
	<u>1,506,281</u>	<u>1,188,198</u>

Details as to the long service leave liability are reported in note 1.23(e)

Approximately 50% of the liability is funded.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
Details of movements in provisions:		
Long service leave		
Opening balance	1,439,226	-
Transferred from abolished councils		1,620,842
Amount provided for in the period	177,089	102,511
Amount paid in the period	(11,682)	(284,127)
Balance at the end of period	<u>1,604,633</u>	<u>1,439,226</u>

24 Borrowings 1.24

(a) Bank overdraft

The council has an approved overdraft facility with the ANZ Bank and Queensland Country Credit Union of \$85,000.00
The unexpired balance (excess) of the facility at the reporting date was \$85,000.00
This facility is available in the next reporting period.

(b) Unsecured borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.
All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 31 December 2008 to 31 December 2014.
There have been no defaults or breaches of the loan agreement during the period.
Principal and interest repayments are made quarterly in arrears.

(c) Secured borrowings

The council has no secured borrowings.

Details of borrowings at balance date are:

Current

Queensland Treasury Corporation	<u>444,449</u>	<u>-</u>
---------------------------------	----------------	----------

Non Current

Queensland Treasury Corporation	<u>7,256,804</u>	<u>-</u>
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Details of movements in borrowings:

Queensland Treasury Corporation

Opening balance	-	6,500,000
Loans raised	7,701,253	-
Principal repayments	-	(6,500,000)
Book value at period end	<u>7,701,253</u>	<u>-</u>
Classified as :		
Current	444,449	-
Non-current	<u>7,256,804</u>	<u>-</u>
	<u>7,701,253</u>	<u>-</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010 Actual \$	15.5 months-2009 Actual \$
	Note		
<p>The loan market value at the reporting date was \$7,724,828. 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 full term, no provision is required to be made in these accounts.</p> <p>Borrowings are all in Australian dollars and are underwritten by the Queensland State Government.</p>			
25 Council Capital	1.26		
(i) Calculation of capital value and retained surplus:			
Cash and cash equivalents		82,242,145	32,260,198
Less restricted cash:			
Reserves (excluding the asset revaluation)		(71,034,842)	(38,816,031)
Unspent depreciation capital fund reserve		(2,239,031)	(1,558,724)
Unspent loan capital fund reserve		(7,701,253)	-
Working capital cash (including employee entitlements)		(937,124)	4,000,527
Retained surplus (deficit) available for distribution	28	329,895	(4,114,030)
Council capital		560,767,368	564,436,985
Total capital and retained surplus at end of period		561,097,263	560,322,955
(ii) Movement in council capital			
Balance at beginning of period		564,436,985	-
Adjustments from (to) retained surplus:			
Transfer of capital income in the period		265,435	59,913
Transfer of capital expenses in the period		(2,777,195)	(950,314)
Transfer of revenue expended on capital assets		-	29,381,586
Transfer of unspent capital revenue		-	-
Transfer of unfunded depreciation		(3,508,866)	(4,905,582)
Transfer of capital cash		2,608,045	-
Capital value gained on restructure of local government		-	531,704,178
Total transfers (to) from retained surplus		(3,412,581)	555,289,781
Transfer (to) from note 26 -Unspent depreciation cash		(680,307)	-
Transfer (to) from note 26 -Unspent loan cash		(7,701,253)	-
Transfer (to) from note 29 - Other Reserves:			
Constrained Grants And Subsidy Reserve		7,727,393	8,128,825
Roads Infrastructure Reserve		-	693,996
Water Reserve		279,185	-
Other Infrastructure Reserve		117,946	324,383
Total transfers (to) from reserves		(257,036)	9,147,204
Balance at period end		560,767,368	564,436,985
<p>The amount by which the Council has increased (decreased) its capital capacity to deliver future services to the community before inflation adjustments</p>			
		(3,669,617)	564,436,985

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010 Actual \$	15.5 months-2009 Actual \$
Note		
26 Restricted capital cash held		
This cash forms part of shire capital and represent cash held at the reporting date restricted to the future funding of capital assets.		
(i) Unspent depreciation cash		
Opening balance	1,558,724	1,558,724
Cash unspent (expended) in period	680,307	-
Balance at end of period	2,239,031	1,558,724
(ii) Unspent loan capital cash		
Cash unspent (expended) in period.	7,701,253	-
Balance at end of period	7,701,253	-
Total restricted capital cash held	9,940,284	1,558,724
27 (i) Asset revaluation surplus	1.27	
Movements in the asset revaluation reserve were as follows:		
Balance at beginning of period	29,848,117	-
Net adjustment to non-current assets charged to the reserve:		
Adjustments to the fair value through revaluations:	20	
Land and improvements	-	5,021,708
Buildings	-	6,094,229
Road and bridge network	-	15,736,800
Water	-	2,448,239
Sewerage	-	547,141
Balance at end of the year	29,848,117	29,848,117
(ii) Asset revaluation reserve analysis		
The closing balance of the asset revaluation reserve is comprised of the following asset categories:		
Land and improvements	5,021,708	5,021,708
Buildings	6,094,229	6,094,229
Road and bridge network	15,736,800	15,736,800
Water	2,448,239	2,448,239
Sewerage	547,141	547,141
	29,848,117	29,848,117

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
28 Retained surplus		
Movement in retained surplus		
Retained surplus (deficit) at the beginning of period	(4,114,030)	-
Net result attributable to council	41,374,679	600,697,710
	<u>37,260,649</u>	<u>600,697,710</u>
Transfers (to) from capital account:	-	-
Transfer of capital income	(265,435)	(59,913)
Transfer of capital expenses	2,777,195	950,314
General revenue used for capital funding purposes	-	(29,381,586)
Unspent capital revenue transferred from capital	-	-
Adjustment for unfunded depreciation	3,508,866	4,905,582
Transfer to adjust the working capital cash	(2,608,045)	-
Transfer the capital value arising from the local government reform	-	(533,262,902)
Net capital account transfers	3,412,581	(556,848,505)
Transfer from (to) the constrained grants and subsidy reserve	(11,572,537)	(23,041,361)
Transfer from (to) the grants, subsidies and contributions reimbursed reserve	(3,750,000)	-
Retained surplus (deficiency) available for transfer to reserves	25,350,693	20,807,844
Transfers (to) from reserves for future capital funding purposes:		
Land and improvements reserve	-	(28,091)
Plant and equipment reserve	-	(1,245,000)
Roads infrastructure reserve	(4,063,212)	(2,811,082)
Water reserve	-	(4,446,721)
Sewerage reserve	-	(4,565,910)
Other infrastructure reserve	(5,465,585)	(8,035,382)
Community facilities reserve	-	(2,043,487)
Carry Over capital reserve	(15,200,000)	-
Transfers (to) from reserves for future general funding purposes:		
Natural disaster reserve	-	(50,000)
Constrained Works - operational grants reserve	1,659,056	(1,696,201)
Mines operating projects reserve	(1,951,057)	-
	<u>329,895</u>	<u>(4,114,030)</u>
29 Other reserves		
(a) Summary of reserves held for funding future capital expenditure:		
(i) Constrained Grants and Contributions Reserve	18,757,680	14,912,536
(ii) Grants, Subsidies and Contributions Reimbursed Reserve	-	-
(iii) Land and Improvements Reserve	28,091	28,091
(iv) Buildings Reserve	3,500,000	-
(v) Plant and Equipment Reserve	1,245,000	1,245,000
(vi) Roads Infrastructure Reserve	6,180,298	2,117,086
(vii) Water Reserve	4,167,536	4,446,721
(viii) Sewerage Reserve	4,565,910	4,565,910
(ix) Other Infrastructure Reserve	13,308,638	7,710,999
(x) Community Facilities Reserve	2,043,487	2,043,487
(xi) Carry Over Capital Reserve	15,200,000	-
	<u>68,996,640</u>	<u>37,069,830</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010 Actual \$	15.5 months-2009 Actual \$
	Note	
(b) Summary of reserves held for funding future recurrent expenditure:		
(i) Natural Disaster Reserve	50,000	50,000
(ii) Constrained Works - Operational Grants Reserve	37,145	1,696,201
(iii) Mines Operating Projects Reserve	1,951,057	-
	2,038,202	1,746,201
Total reserves	71,034,842	38,816,031
Movements in capital reserves are analysed as follows:		
(i) Constrained Grants and Contributions Reserve		
Balance at the beginning of period	14,912,536	-
Transfer from retained earnings grants, subsidies and contributions received in the period which restricted to specific capital projects	13,519,622	12,324,385
Transfers to the capital account funds expended in the period	(7,727,393)	(8,128,825)
Transfer from retained earnings for future expenditure	(1,947,085)	10,716,976
Balance at period end	18,757,680	14,912,536
(ii) Grants, Subsidies and Contributions Reimbursed Reserve		
Transfer from retained earnings grants, subsidies and contributions received in the period which are a reimbursement or are uncommitted at time of receipt	3,750,000	-
Reallocation of funds to other capital reserves	(3,750,000)	-
Balance at period end	-	-
(iii) Land and Improvements Reserve		
Balance at the beginning of period	28,091	-
Transfer from retained earnings for future expenditure	-	28,091
Balance at period end	28,091	28,091
(iv) Buildings Reserve		
Transfer from the grants, subsidies and contributions reimbursed reserve	3,500,000	-
	3,500,000	-
(v) Plant and Equipment Reserve		
Balance at the beginning of period	1,245,000	-
Transfer from retained earnings for future expenditure	-	1,245,000
Balance at period end	1,245,000	1,245,000
(vi) Roads Infrastructure Reserve		
Balance at the beginning of period	2,117,086	-
Transfer from retained earnings for future expenditure	4,063,212	2,811,082
Transfer to the capital account funds expended in the period	-	(693,996)
Balance at period end	6,180,298	2,117,086

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
(vii) Water Reserve		
Balance at the beginning of period	4,446,721	-
Transfer from retained earnings for future expenditure	-	4,446,721
Transfer to the capital account funds expended in the period	(279,185)	-
Balance at period end	4,167,536	4,446,721
(viii) Sewerage Reserve		
Balance at the beginning of period	4,565,910	-
Transfer from retained earnings for future expenditure	-	4,565,910
Balance at period end	4,565,910	4,565,910
(ix) Other Infrastructure Reserve		
Balance at the beginning of period	7,710,999	-
Transfer from the grants, subsidies and contributions reimbursed reserve	250,000	-
Transfer from retained earnings for future expenditure	5,465,585	8,035,382
Transfer to the capital account funds expended in the period	(117,946)	(324,383)
Balance at period end	13,308,638	7,710,999
(x) Community Facilities Reserve		
Balance at the beginning of period	2,043,487	-
Transfer from retained earnings for future expenditure	-	2,043,487
Balance at period end	2,043,487	2,043,487
(xi) Carry Over Capital Reserve		
Transfer from retained earnings for future expenditure	15,200,000	-
Balance at period end	15,200,000	-
(d) Movements in recurrent reserves are analysed as follows:		
(i) Natural Disaster Reserve		
Balance at the beginning of period	50,000	-
Transfer from retained earnings for future expenditure	-	50,000
Balance at period end	50,000	50,000
(ii) Constrained Works - Operational Grants Reserve		
Balance at the beginning of period	1,696,201	-
Transfer from retained earnings for future expenditure	-	1,696,201
Transfer to retained earnings	(1,659,056)	-
Balance at period end	37,145	1,696,201
(iii) Mines Operating Projects Reserve		
Transfer from retained earnings for future expenditure	1,951,057	-
Balance at period end	1,951,057	-

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010 Actual \$	15.5 months-2009 Actual \$
Note		
30 Commitments for expenditure		
Operating leases		
Minimum lease payments in relation to non-cancellable operating leases are as follows:		
Within one year	821,804	708,097
Later than 1 year but not later than 5 years	1,532,838	1,424,760
Later than 5 years	454,543	113,296
	<u>2,809,185</u>	<u>2,246,153</u>
Operating leases are entered into for motor vehicles. Lease payments are generally fixed, but with inflation clauses on which future rentals are determined.		
Contractual Commitments		
Contractual commitments at balance date but not recognised in the financial statements are as follows:		
Civic Centre - \$50,000 - per year	137,877	175,342
Management of Council Aquatic Centres - \$152,197 - per year	1,184,318	1,170,174
Town Maintenance Contracts - \$479,483 - per year	143,188	307,726
Library Lease - \$10,320 - per year	32,532	39,895
Recreation Reserve - \$81,653 - per year	122,814	181,304
Stock Route Management - \$153,102 - per year	268,295	371,712
Waste Management Collection \$225,402 - per year	920,161	-
	<u>2,809,185</u>	<u>2,246,153</u>
Capital Commitments		
Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities are as follows:		
Housing Project	72,539	1,489,946
Infrastructure	1,088,257	789,401
Other Assets	364,083	62,417
	<u>1,524,879</u>	<u>2,341,764</u>
These expenditures are payable :		
Within one year	1,524,879	2,341,764
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>1,524,879</u>	<u>2,341,764</u>

31 Events after balance date

There were no material financial adjusting events after balance date.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$
32 Contingent liabilities		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
The Isaac Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled 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:	492,981	418,642

The Isaac Regional Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2009 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

33 Superannuation

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

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

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 1993.

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

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

The audited general purpose financial report of the scheme as at 30 June 2009 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	2010	15.5 months-2009
	Actual	Actual
Note	\$	\$

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2009. The actuary indicated that "the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100%, benefits drawn reduce the available assets for remaining members and hence the net asset coverage of vested benefits declines further.

In order to withstand a one in ten 'low return' outcome, the DBF would need reserves of the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions.

Council has been advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. Under amendments to the Local Government Act 1993 passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be made as at 1 July 2012.

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

<u>1,873,391</u>	<u>1,923,193</u>
------------------	------------------

34 Trust funds

1.33

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

out to or on behalf of those entities

Security deposits

1,368,366	7,618,243
<u>649,501</u>	<u>180,856</u>
<u>2,017,867</u>	<u>7,799,099</u>

The Isaac Regional Council performs only a custodial role in respect of these monies, and because the monies cannot be used for Council purposes, they are not brought to account in these financial statements.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

		2010	15.5 months-2009
		Actual	Actual
	Note	\$	\$
35 Reconciliation of net result attributable to council to net cash flow from operating activities			
Net result attributable to council		<u>41,374,679</u>	<u>600,697,710</u>
Non-cash operating items:			
Depreciation and amortisation	12	17,832,289	23,099,566
Current cost of developed land sold	18	<u>871,727</u>	<u>1,682,389</u>
		<u>18,704,016</u>	<u>24,781,955</u>
Investing and development activities:			
Capital grants, subsidies and contributions	4	(17,269,622)	(12,324,385)
Capital income	6	(265,435)	(59,913)
Capital expenses	13	2,777,195	950,314
Payment for land for sale and development costs in the period		-	(5,248,255)
Net gain on restructure of local government		<u>-</u>	<u>(575,631,449)</u>
		<u>(14,757,862)</u>	<u>(592,313,688)</u>
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		2,619,386	461,668
(Increase) decrease in inventories (excluding land)		(581,139)	531,996
Increase (decrease) in payables		1,749,096	3,526,718
Increase (decrease) in provisions		165,407	(181,616)
Increase (decrease) in other liabilities		<u>-</u>	<u>(66,899)</u>
		<u>3,952,750</u>	<u>4,271,867</u>
Net cash inflow from operating activities		<u><u>49,273,583</u></u>	<u><u>37,437,844</u></u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

36 Financial instruments

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

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

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

- Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.
- When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Isaac Regional Council measures risk exposure using a variety of methods as follows:

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

(i) Credit Risk

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

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

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

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks or other financial institutions (if applicable). The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with highly rated/regulated banks/financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely (eg agricultural/mining/tourism), there is also a concentration in the (eg agricultural/mining/tourism) sector.

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

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

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

	Note	2010 \$	2009 \$
Financial Assets			
Cash and cash equivalents -	15	82,242,145	32,260,197
Receivables - rates	16	1,291,169	1,600,185
Receivables - other	16	8,622,979	10,768,474
Other credit exposure			
Guarantee	32	492,981	418,642
Total		<u>92,649,274</u>	<u>45,047,498</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

36 Financial instruments - continued

Past due or impaired

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

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

Fully Performing	Past due				Impaired	Total
	Less than 30 days	31 to 60 days	61 to 90 days	Over 90 days		
\$	\$	\$	\$	\$	\$	\$
Receivables	4,168,223	3,398,452	247,382	1,736,881	363,210	9,914,148

(ii) Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

The Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in the borrowings note 23

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date (excluding employee entitlements as defined by AASB132 Financial Instruments para 4(b)):

	0 to 1 year	1 to 5 years	Over 5 years	Total
	\$	\$	\$	\$
2010				
Trade and other payables	7,449,044	-	-	7,449,044
Loans QTC	889,708	2,651,115	9,126,906	12,667,729
	<u>8,338,752</u>	<u>2,651,115</u>	<u>9,126,906</u>	<u>20,116,773</u>
2009				
Trade and other payables	8,691,398	-	-	8,691,398
	<u>8,691,398</u>	<u>-</u>	<u>-</u>	<u>8,691,398</u>

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

(iii) Interest rate risk

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

The risk in borrowing is effectively managed by borrowing from financial institutions which provide access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

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

Interest Rate Sensitivity Analysis

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

	Net carrying amount		Profit/(loss)		Equity	
	2010	2009	2010	2009	2010	2009
Financial assets and liabilities that are held at variable interest rates total:	\$	\$	\$	\$	\$	\$
Financial Assets	66,874,032	22,747,185	668,740	227,472	668,740	227,472
Financial Liabilities	7,701,253	-	(77,013)	-	(77,013)	-

ISAAC REGIONAL COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2010

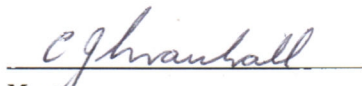
MANAGEMENT CERTIFICATE

For the year ended 30 June 2010

This general purpose financial report of the Isaac Regional Council 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.

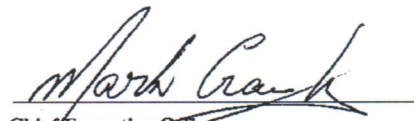
In accordance with Section 48 of the Standard we certify that:

- (i) the relevant recording and reporting procedures have been complied with in the preparation of the final financial statements; and
- (ii) the final financial statements for the year ended 30 June 2010 and supporting notes present the council's income, financial position, equity and cash flows as required by the *Local Government Act 1993*.



Mayor

Date: 15/9/2010



Chief Executive Officer

Date: 15/9/2010

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Isaac Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Isaac Regional Council, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. These auditing standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Auditor's Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Isaac Regional Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.



L M DEMICHELIS CPA
as Delegate of the Auditor-General of Queensland
14 October 2010

Brisbane