

# FINANCIAL STATEMENTS

## 2010/2011



## ISAAC REGIONAL COUNCIL

### Financial Report

For the year ended 30 June 2011

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### Financial Report

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# ISAAC REGIONAL COUNCIL

## Statement of Comprehensive Income For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent Revenue</b>			
Rates and levies	3 (a)	58,174,198	48,266,496
Sales of major services	3 (b)	1,822,741	1,052,504
Fees and charges		10,552,867	5,486,001
Rental and levies	3 (c)	1,229,889	910,547
Interest received	3 (d)	5,016,116	2,199,664
Sales of contract and recoverable works	3 (e)	4,984,306	4,855,203
Other recurrent income	3 (f)	494,598	540,878
Grants, subsidies, contributions and donations	4 (i)	12,961,463	15,565,943
Proceeds from sales of land developed for resale	5	5,176,479	17,784,731
<b>Total recurrent revenue</b>		<b>100,412,657</b>	<b>96,661,967</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4 (ii)	9,250,905	17,269,622
		<b>9,250,905</b>	<b>17,269,622</b>
<b>Total revenue</b>		<b>109,663,562</b>	<b>113,931,589</b>
<b>Capital income</b>	6	33,684,496	265,435
<b>Total income</b>		<b>143,348,058</b>	<b>114,197,024</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	8	(25,026,131)	(18,729,457)
Materials and services	9	(31,592,964)	(32,530,478)
Current cost of developed land sold	5	(154,821)	(871,727)
Finance costs	10	(616,890)	(81,199)
Depreciation and amortisation	11	(19,498,076)	(17,832,289)
<b>Total recurrent expenses</b>		<b>(76,888,882)</b>	<b>(70,045,150)</b>
<b>Capital expenses</b>	12	(6,920,304)	(2,777,195)
<b>Total expenses</b>	2	<b>(83,809,186)</b>	<b>(72,822,345)</b>
<b>Net result attributable to council</b>		<b>59,538,872</b>	<b>41,374,679</b>
<b>Other comprehensive income</b>			
Increase / (decrease) in asset revaluation surplus		187,658,668	-
<b>Total other comprehensive income</b>		<b>187,658,668</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>247,197,540</b>	<b>41,374,679</b>

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 2011

	Note	2011 \$	2010 \$
<b>Current Assets</b>			
Cash assets and cash equivalents	14	104,144,425	82,242,145
Trade and other receivables	15	10,296,310	10,164,413
Inventories	16	9,215,749	6,371,749
		<u>123,656,484</u>	<u>98,778,307</u>
Non-current assets classified as held for sale	18	595,449	-
		<u>124,251,933</u>	<u>98,778,307</u>
<b>Non-current Assets</b>			
Investment properties	19	9,733,498	10,150,462
Property, plant and equipment	20 (a)	810,840,300	581,789,708
Intangible assets	21	84,324	112,997
		<u>820,658,122</u>	<u>592,053,167</u>
<b>TOTAL ASSETS</b>		<u>944,910,055</u>	<u>690,831,474</u>
<b>Current Liabilities</b>			
Trade and other payables	22	9,951,872	8,884,502
Provisions	23	172,449	98,352
Borrowings	24	360,492	444,449
Other	25	326,003	-
		<u>10,810,816</u>	<u>9,427,303</u>
<b>Non-current Liabilities</b>			
Trade and other payables	22	1,042,666	720,580
Provisions	23	1,804,849	1,506,281
Borrowings	24	12,133,678	7,256,804
		<u>14,981,193</u>	<u>9,483,665</u>
<b>TOTAL LIABILITIES</b>		<u>25,792,009</u>	<u>18,910,968</u>
<b>NET COMMUNITY ASSETS</b>		<u>919,118,046</u>	<u>671,920,506</u>
<b>Community Equity</b>			
Council Capital:			
Investment in capital assets	26	610,012,569	568,468,621
Asset revaluation surplus	27	217,506,785	29,848,117
Retained surplus (deficiency)	28	972,336	329,895
General reserves	29	90,626,356	73,273,873
<b>TOTAL COMMUNITY EQUITY</b>		<u>919,118,046</u>	<u>671,920,506</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 2011

	Total		Retained surplus (deficit) Note 28		General reserves Note 29		Asset revaluation surplus Note 27		Council Capital Note 26	
	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$	2011 \$	2010 \$
Balance at beginning of period	671,920,506	630,545,827	329,895	(4,114,030)	73,273,873	40,374,755	29,848,117	29,848,117	568,468,621	564,436,985
Net result attributable to council	59,538,872	41,374,679	59,538,872	41,374,679						
Other comprehensive income for the period										
Revaluations:										
Property, plant & equipment	187,658,668	-					187,658,668	-		
<b>Total comprehensive income for period</b>	<b>247,197,540</b>	<b>41,374,679</b>	<b>59,538,872</b>	<b>41,374,679</b>	<b>-</b>	<b>-</b>	<b>187,658,668</b>	<b>-</b>	<b>-</b>	<b>-</b>
Transfers of capital amounts arising from council activities:										
Capital income	-	-	(33,684,496)	(265,435)					33,684,496	265,435
Capital expenses	-	-	6,920,304	2,777,195					(6,920,304)	(2,777,195)
Capital revenue of physical assets	-	-	(2,014,540)	-					2,014,540	-
Unfunded depreciation	-	-	3,383,768	3,508,866					(3,383,768)	(3,508,866)
General revenue expended on capital assets	-	-	(3,809,340)	-					3,809,340	-
Reserve funds expended on capital assets	-	-			(12,339,644)	(7,444,217)			-	-
Working capital cash adjustment	-	-	-	(2,608,045)					12,339,644	7,444,217
<b>Change in capital capacity arising from council activities in the period</b>	<b>-</b>	<b>-</b>	<b>(29,204,304)</b>	<b>3,412,581</b>	<b>(12,339,644)</b>	<b>(7,444,217)</b>	<b>-</b>	<b>-</b>	<b>41,543,948</b>	<b>4,031,636</b>
Transfers between retained surplus and council reserves:										
Capital revenue of cash			(7,236,365)	(17,269,622)	7,236,365	17,269,622				
General revenue funds available	-	-	(22,865,699)	(26,679,854)	22,865,699	26,679,854				
Transfers from general reserves	-	-	409,937	3,606,141	(409,937)	(3,606,141)				
<b>Net transfers to (from) retained surplus</b>	<b>-</b>	<b>-</b>	<b>(29,692,127)</b>	<b>(40,343,335)</b>	<b>29,692,127</b>	<b>40,343,335</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balance at end of period	919,118,046	671,920,506	972,336	329,895	90,626,356	73,273,873	217,506,785	29,848,117	610,012,569	568,468,621

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

# ISAAC REGIONAL COUNCIL

## Statement of Cash Flows

For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>Cash flows from operating activities :</b>			
General rates and utility charges		56,921,997	48,575,512
Sales of major services		1,822,741	1,052,504
Rental and levies, fees and charges		11,782,756	6,390,626
Grants, subsidies and contributions		12,961,463	15,565,943
Interest received		4,403,618	1,899,593
Proceeds from sales of land developed for resale		5,176,479	17,784,731
Other income		8,549,452	7,617,933
GST received		5,927,949	4,982,339
Payments to suppliers		(32,553,228)	(31,076,958)
Payment to employees		(23,568,714)	(17,951,318)
Interest expense		(457,516)	(1,253)
GST paid		(6,001,460)	(5,566,069)
<b>Net cash inflow (outflow) from operating activities</b>	35	<u>44,965,537</u>	<u>49,273,583</u>
<b>Cash flows from investing activities:</b>			
Commonwealth government grants		3,453,080	7,252,164
State Government subsidies & grants		1,727,277	5,187,934
Capital contributions		2,382,011	4,829,524
Payments for property, plant and equipment		(36,132,123)	(24,322,255)
Proceeds from sale of property plant and equipment	7	1,037,581	98,456
Net movement in loans to community organisations		(324,000)	(38,712)
<b>Net cash inflow (outflow) from investing activities</b>		<u>(27,856,174)</u>	<u>(6,992,889)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from borrowings	24	5,003,213	7,701,253
Repayment of borrowings	24	(210,296)	-
<b>Net cash inflow (outflow) from financing activities</b>		<u>4,792,917</u>	<u>7,701,253</u>
<b>Net increase (decrease) in cash held</b>		<u>21,902,280</u>	<u>49,981,947</u>
Cash at beginning of reporting period		82,242,146	32,260,199
<b>Cash at end of reporting period</b>	14	<u><b>104,144,426</b></u>	<u><b>82,242,146</b></u>

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

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### **1 Summary of Significant Accounting Policies**

#### **1.1 Basis of Preparation**

These general purpose financial statements for the period 1 July 2010 to 30 June 2011 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the Local Government Act 2009 and the Local Government (Finance, Plans and Reporting) Regulation 2010.

These financial statements have 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.

#### **1.3 Constitution**

The Isaac Regional Council is constituted under the Queensland Local Government Act 2009 and is domiciled in Australia.

#### **1.4 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.

#### **1.5 Currency**

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

#### **1.6 Adoption of new and revised Accounting Standards**

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Effective for annual report periods beginning on or after:

AASB 9 Financial Instruments (December 2009)	1 January 2013
AASB 124 Related Party Disclosures (December 2009)	1 January 2011
AASB 1053 Application of Tiers of Australian Accounting Standards	1 July 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
2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14) (December 2009)	1 January 2011
AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	1 July 2013
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	1 January 2011
AASB 2010-5 Amendments to Australian Accounting Standards	1 January 2011
AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets	1 July 2011
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2013
AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets	1 January 2012
AASB 2010-9 Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters	1 January 2013

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.

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

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 7      **Critical accounting judgements and key sources of estimation uncertainty**

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

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

- Valuation of property, plant and equipment - note 1.16 and note 20 (b)
- Impairment of property, plant and equipment - note 1.19 and note 20 (a)
- Provisions - note 23
- Contingencies - note 32

### 1. 8      **Rates, levies, grants and other revenue**

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

#### 1. 8 (a)      **Rates and levies**

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

#### 1. 8 (b)      **Grants and subsidies**

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the Unspent capital grants reserve. Council intends to spend all recurrent grants in the year received, however if this has not been achieved Council has 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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 8 (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.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

### 1. 8 (d) **Cash Contributions**

Council receives cash contributions from property developers to construct assets such as roads and footpaths and to connect new property developments to water and sewerage networks in the local government area. Where agreements between Council and the developers relating to these contributions are determined to fall within the scope of AASB Interpretation 18 Transfers of Assets from Customers these contributions are recognised as revenue when the related service obligations are fulfilled.

Developers may also make cash contributions towards the cost of constructing existing and proposed water supply and sewerage headworks in accordance with Council's planning scheme policies. (Headworks include pumping stations, treatment works, mains, sewers and water pollution control works). Cash contributions in relation to water supply and sewerage headworks are not within the scope of AASB Interpretation 18 because there is no performance obligation associated with these contributions. Consequently, these cash contributions are recognised as income when received.

AASB Interpretation 18 has been applied prospectively from 1 July 2009. All cash contributions were recognised as revenue on receipt prior to 1 July 2009.

### 1. 8 (e) **Rental income**

Rental revenue from investment and other property is recognised on receipt.

### 1. 8 (f) **Interest and dividends**

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

### 1. 8 (g) **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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 9 Financial assets and 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 1.10)

Receivables - measured at amortised cost less any impairment (note 1.11)

#### Financial liabilities

Payables - measured at amortised cost (note 1.21)

Borrowings - measured at amortised cost (note 1.23)

Finance lease liabilities - measured at amortised cost (note 1.20(a))

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 37.

### 1. 10 Cash and Cash Equivalents

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

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 11 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 37.

### 1. 12 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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 13 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. 14 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 2011 Council did not have any term deposits in excess of three months.

### 1. 15 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.

Property that is being constructed or developed for future use as investment property is classified as investment property. 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. 16 Property, Plant and Equipment

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

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

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### (a) 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.

### (b) 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.

### (c) 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, Plans and Reporting) Regulation 2010. 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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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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.

Waste management assets have not been revalued.

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

### (d) 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.

### (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.

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).

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### (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.

Land under the road network within the Council area that has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 is not controlled by council but is controlled by the state pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

## 1. 17 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.

## 1. 18 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 1.15 for further information.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 19 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. 20 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 2011

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### 1. 21 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. 22 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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### (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 is reported in note 23 as a provision.

### 1. 23 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

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

### 1. 24 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.

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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### (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. 25 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.

At the reporting date the council had unspent QTC loan funds. This unspent cash is a restricted capital asset and is reported in note 26(ii)(b).

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 and note 26.

### 1. 26 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 but simply an accumulated change in value of property, plant and equipment that is held at valuation. The balance forms part of the council's total capital value.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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### 1. 27 Reserves held for Funding Future Capital Expenditure

These are cash backed reserves and represent funds, from revenue sources, that are accumulated to meet anticipated future capital asset funding requirements. In each case the amount relates to a perceived future requirement which is not currently a liability.

#### 1. 27 (a) Constrained Grants, Subsidies and Contributions Reserve

This reserve is credited with all non-reciprocal grants, subsidies and contributions of monetary revenue received during the reported period and constrained for the purpose of funding non-specific capital expenditure (eg. headworks.) As the funds are expended on capital assets the equivalent amounts 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 the obligation is satisfied.

#### (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.

#### (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.

## ISAAC REGIONAL COUNCIL

Notes to and forming part of the Financial Statements  
For the year ended 30 June 2011

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(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 of funded depreciation

1. 28 **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.

(d) **NDRRA Funding - Operational Grants Reserve**

This reserve has been established to constrain unspent NDRRA funding received in advance.

(e) **Community Recovery - Operational Grants Reserve**

Reserves held for funding future recurrent expenditure as yet to be identified under the Community Recoveries Grant purposes.

1. 29 **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 Local Government Finance, Plans and Reporting Regulations 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 2011

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### 1. 30 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.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

### 1. 31 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. 32 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 2011

### 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				
	2011 \$	2011 \$				
Office of the CEO	-	-	-	1,608,455	(1,608,455)	-
Planning & Environmental Services	-	7,161,784	7,161,784	3,859,520	3,302,264	-
Governance & Community Services	3,721,433	18,497,087	22,218,520	14,371,521	7,846,999	186,557,883
Commercial Services	159,962	27,293,084	27,453,046	25,200,352	2,252,694	228,922,537
Corporate Services	327,445	20,063	347,508	5,446,561	(5,099,053)	514,710
Financial Services	4,918,510	49,392,177	54,310,687	2,359,078	51,951,609	115,853,270
Technical & Civil Services	7,474,414	24,382,099	31,856,513	29,665,364	2,191,149	413,061,655
Change Management	-	-	-	1,298,335	(1,298,335)	-
<b>Total</b>	<b>16,601,764</b>	<b>126,746,294</b>	<b>143,348,058</b>	<b>83,809,186</b>	<b>59,538,872</b>	<b>944,910,055</b>

### Prior Year

Functions	Income		Total income	Total expenses	Net result for period	Assets
	Grants	Other				
	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)	-
<b>Total</b>	<b>27,422,379</b>	<b>86,774,645</b>	<b>114,197,024</b>	<b>72,822,345</b>	<b>41,374,679</b>	<b>690,831,474</b>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2011

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#### 2 (b) Components of council functions

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

##### **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 2011

		2011	2010
	Note	\$	\$
<b>3 Revenue analysis</b>			
<b>(a) Rates and levies</b>	1.8(a)		
General rates		30,885,316	25,059,114
Separate rates		15,291,803	12,294,996
Water		5,973,623	5,450,948
Water connection fees		1,008,068	-
Sewerage		5,109,845	4,557,449
Sewerage connection fees		152,360	-
Garbage charges		2,554,610	3,192,757
Rates and utility charge revenue		60,975,625	50,555,264
Less: Discounts		(2,658,141)	(2,043,054)
Less: Pensioner remissions		(143,286)	(245,714)
Net rates and utility charges		58,174,198	48,266,496
<b>(b) Sales of major services</b>			
Recycling services		51,686	59,056
Green waste services		479,266	140,134
Airport services		1,291,789	853,314
		1,822,741	1,052,504
<b>(c) Rental and levies</b>			
Housing rentals		318,576	910,547
Investment property rentals		356,074	-
Community housing rental income		120,915	-
Other property rental income		434,324	-
		1,229,889	910,547
<b>(d) Interest received</b>			
Investments		4,812,679	2,029,014
Other sources		-	13,090
Over due rates and utility charges		203,437	157,560
		5,016,116	2,199,664
<b>(e) Sales of contract and recoverable works</b>			
Revenue		4,984,306	4,855,203
		4,984,306	4,855,203
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.			
<b>(f) Other recurrent income</b>			
Other income		494,598	540,878
		494,598	540,878

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
<b>4 Grants, subsidies, contributions and donations</b>	1.8(b)		
(i) <b>Recurrent - grants, subsidies, contributions and donations are analysed as follows:</b>			
Commonwealth grants		7,100,686	6,458,488
TSRA grants		-	20,907
State Government subsidies & grants		4,320,721	8,502,886
Donations		6,159	6,650
Contributions		1,533,897	577,012
Total recurrent revenue		<u>12,961,463</u>	<u>15,565,943</u>
(ii) <b>Capital - grants, subsidies, and contributions are analysed as follows:</b>			
(a) Monetary revenue designated for capital funding purposes:			
Commonwealth government grants		3,453,080	7,252,164
State Government subsidies & grants		1,727,277	5,187,934
Contributions		2,056,008	4,829,524
		<u>7,236,365</u>	<u>17,269,622</u>
(b) Non-monetary revenue received is analysed as follows:	1.8(c)		
Developer assets contributed by developers at fair value		2,014,540	-
		<u>2,014,540</u>	<u>-</u>
Total capital revenue		<u>9,250,905</u>	<u>17,269,622</u>
(iii) <b>Conditions over contributions</b>			
Non-reciprocal 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 general specified manner (eg.headworks) by the contributor but had not been expended at the reporting date			
Grants for infrastructure		1,052,084	3,679,666
Contributions for infrastructure		1,945,762	3,007,831
		<u>2,997,846</u>	<u>6,687,497</u>
Non-reciprocal grants and contributions which were recognised as revenues during a previous reporting period and were expended during the current reporting period.			
Grants for infrastructure		3,401,655	895,265
Contributions for infrastructure		2,031,000	1,947,085
		<u>5,432,655</u>	<u>2,842,350</u>
<b>5 Gain (loss) on the disposal of inventory land developed for resale</b>			
Proceeds from sales of land developed for resale		5,176,479	17,784,731
Current cost of developed land sold		(154,821)	(871,727)
		<u>5,021,658</u>	<u>16,913,004</u>
<b>6 Capital income</b>			
Gain on the sale of capital assets		-	98,456
Revaluation of investment property - land and buildings	19	1,086,498	166,979
Gain arising from recognising assets that were not previously recognised	36 & 20	32,597,998	-
		<u>33,684,496</u>	<u>265,435</u>

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
<b>7 Gain (loss) on the disposal of capital assets</b>			
(a) Proceeds from the sale of plant and equipment		1,037,581	98,456
Less: Book value of plant and equipment sold		(1,154,488)	-
		<u>(116,907)</u>	<u>98,456</u>
(b) Proceeds from the sale of land and buildings		-	-
Less: Book value of land and buildings sold/disposed		(19,228)	-
		<u>(19,228)</u>	<u>-</u>
(c) Proceeds from sale of other non current assets		-	-
Less: Book value of road and sewerage sold/disposed		(3,686,025)	-
		<u>(3,686,025)</u>	<u>-</u>
<b>Total gain (loss) on the disposal of capital assets</b>		<u><b>(3,822,160)</b></u>	<u><b>98,456</b></u>
<b>8 Employee benefits</b>			
Total staff wages and salaries		19,774,141	15,089,684
Councillors' remuneration		679,716	663,525
Annual, sick and long service leave entitlements		2,963,094	1,455,686
Superannuation	33	<u>1,826,335</u>	<u>1,873,391</u>
		25,243,286	19,082,286
Other employee related expenses		<u>851,358</u>	<u>496,370</u>
		26,094,644	19,578,656
Less : Capitalised employee expenses		<u>(1,068,513)</u>	<u>(849,199)</u>
		<u><b>25,026,131</b></u>	<u><b>18,729,457</b></u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
<b>Total Council employees at June 2011:</b>		<b>2011</b>	<b>2010</b>
Elected members		9	9
Administration staff		177	137
Depot and outdoors staff		168	185
<b>Total full time equivalent employees</b>		<u><b>354</b></u>	<u><b>331</b></u>
<b>9 Materials and services</b>			
Audit fees		251,949	287,508
Professional fees		3,084,676	1,179,027
Donations Paid		194,402	148,787
Electricity		1,483,286	1,439,480
Refuse collection		1,731,317	1,867,327
Plant and vehicle expense		1,706,495	2,597,589
IT and telecommunications		865,931	903,659
Contracts		2,019,866	2,184,764
Insurance and legal fees		1,417,730	948,757
Rentals - Operating leases		896,004	315,473
Other material and services		<u>17,941,308</u>	<u>20,658,107</u>
		<u><b>31,592,964</b></u>	<u><b>32,530,478</b></u>

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	2011	2010
Note	\$	\$
<b>10 Finance costs</b>		
Finance costs charged by the Queensland Treasury Corporation	457,516	1,253
Bank charges	113,320	57,684
Impairment of receivables	46,054	3,309
Other finance costs	-	18,953
	<u>616,890</u>	<u>81,199</u>
<b>11 Depreciation and amortisation</b>	1.16(c)	
<b>(a) Depreciation of non-current assets</b>		
Land and improvements	888,141	183,264
Buildings	2,562,596	2,738,549
Plant and equipment	2,264,539	1,884,091
Road, bridge and drainage	9,287,907	8,794,328
Water	2,225,353	2,301,685
Sewerage	1,997,985	1,829,841
Waste Management	44,716	19,513
Aerodrome	104,549	44,904
Total depreciation of non-current assets	<u>19,375,786</u>	<u>17,796,175</u>
	-	-
<b>(b) Amortisation of intangible assets</b>		
Computer software	122,290	36,114
Total amortisation of intangible assets	<u>122,290</u>	<u>36,114</u>
Total depreciation and amortisation	<u>19,498,076</u>	<u>17,832,289</u>
<b>12 Capital expenses</b>		
Loss on the sale of capital assets	3,822,160	-
Loss on write-off of capital assets	13 2,241,201	2,777,195
Revaluation down of property, plant and equipment	20 (a) 856,943	-
Total capital expenses	<u>6,920,304</u>	<u>2,777,195</u>
<b>13 Details of the loss on write-off of capital assets are as follows:</b>		
Land and improvements	1,454,911	17,573
Buildings	(123,946)	64,100
Plant and equipment	-	6,027
Road, bridge and drainage	-	2,540,942
Water	345,619	-
Sewerage	564,617	148,553
	<u>2,241,201</u>	<u>2,777,195</u>

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
<b>14 Cash assets and cash equivalents</b>	<b>1.10</b>		
Cash in operating bank account		6,768,499	15,363,133
Cash in other banks and on hand		6,030	4,980
Investments with approved deposit taking institutions at variable interest rates		52,479,354	34,985,359
Deposits and investments held with QTC at variable interest rate		44,890,542	31,888,673
Balance per statement of cash flows		<u>104,144,425</u>	<u>82,242,145</u>

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

Unspent government grants and subsidies	29 (b)(i)	(2,070,388)	3,732,264
Unspent developer contributions	29 (b)(i)	14,780,787	15,025,416
Unspent loan monies		<u>9,662,920</u>	<u>7,701,253</u>
Total unspent restricted cash for capital projects		<u>22,373,319</u>	<u>26,458,933</u>

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

## 15 Trade and other receivables 1.11

### Current

Rateable revenue and utility charges		2,543,370	1,291,169
Accrued interest		912,569	300,071
GST recoverable		1,071,016	-
Other debtors		5,326,956	8,686,118
Less: Impairment provision		<u>(120,650)</u>	<u>(363,210)</u>
		<u>9,733,261</u>	<u>9,914,148</u>
Prepayments		191,549	202,765
Loans and advances to community organisations		<u>371,500</u>	<u>47,500</u>
		<u>10,296,310</u>	<u>10,164,413</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.

Movement in accumulated impairment losses (trade and other receivables)  
is as follows:

Opening balance	363,210	392,419
Impairment adjustment in period	<u>(242,560)</u>	<u>(29,209)</u>
Closing balance	<u>120,650</u>	<u>363,210</u>

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
<b>16 Inventories</b>	1.12		
<b>Current</b>			
Inventories for internal use:			
Quarry and road materials		833,214	724,137
Stores and materials		579,321	523,039
		<u>1,412,535</u>	<u>1,247,176</u>
Valued at cost, adjusted when applicable for any loss of service potential.			
Land purchased for development and sale	17	7,803,214	5,124,573
		<u>9,215,749</u>	<u>6,371,749</u>
<b>17 Land purchased for development and sale</b>	1.13		
Opening balance		5,124,573	5,996,300
Transferred from other asset category		2,833,462	-
Less: Cost of developed land sold		(154,821)	(871,727)
Closing balance at period end		<u>7,803,214</u>	<u>5,124,573</u>
Land purchased for development and sale is valued at the lower of cost and net realisable value.			
<b>18 Non-current assets classified as held for sale</b>			
Transfer from other non current asset category		595,449	-
		<u>595,449</u>	<u>-</u>
This is plant that has been sold and is waiting for the new vehicles to be delivered prior to taking possession of these plant items.			
<b>19 Investment properties</b>	1.15		
Property held for rental income and capital growth		9,733,498	10,150,462
Fair value at end of period		<u>9,733,498</u>	<u>10,150,462</u>
<b>Movement in assets during the reporting period:</b>			
<b>Property held for rental income and capital growth</b>			
Opening balance		10,150,462	10,917,483
Fair value of assets transferred from other asset category		(1,503,462)	(934,000)
Revaluation adjustment to income statement		1,086,498	166,979
		<u>9,733,498</u>	<u>10,150,462</u>
Valuation of Investment properties , being the current replacement cost, was provided by Australia Pacific Valuers Pty Ltd Trading as APV Valuers and Asset Management as at 30 June 2011.			

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

## 20 (a) Property, plant and equipment

	Land and improvements		Buildings		Plant and equipment		Road, bridge and drainage		Water		Sewerage		Waste Management		Aerodrome		Works in progress		Total	
	Valuation	2011	Valuation	2011	Cost	2011	Valuation	2011	Valuation	2011	Valuation	2011	Cost	2011	Valuation	2011	Cost	2011		
<b>Asset Values</b>																				
Opening gross value	\$	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
Found Assets not previously recognised		7,438,322		9,817,058		657,526		14,743,353		2,208,788		2,358,199		27,216		891,951		-		38,142,413
Additions at cost		-		-		-		-		-		-		-		-		36,132,123		36,132,123
Contributed assets at valuation		-		-		-		2,014,540		-		-		-		-		-		2,014,540
Internal transfers from work in progress		1,987,199		1,446,674		5,522,776		6,367,638		14,870		2,377,724		48,064		-		(17,764,945)		-
Disposals		(32,125)		-		(1,820,096)		(6,196,850)		-		(205,095)		-		-		-		(8,254,166)
Write-offs		(1,895,217)		(1,037,301)		-		-		(740,086)		(880,958)		-		-		-		(4,553,562)
Revaluation adjustment to the ARSR*		7,472,697		(6,273,879)		-		6,242,749		25,320,163		27,462,254		-		-		-		60,223,984
Revaluation adjustment to Income		-		-		-		-		-		-		-		(566,935)		-		(566,935)
Internal transfers between asset classes		18,367,075		(18,752,756)		(2,960,813)		354,404		-		92,214		-		82,783		-		(2,817,093)
Closing gross value		71,653,891		107,586,529		17,222,311		448,857,640		166,185,405		126,789,546		491,676		3,306,264		27,341,038		969,434,300

## Accumulated depreciation and impairment

Opening balance	715,586	52,421,709	3,968,315	93,417,001	66,239,067	49,745,949	180,903	634,758	267,323,288	
Found Assets not previously recognised	795,332	1,652,626	656,406	1,433,932	442,412	395,259	6,084	162,364	5,544,415	
Depreciation provided in period	888,141	2,562,596	2,264,539	9,287,907	2,225,353	1,997,985	44,716	104,549	15,655,684	
Depreciation on disposals	(12,897)	-	(665,608)	(2,681,519)	-	(34,401)	-	-	(3,394,425)	
Depreciation on write-offs	(440,306)	(1,161,247)	-	-	(394,467)	(316,341)	-	-	(2,312,361)	
Revaluation adjustment to the ARSR*	(4,934,845)	(27,721,920)	-	(57,861,697)	(22,577,998)	(14,338,224)	-	-	(123,714,582)	
Revaluation adjustment to the Income	-	(15,095)	-	-	-	-	-	-	290,008	
Internal transfers to other asset classes	8,187,439	(8,150,564)	(875,884)	3,575	-	30,520	-	6,887	(798,027)	
Closing accumulated depreciation and impairment balance	5,198,450	19,588,105	5,347,768	43,599,199	45,934,367	37,480,747	231,703	1,213,661	158,594,000	

Net value at 30 June 2011

66,455,441	87,998,424	11,874,543	405,258,441	120,251,038	89,308,799	259,973	2,092,603	27,341,038	810,840,300
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Range of estimated useful life in years

5 - 100	3 - 100	5 - 20	5 - 100	5 - 100	5 - 100	3 - 10	10 - 50
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## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

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

Basis of measurement	Land and improvements		Buildings		Plant and equipment		Road, bridge and drainage		Water		Sewerage		Waste Management		Aerodrome		Works in progress		Total	
	Valuation	2010	Valuation	2010	Cost	2010	Valuation	2010	Valuation	2010	Valuation	2010	Cost	2010	Valuation	2010	Cost	2010		2010
<b>Asset Values</b>																				
Opening 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	
Minor correction to opening balance	-		21,791,985		-		-		-		-		-		-		-		21,791,985	
Additions at cost	-		-		-		-		-		-		-		-		21,866,096		21,866,096	
Internal transfers from work in progress	760,950		3,674,658		1,423,485		11,846,650		530,342		2,106,836		29,701		-		(20,372,622)			
Write-offs	(31,357)		(180,400)		(8,333)		(8,238,900)		-		(507,564)		-		-		-		(8,966,554)	
Internal transfers between asset classes	-		934,000		-		-		-		-		-		-		-		934,000	
Closing gross value	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	

**Accumulated depreciation and impairment**

Opening 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	
Minor correction to opening balance	-		21,791,985		-		-		-		-		-		-		-		21,791,985	
Depreciation provided in period	183,264		2,738,549		1,884,091		8,794,328		2,301,685		1,829,841		19,513		44,904				17,796,175	
Depreciation on write-offs	(13,784)		(116,300)		(2,306)		(5,697,958)		-		(359,011)		-		-		-		(6,189,359)	
Closing accumulated depreciation and impairment balance	715,586		52,421,709		3,968,315		93,417,001		66,239,067		49,745,949		180,903		634,758				267,323,288	

Net value at 30 June 2010

37,600,354	69,965,024	11,854,603	331,914,805	73,142,603	45,839,259	235,493	2,263,707	8,973,860	581,789,708
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Range of estimated useful life in years

\* ARSR denotes - Asset Revaluation Surplus Reserve

1 - 50	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 2011

	Note	2011 \$	2010 \$
<b>20 (b) Property, plant and equipment</b> valuations were determined by reference to the following:			
<b>Land and improvements</b>			
Land and improvements have been included at current market value as at 30 June 2011 by Australia Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management.			
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.			
<b>Buildings</b>			
Council buildings on land leased by the council are valued at their written down current replacement cost as valued by Australia Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management as at 30 June 2011. All other buildings are valued at market value.			
<b>Plant and equipment</b>			
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.			
Other plant and equipment is measured at cost.			
<b>Road, bridge and drainage</b>			
Road and drainage and other infrastructure is included at the written down current replacement cost as at 30 June 2011 as determined by Australia Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management.			
<b>Water and Sewerage</b>			
Water and sewerage infrastructure is included at the written down current replacement cost as at 30 June 2011 as determined by Australia Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management.			
<b>Waste Management</b>			
Waste management infrastructure assets are measured at cost.			
<b>Aerodrome</b>			
Aerodrome infrastructure is included at the written down current replacement cost as at 30 June 2011 as determined by Australia Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management.			

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>21 Intangible assets</b>	1.17		
Net carrying value at period end:			
Computer software		84,324	112,997
		<u>84,324</u>	<u>112,997</u>
<b>Computer software</b>			
Opening gross carrying value		179,902	179,902
Transfer (to) from other assets categories		305,085	-
		<u>484,987</u>	<u>179,902</u>
<b>Accumulated amortisation</b>			
Opening balance		66,905	30,791
Transfer (to) from other non-current asset category		211,468	-
Amortisation in the period		122,290	36,114
		<u>400,663</u>	<u>66,905</u>
Net carrying value at the period end		<u>84,324</u>	<u>112,997</u>
The computer software has a finite life of 3 years. Straight line amortisation has been used with no residual value.			
<b>22 Trade and other payables</b>	1.21		
<b>Current</b>			
Accruals		5,427,998	2,671,248
Creditors		1,056,276	4,505,827
GST payable		1,031,623	34,118
Employee related accruals		609,142	237,851
Annual leave	1.22(b)	1,599,821	1,303,413
Other entitlements		227,012	132,045
		<u>9,951,872</u>	<u>8,884,502</u>
<b>Non Current</b>			
Annual leave	1.22(b)	1,042,666	720,427
Other entitlement		-	153
		<u>1,042,666</u>	<u>720,580</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 are reported in Note 1.22			
<b>23 Provisions</b>			
<b>Current</b>			
Long service leave	1.22(e)	172,449	98,352
		<u>172,449</u>	<u>98,352</u>
<b>Non-Current</b>			
Long service leave	1.22(e)	1,804,849	1,506,281
		<u>1,804,849</u>	<u>1,506,281</u>
Details as to the long service leave liability are reported in note 1.22(e)			
<b>Details of movements in provisions:</b>			
<b>Long service leave</b>			
Opening balance		1,604,633	1,439,226
Amount provided for in the period		569,936	177,089
Amount paid in the period		(197,271)	(11,682)
Balance at the end of period		<u>1,977,298</u>	<u>1,604,633</u>

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>24 Borrowings</b>	1.23		
(a) <b>Bank overdraft</b>			
The council does not have a bank overdraft facility.			
(b) <b>Unsecured borrowings</b>			
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 date is 30 June 2030.			
There have been no defaults or breaches of the loan agreement during the period.			
Principal and interest repayments are made quarterly in arrears.			
<b>Details of borrowings at balance date are:</b>			
<b>Current</b>			
Queensland Treasury Corporation		<u>360,492</u>	<u>444,449</u>
<b>Non Current</b>			
Queensland Treasury Corporation		<u>12,133,678</u>	<u>7,256,804</u>
<b>Details of movements in borrowings:</b>			
<b>Queensland Treasury Corporation</b>			
Opening balance		7,701,253	-
Loans raised		5,003,213	7,701,253
Principal repayments		(210,296)	-
Book value at period end		<u>12,494,170</u>	<u>7,701,253</u>
Classified as :			
Current		360,492	444,449
Non-current		<u>12,133,678</u>	<u>7,256,804</u>
		<u>12,494,170</u>	<u>7,701,253</u>

The loan market value at the reporting date was \$12,454,006.  
This represents the value of the debt if Council repaid it at that date.  
As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

Borrowings are underwritten by the Queensland State Government.

## 25 Other liabilities

### Current

Cash contributions with future reciprocal obligation

326,003	-
<u>326,003</u>	<u>-</u>

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>26 Council capital</b>	1.25		
<b>(i) Calculation of capital value and retained surplus:</b>			
Cash and cash equivalents		104,144,426	82,242,146
Less restricted cash:			
Reserves (excluding the asset revaluation)		(90,626,356)	(71,034,842)
Capital sustainability reserve		-	(2,239,031)
Unspent loan capital fund reserve		(9,662,920)	(7,701,253)
Revenue received in advance		(326,003)	-
Working capital cash (including employee entitlements)		(2,556,810)	(937,124)
Retained surplus (deficit) available for distribution	28	972,337	329,896
Total council capital value	26 (ii)(b)	610,012,569	568,468,621
Total capital and retained surplus at end of period		<u>610,984,906</u>	<u>568,798,517</u>
<b>(ii)(a) Movement in council capital account</b>			
Balance at beginning of period		560,767,368	564,436,985
Adjustments from (to) retained surplus:			
Transfer of capital income in the period		33,684,496	265,435
Transfer of capital expenses in the period		(6,920,304)	(2,777,195)
Transfer of non monetary capital revenue		2,014,540	-
Transfer of revenue expended on capital assets		3,809,340	-
Transfer of unfunded depreciation		(3,383,768)	(3,508,866)
Transfer of the working capital cash		-	2,608,045
Total transfers (to) from retained surplus		29,204,304	(3,412,581)
Transfer (to) from unspent loan cash	26 (ii)(b)	(1,961,667)	(7,701,253)
Future Capital Sustainability Reserve		2,239,031	(680,307)
Constrained Grants And Subsidy Reserve		9,457,774	7,727,393
Land And Improvements Reserve		28,091	-
Water Reserve		-	279,185
Other Infrastructure Reserve		-	117,946
Community Facilities Reserve		614,748	-
Total transfers (to) from reserves		<u>12,339,644</u>	<u>7,444,217</u>
Balance at period end		<u>600,349,649</u>	<u>560,767,368</u>
<b>(ii)(b) Movement in unspent loan cash account</b>			
Opening balance		7,701,253	-
Cash unspent (expended) in period.		1,961,667	7,701,253
Balance at end of period		<u>9,662,920</u>	<u>7,701,253</u>
Total council capital		<u>610,012,569</u>	<u>568,468,621</u>
The amount by which the Council has increased (decreased) its capital capacity to deliver future services to the community before inflation adjustments		<u>41,543,948</u>	<u>4,031,636</u>

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

		2011	2010
	Note	\$	\$
<b>27 (i) Asset revaluation surplus</b>	1.26		
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of period		29,848,117	29,848,117
Net adjustment to non-current assets charged to the surplus:			
Adjustments to the fair value through revaluations:	20		
Land and improvements		12,407,542	-
Buildings		21,448,041	-
Road, bridge and drainage		64,104,446	-
Water		47,898,161	-
Sewerage		41,800,478	-
Balance at end of the year		217,506,785	29,848,117
<b>(ii) Asset revaluation surplus analysis</b>			
The closing balance of the asset revaluation surplus is comprised of the following asset categories:			
Land and improvements		17,429,250	5,021,708
Buildings		27,542,271	6,094,230
Road, bridge and drainage		79,154,309	15,049,863
Water		50,346,400	2,448,239
Sewerage		43,034,555	1,234,077
		217,506,785	29,848,117
<b>28 Retained surplus</b>	1.29		
<b>Movement in retained surplus</b>			
Retained surplus (deficit) at the beginning of period		329,895	(4,114,030)
Net result attributable to council		59,538,872	41,374,679
		59,868,767	37,260,649
Transfers (to) from capital account:			
Transfer of capital income		(33,684,496)	(265,435)
Transfer of capital expenses		6,920,304	2,777,195
Non monetary capital revenue		(2,014,540)	-
General revenue used for capital funding purposes		(3,809,340)	-
Adjustment for unfunded depreciation		3,383,768	3,508,866
Transfer to adjust the working capital cash		-	(2,608,045)
Net capital account transfers		(29,204,304)	3,412,581
Transfer from (to) the constrained grants and subsidy reserve		(3,410,493)	(11,572,537)
Transfer from (to) the grants, subsidies and contributions reimbursed reserve		(3,453,080)	(3,750,000)
Retained surplus (deficiency) available for transfer to reserves		23,800,890	25,350,693
Transfers (to) from reserves for future capital funding:			
Roads infrastructure reserve		(636,021)	(4,063,212)
Water reserve		(279,185)	-
Sewerage reserve		279,185	-
Other infrastructure reserve		(1,619,644)	(5,465,585)
Community facilities reserve		(500,000)	-
Carry Over capital reserve		(15,981,861)	(15,200,000)
Transfers (to) from reserves for future recurrent funding purposes:			
Constrained Works - operational grants reserve		(127,845)	1,659,056
Mines operating projects reserve		(208,983)	(1,951,057)
NDRRA Funding - operational grants reserve		(3,679,200)	-
Community Recovery - operational grants reserve		(75,000)	-
		972,336	329,895

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	2011	2010
	\$	\$
<b>29 General reserves</b>		
<b>(a) Future capital sustainability reserve</b>		
This cash forms part of council's capital value as the balance represents accumulated funded unspent depreciation cash plus additional cash funding, if required, to maintain the council's capital value under its' long term asset management plans.		
Opening balance	2,239,031	1,558,724
Funded depreciation on capital assets in period	16,114,308	14,323,423
Less: Funds utilised in the period	(18,353,339)	(13,643,116)
Balance at end of period	-	2,239,031
<b>(b) Summary of capital reserves held for funding future projects:</b>		
(i) Constrained Grants, Subsidies and Contributions Reserve	12,710,399	18,757,680
(ii) Grants, Subsidies and Contributions Reimbursed Reserve	3,453,080	-
(iii) Land and Improvements Reserve	-	28,091
(iv) Buildings Reserve	3,500,000	3,500,000
(v) Plant and Equipment Reserve	1,245,000	1,245,000
(vi) Roads Infrastructure Reserve	6,816,319	6,180,298
(vii) Water Reserve	4,446,721	4,167,536
(viii) Sewerage Reserve	4,286,725	4,565,910
(ix) Other Infrastructure Reserve	14,928,282	13,308,638
(x) Community Facilities Reserve	1,928,739	2,043,487
(xi) Carry Over Capital Reserve	31,181,861	15,200,000
	84,497,126	68,996,640
<b>(c) Summary of reserves held for funding future recurrent expenditure:</b>		
(i) Natural Disaster Reserve	50,000	50,000
(ii) Constrained Works - Operational Grants Reserve	164,990	37,145
(iii) Mines Operating Projects Reserve	2,160,040	1,951,057
(iv) NDRRA Funding - Operational Grants Reserve	3,679,200	-
(v) Community Recovery - Operational Grants Reserve	75,000	-
	6,129,230	2,038,202
<b>Total reserves</b>	<b>90,626,356</b>	<b>73,273,873</b>
<b>Movements in capital reserves are analysed as follows:</b>		
<b>(i) Constrained Grants, Subsidies and Contributions Reserve</b>		
Balance at the beginning of period	18,757,680	14,912,536
Transfer from retained earnings grants, subsidies and contributions received in the period which restricted to specific capital projects	3,783,285	13,519,622
Transfers to the capital account funds expended in the period	(9,457,774)	(7,727,393)
Transfer to retained earnings	(372,792)	(1,947,085)
Balance at period end	12,710,399	18,757,680
<b>(ii) Grants, Subsidies and Contributions Reimbursed Reserve</b>		
Transfer from retained earnings grants, subsidies and contributions received in the period which are a reimbursement or are uncommitted at time of receipt	3,453,080	3,750,000
Reallocation of funds to other capital reserves	-	(3,750,000)
	3,453,080	-
<b>(iii) Land and Improvements Reserve</b>		
Balance at the beginning of period	28,091	28,091
Transfer to the capital account funds expended in the period	(28,091)	-
Balance at period end	-	28,091

# ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 S	2010 S
<b>(iv) Buildings Reserve</b>			
Balance at the beginning of period		3,500,000	-
Transfer from the grants, subsidies and contributions reimbursed reserve		-	3,500,000
Balance at period end		<u>3,500,000</u>	<u>3,500,000</u>
<b>(v) Plant and Equipment Reserve</b>			
Balance at the beginning of period		1,245,000	1,245,000
Balance at period end		<u>1,245,000</u>	<u>1,245,000</u>
<b>(vi) Roads Infrastructure Reserve</b>			
Balance at the beginning of period		6,180,298	2,117,086
Transfer from retained earnings for future expenditure		636,021	4,063,212
Balance at period end		<u>6,816,319</u>	<u>6,180,298</u>
<b>(vii) Water Reserve</b>			
Balance at the beginning of period		4,167,536	4,446,721
Transfer from retained earnings for future expenditure		279,185	-
Transfer to the capital account funds expended in the period		-	(279,185)
Balance at period end		<u>4,446,721</u>	<u>4,167,536</u>
<b>(viii) Sewerage Reserve</b>			
Balance at the beginning of period		4,565,910	4,565,910
Transfer from retained earnings for future expenditure		(279,185)	-
Balance at period end		<u>4,286,725</u>	<u>4,565,910</u>
<b>(ix) Other Infrastructure Reserve</b>			
Balance at the beginning of period		13,308,638	7,710,999
Transfer from the grants, subsidies and contributions reimbursed reserve		-	250,000
Transfer from retained earnings for future expenditure		1,619,644	5,465,585
Transfer to the capital account funds expended in the period		-	(117,946)
Balance at period end		<u>14,928,282</u>	<u>13,308,638</u>
<b>(x) Community Facilities Reserve</b>			
Balance at the beginning of period		2,043,487	2,043,487
Transfer from retained earnings for future expenditure		500,000	-
Transfer to the capital account funds expended in the period		(614,748)	-
Balance at period end		<u>1,928,739</u>	<u>2,043,487</u>
<b>(xi) Carry Over Capital Reserve</b>			
Balance at the beginning of period		15,200,000	-
Transfer from retained earnings for future expenditure		15,981,861	15,200,000
Balance at period end		<u>31,181,861</u>	<u>15,200,000</u>

## Movements in recurrent reserves are analysed as follows:

<b>(i) Natural Disaster Reserve</b>			
Balance at the beginning of period		50,000	50,000
Balance at period end		<u>50,000</u>	<u>50,000</u>
<b>(ii) Constrained Works - Operational Grants Reserve</b>			
Balance at the beginning of period		37,145	1,696,201
Transfer from retained earnings for future expenditure		164,990	-
Transfer to retained earnings		(37,145)	(1,659,056)
Balance at period end		<u>164,990</u>	<u>37,145</u>

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
(iii) <b>Mines Operating Projects Reserve</b>			
Balance at the beginning of period		1,951,057	-
Transfer from retained earnings for future expenditure		208,983	1,951,057
Balance at period end		<u>2,160,040</u>	<u>1,951,057</u>
(iv) <b>NDRRA Funding - Operational Grants Reserve</b>			
Transfer from retained earnings for future expenditure		3,679,200	-
Balance at period end		<u>3,679,200</u>	<u>-</u>
(v) <b>Community Recovery - Operational Grants Reserve</b>			
Transfer from retained earnings for future expenditure		75,000	-
Balance at period end		<u>75,000</u>	<u>-</u>

### 30 Commitments for expenditure

#### Operating leases

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

Within one year	680,825	689,519
Later than 1 year but not later than 5 years	1,099,091	1,382,410
Later than 5 years	<u>2,977,609</u>	<u>3,152,641</u>
	<u>4,757,525</u>	<u>5,224,570</u>

Operating leases are entered into for motor vehicles, land and office equipment. 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 - \$55,000 - per year	82,877	137,877
Management of Council Aquatic Centres - \$152,197 - per year	1,032,121	1,184,318
Town Maintenance Contracts - \$689,381 renewed 10-11 - per year	1,588,410	143,188
Library Lease Equipment - \$11,352 - per year	21,180	32,532
Recreation Reserve - \$81,653 - per year	41,162	122,814
Stock Route Management - \$153,102 - per year	115,283	268,295
Waste Management Collection \$131,802 - per year	694,759	920,161
	<u>3,575,792</u>	<u>2,809,185</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
Infrastructure	9,912,911	1,088,257
Other Assets	<u>2,881,186</u>	<u>364,083</u>
	<u>12,794,097</u>	<u>1,524,879</u>

These expenditures are payable :

Within one year	12,794,097	1,524,879
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>12,794,097</u>	<u>1,524,879</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 2011

	Note	2011 \$	2010 \$
<b>32 Contingent liabilities</b>			
Details and estimates of maximum amounts of contingent liabilities are as follows:			
<b>Local Government Workcare</b>			
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:		<u>580,045</u>	<u>492,981</u>
<b>Local Government Mutual</b>			
The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises. As at 30 June 2010 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.		<u>16,218,220</u>	<u>9,768,415</u>
<b>33 Superannuation</b>			
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 2009.			
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 2010 (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 2011

	Note	2011 \$	2010 \$
<p>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.</p> <p>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.</p> <p>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 the Local Government Act 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.</p> <p>The next actuarial investigation will be made as at 1 July 2012.</p> <p>The amount of superannuation contributions paid by Isaac Regional Council to the scheme in this period for the benefit of employees was:</p>			
		<u>1,826,335</u>	<u>1,873,391</u>
<b>34 Trust funds</b>	<b>1.31</b>		
Trust funds held for outside parties:			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		70,189	1,368,366
Security deposits		<u>758,522</u>	<u>649,501</u>
		<u>828,711</u>	<u>2,017,867</u>
<p>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.</p>			

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>35 Reconciliation of net result attributable to council to net cash flow from operating activities</b>			
Net result attributable to council		59,538,872	41,374,679
Non-cash operating items:			
Depreciation and amortisation	11	19,498,076	17,832,289
Current cost of developed land sold	17	154,821	871,727
		<u>19,652,897</u>	<u>18,704,016</u>
Investing and development activities:			
Capital grants, subsidies and contributions	4	(9,250,905)	(17,269,622)
Capital income	6	(33,684,496)	(265,435)
Capital expenses	12	6,920,304	2,777,195
		<u>(36,015,097)</u>	<u>(14,757,862)</u>
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		192,103	2,619,386
(Increase) decrease in inventories (excluding land)		(165,359)	(581,139)
Increase (decrease) in payables		1,389,456	1,749,096
Increase (decrease) in provisions		372,665	165,407
		<u>1,788,865</u>	<u>3,952,750</u>
<b>Net cash inflow from operating activities</b>		<u>44,965,537</u>	<u>49,273,583</u>
<b>36 Found assets not previously recognised</b>			
During the financial year Council identified assets in property plant and equipment which were not previously recognised, as well as some assets previously recognised that should not have been recognised.			
The asset classes affected are disclosed in notes indicated			
Summary details of assets not previously recognised are as follows:			
Gross value of property, plant and equipment	20	38,142,413	-
Less: Accumulated depreciation	20	(5,544,415)	-
Gain from assets not previously recognised	6	<u>32,597,998</u>	<u>-</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2011

#### 37 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	2011 \$	2010 \$
<b>Financial Assets</b>			
Cash and cash equivalents - Bank	14	6,774,529	15,368,113
Cash and cash equivalents - QTC	14	44,890,542	31,888,673
Investments with approved deposit taking institutions	14	52,479,354	34,985,359
Receivables - rates	15	2,543,370	1,291,169
Receivables - other	15	7,561,391	8,622,979
<b>Other credit exposure</b>			
Guarantee	32	580,045	492,981
<b>Total</b>		<b>114,829,231</b>	<b>92,649,274</b>

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

### 37 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				Less Impaired \$	Total \$
		Less than 30 days \$	31 to 60 days \$	61 to 90 days \$	Over 90 days \$		
Receivables:							
2011		6,320,729	520,879	9,438	3,374,365	(120,650)	10,104,761
2010		4,168,223	3,398,452	247,382	2,463,301	(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 24

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 \$
<b>2011</b>				
Trade and other payables	8,125,039	-	-	8,125,039
Loans QTC	1,095,080	4,361,522	15,715,897	21,172,499
	9,220,119	4,361,522	15,715,897	29,297,538
<b>2010</b>				
Trade and other payables	7,449,044	-	-	7,449,044
Loans QTC	889,708	2,651,115	9,126,906	12,667,729
	8,338,752	2,651,115	9,126,906	20,116,773

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.

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

### 37 Financial instruments - continued

#### 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.

Council	Net carrying amount		Profit/(loss)		Equity	
	2011	2010	2011	2010	2011	2010
Financial assets and liabilities that are held at variable interest rates total:	\$	\$	\$	\$	\$	\$
Financial assets	97,369,896	66,874,032	973,699	668,740	973,699	668,740
Financial liabilities	12,494,170	7,701,253	(124,942)	(77,013)	(124,942)	(77,013)
Net total	84,875,726	59,172,779	848,757	591,728	848,757	591,728

#### (iv) Fair Value

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

### 38 Controlled Entity

In November 2010, the council formed the Isaac Affordable Housing Fund Pty Ltd and has 100% ownership of the company. The company was formed to fund affordable housing within the region. The council's total contribution to the company's share capital is \$1.

The Trust was established and must be maintained exclusively for public charitable purposes in Australia, being the purposes of providing money, property or benefits:

- (a) to establish and maintain the Isaac Affordable Housing Fund;
- (b) to manage the Trust for the purpose of providing affordable housing for the low to middle income people living in the Isaac Regional Council area.

## ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2011

### 38 Controlled Entity Continued

The principle activities of the company during the financial year are to act as a trustee of the Isaac Affordable Housing Trust.

Because the amount of the investment and the transactions of the controlled entity are not considered material, the entity is not consolidated within the council's financial statements.

The Queensland Auditor-General audits the company. Total external audit fees relating to the 2010-11 financial year are estimated to be \$10,000 (2010: nil). There are no non-audit services included in this amount.

A summary of financial transactional and balances for Isaac Affordable Housing Fund Pty Ltd follows:

Isaac Affordable Housing Fund Pty Ltd	2011	2010
	\$	\$
Revenues	1,059	-
Expenses	(94,817)	-
Net Surplus/(Deficit)	(93,758)	-
Assets	332,755	-
Liabilities	(426,503)	-
Net Assets	(93,748)	-

**ISAAC REGIONAL COUNCIL**

**FINANCIAL STATEMENTS**

For the year ended 30 June 2011

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**MANAGEMENT CERTIFICATE**

For the year ended 30 June 2011

These general purpose financial statements have been prepared pursuant to Section 102 of the Local Government (Finance, Plans and Reporting) Regulation 2010 (the Regulation) and other prescribed requirements.

In accordance with Section 161 of the Regulation we certify that these general purpose financial statements:

- (i) have been prepared in accordance with the relevant accounting documents; and
- (ii) accurately reflect the local government's financial performance and position for the financial year.

In addition we certify that, in our opinion:

- (i) the prescribed requirements of the Local Government Act 2009 and associated Regulations for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board); and
- (iii) the general purpose financial statements present a true and fair view of the Council's financial position as at 30 June 2011 and of its financial performance and cash flows for the financial year ended on that date.

  
\_\_\_\_\_  
Mayor

Date: 29 / 11 / 2011

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

Date: 29 / 11 / 2011

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of the 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 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

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

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government (Finance, Plans and Reporting) Regulation 2010*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

#### *Independence*

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

#### *Opinion*

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Isaac Regional Council for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

#### **Other Matters - Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Isaac Regional Council for the year ended 30 June 2011. Where the financial report is included on Isaac Regional Council's website the Council is responsible for the integrity of Isaac Regional Council's website and I have not been engaged to report on the integrity of Isaac Regional Council's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



L M A DEMICHELIS CPA  
(as Delegate of the Auditor-General of Queensland)  
16 December 2011

Brisbane



