ISAAC
REGIONAL COUNCIL

FINANCIAL STATEMENTS
2015/2016

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ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2016

	Note	2016 $	2015 $
Income			
Revenue			
Recurrent revenue			
Rates and levies	3	75,896,668	68,290,350
Sale of goods and major services		3,998,245	4,312,473
Fees and charges		3,136,448	3,699,608
Rental and levies		881,866	979,113
Interest received		3,044,649	3,897,149
Sales of contract and recoverable works		3,180,621	3,741,386
Other recurrent income		172,565	267,751
Grants, subsidies, contributions and donations	4 (i)	6,011,941	6,127,808
Proceeds from sales of land developed for sale		-	50,800
Total operating revenue		96,323,003	91,366,438
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	15,653,309	17,227,382
		15,653,309	17,227,382
Total revenue		111,976,312	108,593,820
Capital income		924,928	430,428
Total income	2 (b)	112,901,240	109,024,248
Expenses			
Recurrent expenses			
Employee benefits	5	(31,578,958)	(35,323,609)
Materials and services	6	(34,656,475)	(46,932,986)
Current cost of developed land sold		-	(25,056)
Finance costs		(1,360,096)	(1,519,253)
Depreciation	15	(21,749,060)	(20,069,483)
Amortisation		(15,114)	(9,436)
Total operating expenses		(89,359,703)	(103,879,823)
Capital expenses			
Other capital expenses	7	(15,419,050)	(9,934,346)
Total expenses	2 (b)	**(104,778,753)**	**(113,814,169)**
Net result		**8,122,487**	**(4,789,921)**
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	20	12,952,063	22,206,262
Total other comprehensive income for the year		12,952,063	22,206,262
Total comprehensive income for the year		**21,074,550**	**17,416,341**

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

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ISAAC REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2016

	Note	2016 $	2015 $
Current assets			
Cash and cash equivalents	9	62,560,903	47,746,237
Cash investments	13	30,000,000	49,258,224
Trade and other receivables	10 (a)	9,701,788	8,317,922
Inventories	11	18,147,233	17,655,950
Total current assets		120,409,924	122,978,333
Non-current assets			
Trade and other receivables	10 (b)	5,315,265	5,400,548
Investment properties	14	11,850,161	11,651,377
Property, plant and equipment	15	1,055,913,907	1,021,478,705
Intangible assets		31,169	46,283
Total non-current assets		1,073,110,502	1,038,576,913
TOTAL ASSETS		1,193,520,426	1,161,555,246
Current liabilities			
Trade and other payables	17	9,696,398	8,780,471
Provisions	18	2,096,474	520,667
Borrowings	19	1,644,137	1,504,172
Other		180,690	300,421
Total current liabilities		13,617,699	11,105,731
Non-current liabilities			
Trade and other payables	17	1,006,202	1,315,829
Provisions	18	14,386,499	4,710,659
Borrowings	19	35,181,277	36,818,597
Total non-current liabilities		50,573,978	42,845,085
TOTAL LIABILITIES		64,191,677	53,950,816
NET COMMUNITY ASSETS		**1,129,328,749**	**1,107,604,430**
Community equity			
Asset revaluation surplus	20	350,088,309	337,136,246
Retained surplus (deficiency)	21	690,615,271	675,407,815
Reserves	22	88,625,169	95,060,368
TOTAL COMMUNITY EQUITY		**1,129,328,749**	**1,107,604,430**

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

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Statement of Changes in Equity
For the year ended 30 June 2016

	Note	Total		Retained surplus (deficit) Note 21		Reserves Note 22		Asset revaluation surplus movements Note 20	
		2016	2015	2016	2015	2016	2015	2016	2015
		$	$	$	$	$	$	$	$
Balance at beginning of the year		1,107,604,430	1,087,447,659	675,407,815	667,711,436	95,060,368	104,806,238	337,136,246	314,929,984
Corrections to opening balances		649,769	2,740,430	649,769	2,740,430			-	
Restated opening balances		1,108,254,199	1,090,188,089	676,057,584	670,451,866	95,060,368	104,806,238	337,136,246	314,929,984
Net result		8,122,487	(4,789,921)	8,122,487	(4,789,921)	-	-	-	-
Other comprehensive income for the year									
Revaluations									
Property, plant & equipment	15	23,584,928	22,187,023	-	-	-	-	23,584,928	22,187,023
Change in value/new sites recognised of future rehabilitation costs		-10,632,865	19,239	-	-	-	-	(10,632,865)	19,239
Total comprehensive income for the year		21,074,550	17,416,341	8,122,487	(4,789,921)	-	-	12,952,063	22,206,262
Transfers (to) from retained earnings and recurrent reserves	21		-	(130,659)	786,486	130,659	(786,486)	-	-
Transfers (to) from retained earnings and capital reserves	21		-	6,565,859	8,959,384	(6,565,859)	(8,959,384)	-	-
			-						
Balance at end of the year		1,129,328,749	1,107,604,430	690,615,271	675,407,815	88,625,169	95,060,368	350,088,309	337,136,246

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

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Statement of Cash Flows
For the year ended 30 June 2016

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts			
Receipts from customers		92,931,266	87,623,530
Operating grants, subsidies and contributions		6,011,941	9,819,998
Interest received		3,515,152	4,533,252
Proceeds from sales of land developed for sale		-	50,800
Payments			
Payments to suppliers and employees		(72,856,929)	(86,709,800)
Interest expense		(1,875,236)	(1,940,594)
Net cash inflow (outflow) from operating activities	27	27,726,194	13,377,186
Cash flows from investing activities			
Commonwealth government grants		4,540,854	1,304,310
State government subsidies and grants		7,355,354	11,043,980
Capital contributions		3,055,132	2,119,154
Payments for property, plant and equipment		(47,014,260)	(40,930,130)
Payments for intangible assets		-	(25,806)
Payments for investment property		(132,927)	(317,302)
Net transfer (to) from cash investments	13	19,258,224	(8,121,186)
Proceeds from sale of investment property		-	1,000,148
Proceeds from sale of property, plant and equipment		1,464,874	85,054
Net movement in loans to controlled entities & associates		58,576	2,959,374
Net cash inflow (outflow) from investing activities		(11,414,173)	(30,882,404)
Cash flows from financing activities			
Repayment of borrowings	19	(1,497,355)	(1,415,399)
Net cash inflow (outflow) from financing activities		(1,497,355)	(1,415,399)
Net increase (decrease) in cash and cash equivalents held		14,814,666	(18,920,617)
Cash and cash equivalents at beginning of the financial year		47,746,237	66,666,854
Cash and cash equivalents at end of the financial year	9	**62,560,903**	**47,746,237**

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

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1 Significant accounting policies

1. 1 Basis of preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention, except for the following.

- financial assets and liabilities, certain classes of property, plant and equipment and investment property which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis -

Capital revenue includes grants, subsidies and contributions received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

The following transactions, when reported in the Statement of Comprehensive Income, are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses

- disposal and write-off of non-current assets
- discount rate and valuation adjustments to restoration provisions
- revaluations and impairments of investment property and property, plant and equipment.

All other revenue and expenses have been classified as "recurrent".

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 council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1. 4 Date of authorisation

The financial statements are authorised for issue on the date they were submitted to the Auditor-General 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 Significant accounting policies

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 has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of *AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted council from the disclosure of quantitiive information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

At the date of authorisation of the financial report, *AASB 9 Financial Instruments* and *AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities* are the only new accounting standards with a future application date that are expected to have a material impact on council's financial statements.

AASB 9, which replaces *AASB 139 Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Council is still reviewing the way that revenue is measured and recognised to identify whether *AASB 15 Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 15 is effective from 1 January 2018 and will replace *AASB 118 Revenue*, *AASB 111 Construction Contracts* and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

At the date of authorisation of the financial report, the new or amended Australian Accounting Standards with future commencement dates are not likely to have a material impact on the financial statements.

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.

Investment Property - note 1.13 and note 14
Valuation and depreciation of property, plant and equipment - note 1.14 and note 16
Impairment of receivables - notes 1.10 and 10; property, plant and equipment - notes 1.14 and note 15
Provisions - note 1.18 and note 18

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1 Significant accounting policies

1. 8 Revenue

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 constrained grants, subsidies and contributions reserve.

Council spends all recurrent grants in the year received and therefore Council has not established a reserve for this purpose.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

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

Developers also pay infrastructure charges for trunk infrastucture, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of *AASB Interpretation 18* because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

1. 9 Cash and cash equivalents

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

1. 10 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 prior to 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

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1 **Significant accounting policies**

Loans and advances are recognised in the same way as other receivables. Terms are as per written agreement and interest charged at negotiated rates. Security is held over assets if applicable.

1. 11 **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.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

1. 12 **Investments**

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents.

1. 13 **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 has historically been 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 date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value. During the 2016 valuation the valuer could not find market evidence sufficient to value at market value. As a result the properties have been valued at depreciated replacement cost.

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).

1. 14 **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 $5,000 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 15.

1. 14 (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 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 is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

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1 **Significant accounting policies**

1. 14 (b) **Capital and operating expenditure**

Direct labour, materials and overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life 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.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council engineers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

1. 14 (c) **Valuation**

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with *AASB 116 Property, Plant & Equipment* and *AASB 13 Fair Value Measurement*. Other plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years Council engages independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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 of that asset class.

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

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

1. 14 (d) **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 1.13 for further information.

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1 **Significant accounting policies**

1. 14 (e) **Depreciation**

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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.

Depreciation methods and estimated useful lives of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date.

Details of the range of estimated useful lives for each class of asset are shown in note 15.

1. 14 (f) **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. 15 **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. 16 **Liabilities - employee benefits**

1. 16 (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 17 as a payable.

1. 16 (b) **Annual leave**

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

1. 16 (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.

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1 **Significant accounting policies**

1. 16 (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 25.

1. 16 (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.

Where employees have met the prerequisite length of service and it is expected that the leave will be taken in the next twelve months, the liability is treated as a current provision, otherwise it is treated as non-current.

This liability is reported in note 18 as a provision.

1. 17 **Borrowings and borrowing costs**

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

In accordance with the *Local Government Regulation 2012* council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs relating to capital assets are expensed in the period in which they are incurred. Borrowing costs relating to land delevelopment are capitalised to land held for resale.

1. 18 **Restoration provision**

A provision is made for the cost of restoration in respect of refuse tips where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

Within each restoration provision there may be many site locations some of which can be on council controlled land. The following accounting treatments apply depending on the site location.

Restoration on land controlled by Council

Restoration sites that are situated on Council controlled land and are classified as land and improvement assets. The provision for restoration is, therefore, included in the cost of the land 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.

The council has the following restoration provision.

Refuse sites

The provision represents the present value of the anticipated future costs associated with the closure of the refuse sites, decontamination and monitoring of historical residues and leaching on these sites.

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1 **Significant accounting policies**

The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred.

The provision recognised for refuse sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the sites will close progressively from 2017 to 2040 and that the restoration will occur progressively over the subsequent four years.

1. 19 **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 reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

1. 20 **Retained surplus (deficit)**

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

1. 21 **Reserves held for funding future capital expenditure**

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

Unspent loan cash reserve

The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received in respect of approved loan funds from QTC that have been drawn down but not expended on the specific capital projects.

Further details can be found in note 22(a).

Constrained grants and subsidy contributions reserve

The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received in respect of capital works where the required capital works have not yet been carried out.

Further details can be found in note 22(a).

Constrained NDRRA grants reserve

The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received to specifically fund infrastructure asset replacements that were damaged through resent floods but had not yet been carried out.

Further details can be found in note 22(a)(ii)(b).

Buildings reserve

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

Plant and equipment reserve

This reserves was created to provide funding for new plant and equipment costs.

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1 **Significant accounting policies**

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.

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

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

Other infrastructure reserve
This reserve has been established for future projects associated with infrastructure assets within Council.

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

Mines capital projects reserve
This reserve has been established to provide funding for specific capital projects funded from special charges

1. 22 **Reserves held for funding future recurrent expenditure**

These are cash backed reserves and represent funds that are received by Council to meet operating project expenditures and were unexpended at the reporting date or are accumulated by Council to meet anticipated future operating events. In each case the amount relates to a future project requirement and is not currently a liability.

Planning & environmental enforcement - operational reserve
This reserve has been established to fund the compliance requirements of planning and environmental applications in the proceeding year.

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

1. 23 **Rounding and comparatives**

The financial statements have been rounded to the nearest $1.

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

1. 24 **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.

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2 (a) Components of council functions

The activities relating to the Council's components reported on in Note 2 (b).

Office of the CEO

Chief Executive Officer

The Office of the Chief Executive Officer is responsible for the organisational leadership, administration and strategic management of the organisation. This includes organisational development and training, human resources, advocacy, day to day management of all functions of Council and to ensure that decisions and policy of Council is carried out. The Chief Executive Officer also provides advice to the Councillors and is the custodian of records and documents of Council.

Councillors

Isaac Regional Councillors are responsible for the good rule and local government of the council area. They are responsible for representing the current and future interests of the community and for setting the strategic direction of the local government. The responsibilities of Councillors are clearly articulated in the *Local Government Act 2009*.

Corporate, Governance & Financial Services

Corporate, Governance and Financial Services provide the following functions; strategic and business continuity planning, legal and insurance administration, brand, media, and communication, governance, risk management, disaster management, asset management, financial services, rating, internal audits, information technology, geographical information services, community leasing, records management, organisational safety, procurement, stores, tenders and contracts.

Engineering & Infrastructure

Engineering and Infrastructure provide the following functions; land care and open spaces, resource recovery, engineering design and projects, roads and urban services. It also manages the business units of water, sewerage, plant fleet workshop and depot.

Planning, Environment & Community Services

Planning, Environment and Community Services provide the following functions; economic development and tourism, customer service, place management and community relations programs including youth programs, grants administration and management, stock route management, arts and library services, community development, planning, regulatory and building compliance, native title, MELC childcare, corporate properties, company housing, commercial operations, tenancy, local laws and environmental services. It also manages the land development business unit.

Water

The water department within Engineering and Infrastructure manages Council's water treatment plants, pump stations, water pipeline network and water metering.

Sewerage

The sewerage department within Engineering and Infrastructure manages Council's sewerage treatment plants, pump stations, sewerage pipeline network, effluent treatment plants and effluent water pipeline network.

Resource Recovery

The resource recovery department within Engineering and Infrastructure manages Council's refuse collection facilities, including recycling activities and kerbside collection of waste.

Land Development

The land development department within Planning, Environment and Community Services manages Council's land held for development and sale.

Plant, Fleet, Workshops & Depot

The fleet department within Engineering and Infrastructure manages Council's large plant and vehicles and the workshop operations within Council.

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2 Analysis of results by program

(b) Income and expenses defined between recurring and capital, and assets are attributed to the following programs.

For the year ended 30 June 2016

Programs	Gross program income: Recurrent revenue: Grants 2016 $	Recurrent revenue: Other 2016 $	Capital revenue: Grants 2016 $	Capital revenue: Other 2016 $	Total income 2016 $	Gross program expenses: Recurrent 2016 $	Gross program expenses: Capital 2016 $	Total expenses 2016 $	Operating surplus/(deficit) from recurrent operations 2016 $	Net result for year 2016 $	Assets 2016 $
Office of the CEO	153,000	201,664	-	-	354,664	1,413,608	-	1,413,608	1,768,272	1,768,272	-
Corporate, Governance & Financial Services	3,000,670	54,490,307	-	65,857	57,556,834	(7,398,815)	-	(7,398,815)	50,092,162	50,158,019	119,620,999
Engineering & Infrastructure	2,054,618	3,172,448	11,873,423	1,513,429	18,613,918	(29,903,948)	(12,257,245)	(42,161,193)	(24,676,882)	(23,547,275)	622,376,738
Planning, Environment & Community Services	506,071	2,951,776	22,785	341,941	3,822,573	(24,696,474)	(2,854,951)	(27,551,425)	(21,238,627)	(23,728,852)	132,539,289
Water	-	11,134,269	-	612,393	11,746,662	(11,134,269)	(158,998)	(11,293,267)	-	453,395	145,106,003
Sewerage	-	10,094,402	-	909,656	11,004,058	(9,715,798)	(82,635)	(9,798,433)	378,604	1,205,625	126,162,801
Resource Recovery	-	8,379,812	-	600,000	8,979,812	(6,379,781)	-	(6,379,781)	2,000,031	2,600,031	11,624,751
Land Development	-	141	-	-	141	(1,656,770)	-	(1,656,770)	(1,656,629)	(1,656,629)	16,017,375
Plant, Fleet, Workshops & Depot	169,021	14,804	-	638,753	822,578	112,544	(65,221)	47,323	296,369	869,901	20,072,470
Total	5,883,380	90,439,623	11,896,208	4,682,029	112,901,240	(89,359,703)	(15,419,050)	(104,778,753)	6,963,300	8,122,487	1,193,520,426

For the year ended 30 June 2015

Programs	Gross program income: Recurrent revenue: Grants 2015 $	Recurrent revenue: Other 2015 $	Capital revenue: Grants 2015 $	Capital revenue: Other 2015 $	Total income 2015 $	Gross program expenses: Recurrent 2015 $	Gross program expenses: Capital 2015 $	Total expenses 2015 $	Operating surplus/(deficit) from recurrent operations 2015 $	Net result for year 2015 $	Assets 2015 $
Office of the CEO	35,500	61,848	-	-	97,348	331,181	-	331,181	428,529	428,529	-
Corporate, Governance & Financial Services	3,093,760	50,525,008	-	145,769	53,764,537	(18,453,398)	(1,325,504)	(19,778,902)	35,165,370	33,985,635	138,251,897
Engineering & Infrastructure	2,245,005	31,408,137	12,291,050	4,879,092	50,823,284	(60,533,428)	(8,608,842)	(69,142,270)	(26,880,286)	(18,318,986)	898,499,363
Planning, Environment & Community Services	500,196	3,496,984	57,240	284,659	4,339,079	(25,224,178)	-	(25,224,178)	(21,226,998)	(20,885,099)	124,803,986
Total	5,874,461	85,491,977	12,348,290	5,309,520	109,024,248	(103,879,823)	(9,934,346)	(113,814,169)	(12,513,385)	(4,789,921)	1,161,555,246

For the 2015/2016 financial year, business units of council have been added to the programs disclosed in this note. As the comparative figures cannot retrospectively be reliably ascertained, they have not been restated to align with the new disclosure.

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	Note	2016 $	2015 $
3 Revenue analysis			
(a) Rates and levies			
General rates		56,645,719	47,645,664
Separate rates		-	2,353,762
Disaster management levy		131,226	125,165
Water		10,848,418	9,905,377
Water connection fees		4,125	8,890
Sewerage		9,446,083	8,970,612
Sewerage connection fees		3,458	3,885
Garbage charges		4,505,030	4,110,097
Rates and utility charge revenue		81,584,059	73,123,452
Less: Discounts		(5,462,041)	(4,637,020)
Less: Pensioner remissions		(225,350)	(196,082)
Net rates and utility charges		75,896,668	68,290,350
4 Grants, subsidies, contributions and donations			
(i) Recurrent - grants, subsidies, contributions and donations			
General purpose grants		5,001,640	5,087,921
Commonwealth subsidies and grants		172,021	213,970
State government subsidies and grants		709,719	572,570
Donations		65,254	41,514
Contributions		63,307	211,833
Total recurrent revenue		6,011,941	6,127,808
(ii) Capital - grants, subsidies, and contributions			
(a) Monetary revenue designated for capital funding purposes			
Commonwealth government grants		4,540,854	1,304,310
State government subsidies and grants		22,785	1,015,243
NDRRA flood damage grants for capitalised repairs		7,332,569	10,028,737
Contributions		3,055,132	2,119,154
		14,951,340	14,467,444
(b) Non-monetary revenue received			
Developer contributions of physical assets at fair value		701,969	2,759,938
		701,969	2,759,938
Total capital revenue		15,653,309	17,227,382
5 Employee benefits			
Total staff wages and salaries		27,434,723	28,380,242
Councillors' remuneration		682,566	638,125
Annual, sick and long service leave entitlements		4,409,222	4,627,192
Superannuation	25	3,113,547	3,466,587
		35,640,058	37,112,146
Other employee related expenses		1,042,350	941,266
		36,682,408	38,053,412
Less capitalised employee expenses		(5,103,450)	(2,729,803)
		31,578,958	35,323,609

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

Total Council employees at 30 June	2016	2015
Elected members	9	9
Administration staff	205	196
Depot and outdoors staff	182	172
Total full time equivalent employees	396	377

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	Note	2016 $	2015 $
6 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		248,193	164,392
Professional fees including legal fees		5,946,616	5,603,457
Donations paid		778,022	517,652
Electricity		2,707,168	3,024,206
Refuse collection		2,314,650	2,766,838
Plant and vehicle expenses		1,431,887	1,634,558
IT and telecommunications		2,041,176	1,852,919
Contractors		639,157	1,269,313
Insurance		1,355,820	1,527,773
Rentals - Operating leases		352,703	470,789
Revaluation of land for sale (classified as inventory)		912,903	10,742,122
Other material and services		15,928,180	17,358,967
		34,656,475	46,932,986
7 Capital expenses			
Loss on the sale of capital assets		-	1,271,097
Loss on write-off of capital assets	8	15,419,050	8,663,249
Total capital expenses		15,419,050	9,934,346
8 Loss on write-off of capital assets			
Land and improvements		111,818	-
Buildings		2,854,951	-
Plant and equipment		65,221	2,537
Road, bridge and drainage		12,145,427	8,514,063
Water		158,998	146,649
Sewerage		82,635	-
	7	15,419,050	8,663,249
9 Cash and cash equivalents			
Cash at bank and on hand		626,263	344,826
Deposits at call		3,071,608	20,838,542
Term deposits		58,863,032	26,562,869
Total cash and cash equivalents per statement of cash flows		62,560,903	47,746,237
Cash investments held	13	30,000,000	49,258,224
Total cash assets		92,560,903	97,004,461

Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include externally imposed expenditure restrictions.

	Note	2016 $	2015 $
Unspent loan monies	22 (a) (i)	4,905,467	5,667,389
Unspent government grants and subsidies	22 (a)	2,408,983	4,566,341
Unspent developer contributions	22 (a)	38,592,303	40,504,850
Total unspent external restricted cash held in reserves		45,906,753	50,738,580

Council has resolved to set aside revenue to provide funding for specific future projects that will be required to meet delivery of essential services and meet day to day operational requirements.

		2016 $	2015 $
Funds set aside by council to meet specific future funding requirements		46,654,149	46,265,880
Total cash held to contribute to identified funding commitments		92,560,903	97,004,460

Cash and deposits at call are held in the following banks: ANZ Bank, Queensland Country Credit Union, National Australia Bank, Bank of Queensland, Queensland Treasury, AMP Bank, Suncorp Metway Ltd, Bank of Sydney, Beyond Bank Australia, My State Bank, Police Credit Union S.A., Community Alliance CU, and Me Bank.

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	Note	2016 $	2015 $
10 Trade and other receivables			
(a) Current			
Rateable revenue and utility charges		4,038,070	3,107,808
Accrued interest		615,743	1,086,246
GST recoverable		1,504,270	805,583
Other debtors		3,051,637	2,376,972
Less impairment provision		(242,186)	(350,705)
		8,967,534	7,025,904
Prepayments		734,254	1,292,018
		9,701,788	8,317,922
(b) Non-current			
Deferred debtors		67,250	93,957
Loans and advances to controlled entities and associates		5,248,015	5,306,591
		5,315,265	5,400,548

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 negoitated interest rates.

Movement in accumulated impairment losses (trade and other receivables)

	2016 $	2015 $
Balance at beginning of the year	350,705	259,750
Impairment adjustment in year	(108,519)	90,955
Balance at end of the year	242,186	350,705

Ageing of past due receivables (excluding prepayments) and the amount of any impairment is disclosed in the following table:

	2016 $	2015 $
Not past due	10,415,116	9,558,851
Past due - 31 to 60 days	51,468	100,321
- 61 to 90 days	2,252	25,147
- Over 90 days	4,056,149	3,092,838
Less impaired	(242,186)	(350,705)
Total	14,282,799	12,426,452

	Note	2016 $	2015 $
11 Inventories			
Current			
Inventories for internal use:			
Quarry and road materials		1,046,342	1,081,213
Raw water on hand		474,477	-
Stores and materials		767,904	743,431
		2,288,723	1,824,644
Valued at cost, adjusted when applicable for any loss of service potential.			
Land purchased for development and sale	12	15,858,510	15,831,306
Total inventories		18,147,233	17,655,950

	2016 $	2015 $
12 Land purchased for development and sale		
Balance at beginning of the year	15,831,306	24,518,159
Transferred from other asset category	180,000	-
Development costs	-	1,267,439
Capitalised interest in year	760,107	812,886
Less cost of developed land sold	-	(25,056)
Valuation adjustment as at 30 June 2016	(912,903)	(10,742,122)
Balance at end of the year	15,858,510	15,831,306

Land purchased for development and sale is valued at the lower of cost and net realisable value.

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	Note	2016 $	2015 $
13 Cash investments			
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted		30,000,000	49,258,224
		30,000,000	49,258,224

Term deposits at fixed interest rates are held with the following finanical institutions: National Australia Bank, Suncorp Metway Ltd and Beyond Bank Australia. Maturity ranges from 4 to 8 months and bear interest rates from 2.98% to 3.05%.

14 Investment properties

	2016 $	2015 $
Property held for rental income and capital growth		
Fair value at beginning of the financial year	11,651,377	13,513,958
Acquisitions	132,927	317,302
Value of asset disposed	-	(2,325,652)
Revaluation adjustment to income statement	65,857	145,769
Fair value at end of the financial year	11,850,161	11,651,377

All investment property was valued at fair value by Australian Pacific Valuers Pty Ltd trading as APV Valuers and Asset Management, an independent professionally qualified valuation firm, as at 30 June 2016.

Further information about the valuation techniques used to derive fair value are included in note 16.

Investment property does not include community housing.

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15 Property, plant and equipment

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Cost	Valuation	Cost	
		2016	2016	2016	2016	2016	2016	2016	2016	2016	2016
Asset Values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2015		91,258,512	136,294,306	34,909,741	589,488,805	181,326,707	163,137,475	1,822,535	9,786,595	16,135,673	1,224,160,350
Minor correction to opening balance	28	-	26,021	-	156,382	-	467,366	-	-	-	649,769
Additions at cost		-	-	-	-	-	-	-	-	47,027,456	47,027,456
Contributed assets at valuation		-	-	-	701,969	-	-	-	-	-	701,969
Internal transfers from work in progress		3,373,273	5,961,604	4,781,033	30,843,841	3,478,089	1,179,333	617,754	-	(50,234,927)	-
Disposals		-	-	(3,550,993)	-	-	-	-	-	-	(3,550,993)
Write-offs	7	(126,547)	(4,154,463)	(80,181)	(12,333,908)	(317,640)	(100,713)	-	-	-	(17,113,452)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	20	280,723	2,655,773	-	(9,755,603)	2,632,413	839,977	4,136	-		(3,342,581)
Revaluation adjustment to capital income		-	-	-	-	-	-	-	86,935		86,935
Internal transfers between asset classes		(180,000)	67,221	-	(44,773)	(35,350)	12,902	-	-		(180,000)
Transfer to investment properties	14	-	-	-	-	-	-	-	-	(132,927)	(132,927)
Recognition of new rehabilitation asset		1,520,905	-	-	-	-	-	-	-		1,520,905
Closing gross value as at 30 June 2016		96,126,866	140,850,462	36,059,600	599,056,713	187,084,219	165,536,340	2,444,425	9,873,530	12,795,275	1,249,827,430
Accumulated depreciation and impairment											
Opening balance as at 1 July 2015		10,152,213	19,622,650	15,557,091	67,516,128	46,542,592	41,260,080	376,625	1,654,265		202,681,644
Depreciation provided in year		1,120,228	2,203,229	3,363,699	8,732,635	3,078,730	2,972,308	78,736	199,495		21,749,060
Depreciation on disposals		-	-	(2,724,872)	-	-	-	-	-		(2,724,872)
Depreciation on write-offs	7	(14,729)	(1,299,512)	(14,960)	(188,481)	(158,642)	(18,078)	-	-		(1,694,402)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	20	1,288,129	(2,087,915)	-	(19,321,798)	(2,509,550)	(4,294,563)	(1,812)	-		(26,927,509)
Revaluation adjustment to capital income		-	-	-	-	-	-	-	(133,383)		(133,383)
Internal transfers between asset classes		-	6,279	-	(4,246)	(312)	(1,721)	-	-		-
Recognition of accumulation depreciation on new rehabilitation asset		962,985	-	-	-	-	-	-	-		962,985
Accumulated depreciation as at 30 June 2016		13,508,826	18,444,731	16,180,958	56,734,238	46,952,818	39,918,026	453,549	1,720,377		193,913,523
Total written down value as at 30 June 2016		82,618,040	122,405,731	19,878,642	542,322,475	140,131,401	125,618,314	1,990,876	8,153,153	12,795,275	1,055,913,907
Range of estimated useful life in years		5 - indefinite	3 - 150	5 - 20	5 - indefinite	5 - 200	5 - 200	5 - 100	10 - indefinite		
Addition of renewal assets		-	-	-	-	-	-	-	-	44,502,007	44,502,007
Addition of other assets		1,520,905	-	-	701,969	-	-	-	-	2,392,522	4,615,396
Total additions in year		1,520,905	-	-	701,969	-	-	-	-	46,894,529	49,117,403

* ARS denotes - Asset Revaluation Surplus

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15 Property, plant and equipment - prior year

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Cost	Valuation	Cost	
		2015	2015	2015	2015	2015	2015	2015	2015	2015	2015
Asset Values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2014		89,090,585	132,768,974	29,562,794	565,421,517	175,509,581	147,718,519	1,534,207	9,515,359	25,638,213	1,176,759,750
Minor correction to opening balance	28	-	-	-	190,158	-	2,550,272	-	-	-	2,740,430
Additions at cost		-	-	-	-	-	-	-	-	41,247,432	41,247,432
Contributed assets at valuation		-	-	-	1,886,754	113,265	759,919	-	-		2,759,938
Internal transfers from work in progress		1,888,920	1,037,354	5,354,391	28,538,474	3,963,697	9,351,291	201,184	97,359	(50,432,670)	-
Disposals		(30,647)	-	(37,402)	-	-	-	-	-		(68,049)
Write-offs	7	-	-	(3,052)	(8,949,733)	(303,100)	-	-	-	-	(9,255,885)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	20	379,825	2,482,884	-	2,453,360	2,043,264	2,757,474	3,352	-		10,120,159
Revaluation adjustment to capital income		-	-	-	-	-	-	-	173,877		173,877
Internal transfers between asset classes		(70,171)	5,094	33,010	(51,725)	-	-	83,792	-		-
Transfer to investment properties	14	-	-							(317,302)	(317,302)
Closing gross value as at 30 June 2015		91,258,512	136,294,306	34,909,741	589,488,805	181,326,707	163,137,475	1,822,535	9,786,595	16,135,673	1,224,160,350
Accumulated depreciation and impairment											
Opening balance as at 1 July 2014		9,711,253	19,121,721	12,601,218	66,252,717	45,771,059	40,098,104	279,238	1,584,535		195,419,845
Depreciation provided in year		677,566	1,625,321	2,993,790	8,002,127	3,375,490	3,115,795	98,882	180,512		20,069,483
Depreciation on disposals		-	-	(37,402)	-	-	-	-	-		(37,402)
Depreciation on write-offs	7	-	-	(515)	(435,670)	(156,451)	-	-	-		(592,636)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	20	(236,606)	(1,123,608)	-	(6,177,281)	(2,450,379)	(2,100,064)	21,074	-		(12,066,864)
Revaluation adjustment to capital income		-	-	-	-	-	-	-	(110,782)		(110,782)
Internal transfers between asset classes		-	(784)	-	(125,765)	2,873	146,245	(22,569)	-		-
		-	-		-	-	-	-	-		
Accumulated depreciation as at 30 June 2015		10,152,213	19,622,650	15,557,091	67,516,128	46,542,592	41,260,080	376,625	1,654,265		202,681,644
Total written down value as at 30 June 2015		81,106,299	116,671,656	19,352,650	521,972,677	134,784,115	121,877,395	1,445,910	8,132,330	16,135,673	1,021,478,705
Range of estimated useful life in years		5 - 100	3 - 100	5 - 20	5 - 100	5 - 100	5 - 100	5 - 100	10 - 50		

* ARS denotes - Asset Revaluation Surplus

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16 Fair value measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis

Investment properties

Property, plant and equipment

- Land and improvements
- Buildings
- Road, bridge and drainage
- Water
- Sewerage
- Waste management
- Aerodrome

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.
Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 19 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land (level 2)".

In accordance with *AASB 13 fair value measurements* are categorised on the following basis

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the consolidated Council's assets and liabilities measured and recognised at fair value at 30 June 2016.

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16 Fair value measurements

	Note	Level 2 (Significant other observable inputs) 2016 $	Level 2 2015 $	Level 3 (Significant unobservable inputs) 2016 $	Level 3 2015 $	Total 2016 $	Total 2015 $
Recurring fair value measurements							
Investment Property	14						
- Investment property - Land and Buildings		-	11,651,377	11,850,161	-	11,850,161	11,651,377
Property, plant and equipment	15						
- Land and improvements with comparable market value inputs		40,606,000	58,069,002	-	-	40,606,000	58,069,002
- Land and improvements with specialised structures and land use				42,012,040	23,037,297	42,012,040	23,037,297
- Buildings residential		9,501,000	18,216,251	-	-	9,501,000	18,216,251
- Buildings special purpose structures		-	-	112,904,731	98,455,405	112,904,731	98,455,405
- Road, bridge and drainage		-	-	542,322,475	521,972,677	542,322,475	521,972,677
- Water		-	-	140,131,401	134,784,115	140,131,401	134,784,115
- Sewerage		-	-	125,618,314	121,877,395	125,618,314	121,877,395
- Waste management		-	-	1,990,876	1,445,910	1,990,876	1,445,910
- Aerodrome		-	-	8,153,153	8,132,330	8,153,153	8,132,330
		50,107,000	87,936,630	984,983,151	909,705,129	1,035,090,151	997,641,759

There were no transfers between levels 1 and 2 during the year.
Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Council adopted *AASB13 Fair Value Measurement* for the first time during the 2014 financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets

Property, plant and equipment

Land and improvements, buildings and other structures

As at 30 June 2016 a desktop revaluation was undertaken of Councils land and improvements, buildings and other structures assets by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows

(1) Cost for land restricted in use (non-saleable)

Estimate cost to replace the existing land if Council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the Valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the Council that had been valued at level 2.

(2) Long term rental yields in potentially volatile market

The market rental used were based on an analysis of current market rental yields. While there was sufficient evidence of existing market rental yields, due to the cyclical nature of the mining sector, there were concerns raised over the long term demand for properties and the associated impact on long term yields. The volatility of these assumptions were considered sufficiently high by the professionally qualified valuers who completed the valuation to recommend disclosing the valuation inputs for these properties as level 3.

16 Fair value measurements

(3) Relationship between asset consumption rating scale and the level of consumed service potential
Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, assets management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

Valuation techniques used to derive fair values

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements

Land

Level 2 valuation inputs
These were used to value land held in freehold title (investment and non-investment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings and investment properties

Level 2 valuation inputs
These were used to determine the fair value of a range of properties. These included the bulk of residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Level 3 valuation inputs
Specialised building were valued using the cost approach using professionally qualified registered values. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square meters could be supported from market evidence (level 2) other inputs (such as estimated useful life, pattern of consumption and asset condition) require extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

The quantitative disclosures of the remaining service potential relating to each corresponding condition score for each of the patterns of consumption utilised in this valuation are disclosed in the condition rating table below.

Roads, bridge and drainage
As at 30 June 2016 a desktop revaluation was undertaken of Councils road, bridge and drainage assets by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows
Asset Condition
The nature of road infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purpose of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation as at 30 June 2014 relied upon a sampling approach (18% overall) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.
The revaluation undertaken as at 30 June 2016 relies heavily on the 30 June 2014 valuation.

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Relationship between asset consumption rating scale and the level of consumed service potential
Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, assets management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

Valuation techniques used to derive fair values

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements

All road network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metre or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be values at level 3 we have adopted a policy that all road network infrastructure assets are deemed to be valued at level 3.

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

Water and sewerage infrastructure
As at 30 June 2016 a desktop revaluation was undertaken of Councils water and sewerage network infrastructure assets by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows
Asset Condition
The nature of water and sewerage network infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every assets for the purpose of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. A large portion of the portfolio is located underground and may only be inspected on an irregular basis.

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Relationship between asset consumption rating scale and the level of consumed service potential
Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, assets management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

16 Fair value measurements

Valuation techniques used to derive fair values

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements

All water network infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metre or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be values at level 3 we have adopted a policy that all water and sewerage network infrastructure assets are deemed to be valued at level 3.

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

Waste management
The majority of waste management assets have not been valued for several years. A comprehensive valuation will be undertaken by 30 June 2017.

The main level 3 inputs used are derived and evaluated as follows

Asset Condition
The nature of waste management infrastructure is that there is a very large number of assets which comprise the network and as a result it is not physically possible to inspect every assets for the purpose of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

Indexes were utilised to undertake the desktop valuation developed with reference to construction guidelines, data from the Australian Bureau of Statistics and market research.

Relationship between asset consumption rating scale and the level of consumed service potential
Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this the Valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, assets management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the assets and the level of remaining service potential.

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16 Fair value measurements

Valuation techniques used to derive fair values

(i) Recurring fair value measurements

The following methods are used to determine the fair value measurements

All waste management assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metre or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be values at level 3 we have adopted a policy that all waste management assets are deemed to be valued at level 3.

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

(iii) Changes in Fair Value Measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value measurements are detailed in note15 (property, plant and equipment). However, since the residential buildings disclosed in those notes comprise both level 2 and level 3 assets, the movement in level 3 residential buildings are detailed below.

The changes in investment properties level 3 assets with recurring fair value measurements are detailed in note14.

There have been no transfers between level 1 and level 2.

Changes in land/site improvement	2016		2015	
	Level 2 Other land assets $	Level 3 Land/site improvements $	Level 2 Other land assets $	Level 3 Land/site improvements $
Asset value				
Opening balance	60,167,667	31,090,845	58,854,411	30,236,174
Error correction to opening balance	-	-	(548,915)	548,915
Additions in period	27,547	4,866,631	691,164	1,197,756
Disposals and write-offs in period	-	(126,547)	(30,647)	-
Transfers in period	(11,614,450)	11,434,450	(70,171)	-
Revaluation adjustment in the period	(7,974,764)	8,255,487	1,271,825	(892,000)
Gross value closing balance	40,606,000	55,520,866	60,167,667	31,090,845
Accumulated depreciation				
Opening balance	2,098,665	8,053,548	1,782,253	7,929,000
Error correction to opening balance	-	-	26,586	(26,586)
Depreciation in current period	-	1,120,228	288,594	388,972
Accum. depreciation disposals and write-offs in period	-	(14,729)	-	-
Transfers in period	(2,098,665)	2,098,665	-	-
Revaluation adjustment in the period	-	1,288,129	1,232	(237,838)
Accumulated depreciation on new tip sites	-	962,985	-	-
Closing balance of accumulated depreciation	-	13,508,826	2,098,665	8,053,548
Written down (fair value) at reporting date	40,606,000	42,012,040	58,069,002	23,037,297

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16 Fair value measurements

Changes in buildings	2016		2015	
	Level 2 Residential buildings	Level 3 Special structures	Level 2 assets Residential buildings	Level 3 assets Special structures
	$	$	$	$
Asset value				
Opening balance	20,854,346	115,439,960	53,521,497	79,247,477
Error correction to opening balance	-	26,021	-	-
Additions in period	55,301	5,906,303	223,755	813,599
Disposals and write-offs in period	(10,019,124)	5,864,661	-	-
Transfers in period	-	67,221	(36,135,667)	36,140,761
Revaluation adjustment in the period	(1,389,523)	4,045,296	3,244,761	(761,877)
Gross closing balance Buildings	9,501,000	131,349,462	20,854,346	115,439,960
Accumulated depreciation				
Opening balance	2,638,095	16,984,555	7,223,447	11,898,274
Depreciation in current period	333,734	1,869,495	350,575	1,274,746
Accum. depreciation disposals and write-offs in period	-	(1,299,512)	-	-
Transfer in period	(2,485,333)	2,491,612	(4,767,106)	4,766,322
Revaluation adjustment in the period	(486,496)	(1,601,419)	(168,821)	(954,787)
Closing balance of accumulated depreciation	0	18,444,731	2,638,095	16,984,555
Written down (fair value) at reporting date	9,501,000	112,904,731	18,216,251	98,455,405

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	Note	2016 $	2015 $
17 Trade and other payables			
Current			
Accruals		6,022,553	4,678,081
Creditors		967,811	1,310,102
Employee related accruals		551,148	695,440
Annual leave		2,135,294	2,071,911
Other entitlements		19,592	24,937
		9,696,398	8,780,471
Non-current			
Creditors for operational expenses		54,253	339,557
Annual leave		951,949	976,272
		1,006,202	1,315,829
18 Provisions			
Current			
Long service leave		626,909	520,667
Property restoration			
Refuse sites		1,469,565	-
		2,096,474	520,667
Non-Current			
Long service leave		2,512,867	2,122,992
Property restoration			
Refuse sites		11,873,632	2,587,667
		14,386,499	4,710,659
Details of movements in provisions			
Long service leave			
Balance at beginning of the year		2,643,659	2,516,509
Amount provided for in the year		627,710	463,043
Amount paid in the year		(131,593)	(335,893)
Balance at end of the year		3,139,776	2,643,659
Current portion		626,909	520,667
Non-current portion		2,512,867	2,122,992
Refuse sites			
Balance at beginning of the year		2,587,667	2,521,910
Increase in provision due to unwinding of discount		84,244	84,996
Increase (decrease) due to change in discount rate		519,785	(19,239)
Increase due to change in existing estimates and recognition of new sites		9,792,339	-
Amount expended in year		(519,499)	-
Increase (decrease) arising from revised dates of future restoration		878,661	-
Balance at end of the year		13,343,197	2,587,667
Current portion		1,469,565	-
Non-current portion		11,873,632	2,587,667
		13,343,197	2,587,667

This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life.

The projected future cost of all work is $18,207,528 and this is expected to be incurred from 2017 to 2040.

		2016 $	2015 $
Cash funds committed to meet this liability at the reporting date		2,171,991	122,472

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	Note	2016 $	2015 $

19 Borrowings

Unsecured borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.

All borrowings are in $A denominated amounts and carried at amortised cost, interest being expensed as it accrues. Expected final repayment dates vary from January 2028 to March 2033.

There have been no defaults or breaches of the loan agreement during the year.

Principal and interest repayments are made quarterly in arrears.

Borrowings at balance date are

	Note	2016 $	2015 $
Queensland Treasury Corporation			
Balance at beginning of the year		38,322,769	39,738,168
Principal repayments		(1,497,355)	(1,415,399)
Balance at end of the year		36,825,414	38,322,769
Classified as			
Current		1,644,137	1,504,172
Non-current		35,181,277	36,818,597
		36,825,414	38,322,769

The QTC loan market value at the reporting date was $43,640,779

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.

No assets have been pledged as security by the council for any liabilities. Borrowings are all in $A and are underwritten by the Queensland State Government.

The following sets out the liquidity risk in relation to the above borrowings and represents the remaining contractual cash flows (principal and interest) at the end of the reporting period.

	Note	2016 $	2015 $
0 to 1 year		3,450,134	3,355,996
1 to 5 years		13,800,535	13,423,985
Over 5 years		36,733,233	40,665,814
Total contractual outflows		53,983,902	57,445,795
Carrying amount		36,825,414	38,322,769

The contractual outflows are not expected to occur significantly earlier and are not expected to be for significantly different amounts than indicated.

20 Asset revaluation surplus

(i) Asset revaluation surplus movements

	Note	2016 $	2015 $
Balance at beginning of the year		337,136,246	314,929,984
Adjustments to the property, plant and equipment through revaluations		23,584,928	22,187,023
Adjustment to land and improvements arising from change in rehabilitation costs		(10,632,865)	19,239
Balance at end of the year		350,088,309	337,136,246

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	Note	2016 $	2015 $
(ii) Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories			
Land and improvements		14,869,033	26,509,304
Buildings		40,939,595	36,195,907
Road, bridge and drainage		163,918,333	154,352,138
Water		72,516,679	67,374,716
Sewerage		57,620,857	52,486,317
Waste management		223,813	217,865
		350,088,309	337,136,246

21 Retained surplus

Movement in retained surplus

		2016 $	2015 $
Balance at beginning of the year		675,407,815	667,711,436
Error correction to opening balance		649,769	2,740,430
Net result		8,122,487	(4,789,921)
		684,180,071	665,661,945
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended			
Constrained grants and subsidy contributions reserve		4,104,847	1,334,329
Constrained NDRRA grants reserve		(34,942)	-
Grants, subsidies and contributions reimbursed reserve		(2,206,197)	-
Unspent loan fund reserve		761,922	95,052
Buildings reserve		1,401,196	3,284,401
Plant and equipment reserve		(1,192,868)	22,212
Roads infrastructure reserve		730,195	329,950
Water reserve		43,110	36,309
Other infrastructure reserve		(713,821)	(103,881)
Community facilities reserve		-	43,487
Carry over capital reserve		2,730,115	2,651,587
Mines capital projects reserve		942,302	1,265,938
		6,565,859	8,959,384
Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended			
Mines operating projects reserve		(130,659)	786,486
		(130,659)	786,486
Balance at end of the year		690,615,271	675,407,815

22 Reserves

(a) Restricted capital reserves

(i) Unspent loan cash reserve

This cash forms part of council's capital value as the balance represents loan cash drawn down but unspent at balance date. The cash is restricted to specific project funding

		2016 $	2015 $
Balance at beginning of the year		5,667,389	5,762,441
Loan cash expended in year		(761,922)	(95,052)
Balance at end of the year		4,905,467	5,667,389

(ii)(a) Constrained grants and subsidy contributions reserve

		2016 $	2015 $
Balance at beginning of the year		45,071,191	46,405,520
Transfer from retained earnings non reciprocal grants, subsidies and contributions received and allocated to specific capital projects		4,925,784	14,467,444
Transfer to retained earnings funds expended		(9,030,631)	(15,801,773)
Balance at end of the year		40,966,344	45,071,191

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	Note	2016 $	2015 $
(ii)(b) Constrained NDRRA grants reserve			
Transfer from retained earnings for future expenditure		7,332,569	-
		-	-
Transfer to retained earnings funds expended		(7,297,627)	-
Balance at end of the year		34,942	-
(b) Other reserves			
(1) Summary of capital reserves held for funding future projects			
(ii) Buildings reserve		2,098,795	3,499,991
(iii) Plant and equipment reserve		2,415,656	1,222,788
(iv) Roads infrastructure reserve		1,461,067	2,191,262
(v) Water reserve		2,150,267	2,193,377
(vi) Sewerage reserve		4,723,347	4,723,347
(vii) Other infrastructure reserve		11,514,469	10,800,648
(ix) Carry over capital reserve		15,703,706	18,433,821
(x) Mines capital projects reserve		1,729,256	465,361
		41,796,563	43,530,595
(2) Summary of recurrent reserves held for funding future projects			
(i) Planning & environmental enforcement - operational reserve		373,379	373,379
(ii) Mines operating projects reserve		548,473	417,814
		921,852	791,193
Total other reserves		42,718,415	44,321,788
Total reserves		88,625,169	95,060,368

23 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases

	2016 $	2015 $
Within one year	456,842	564,848
Later than 1 year but not later than 5 years	1,400,087	1,769,457
Later than 5 years	5,771,095	6,075,629
	7,628,024	8,409,934

Operating leases are entered into for land and 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

	2016 $	2015 $
Management of Council pools and recreational dams - $255,025 - per year	1,067,924	407,610
Town Maintenance Contracts - $314,780 - per year	394,122	689,092
Library Lease - $11,400 - per year	23,518	34,950
Recreation Reserve - $125,400 - per year	261,450	119,644
Communication contracts - $117,243 - per year	364,527	246,334
Waste Management Collection $1,527,631 - per year	2,191,732	2,841,511
	4,303,273	4,339,141

Capital commitments

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities

	2016 $	2015 $
Infrastructure	1,507,176	1,091,123
Other Assets	2,326,975	2,410,206
	3,834,151	3,501,329

These expenditures are payable

	2016 $	2015 $
Within one year	3,834,151	3,501,329

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	Note	2016 $	2015 $
24 Contingent liabilities			
Details and estimates of maximum amounts of contingent liabilities			
Local government workcare			
The 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		821,112	831,576

Local Government Mutual

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 2015 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

25 Superannuation

The 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 three elements referred to as
The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund; the Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; 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*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional 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. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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	Note	2016 $	2015 $

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional 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.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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 Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Isaac Regional Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	Note	2016 $	2015 $
The amount of superannuation contributions paid by Isaac Regional Council to the scheme in this year for the benefit of employees was		3,113,547	3,466,587

26 Trust funds

	Note	2016 $	2015 $
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		33,980	33,980
Security deposits		414,646	438,029
		448,626	472,009

The 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.

Funds held in the trust account on behalf of outside parties include those funds from security deposits lodged to guarantee performance, bonds and deposits for hire of Council facilities paid into the trust account.

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	Note	2016 $	2015 $
27 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		8,122,487	(4,789,921)
Non-cash operating items			
Impairment of receivables and bad debts written-off		11,870	190,559
Depreciation and amortisation	15	21,764,174	20,078,919
Current cost of developed land sold		-	25,056
Change in restoration provisions expensed to finance costs		84,244	84,996
Revaluation of inventory land expensed to materials and services		912,903	10,742,122
		22,773,191	31,121,652
Investing and development activities			
Capital grants, subsidies and contributions	4	(15,653,309)	(17,227,382)
Capital income		(924,928)	(430,428)
Capital expenses	7	15,419,050	9,934,346
Payment for land for sale and development costs in the year		-	(1,267,439)
		(1,159,187)	(8,990,903)
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(1,926,793)	2,733,117
(Increase) decrease in inventories (excluding land)		(464,079)	582,099
Increase (decrease) in payables		403,957	(7,406,008)
Increase (decrease) in provisions		(23,382)	127,150
		(2,010,297)	(3,963,642)
Net cash inflow from operating activities		27,726,194	13,377,186

28 Minor correction for assets not previously recognised

During the financial year Council became aware of some assets in property plant and equipment that 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	2016 $	2015 $
Gross value of property, plant and equipment	649,769	2,740,430
Gain from assets not previously recognised	649,769	2,740,430

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29 Financial instruments

Isaac Regional Council has exposure to the following risks arising from financial instruments
- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

The council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.

The council does not enter into derivatives.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

Details of collateral held as security relating to the financial assets of Council is detailed at note 19.

The maximum exposure to credit risk is based on the carrying amounts of financial assets at the end of the reporting period as disclosed in the Statement of Financial Position.

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and deposits held with banks and other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed.

Other financial assets

Other investments are held with financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Trade and other receivables

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

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC. The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

The council does not have any overdraft facilities at the reporting date.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Council's income or the value of its holdings of financial instruments.

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29 Financial instruments

Interest rate risk

Isaac Regional Council is exposed to interest rate risk through investments with QTC and other financial institutions.

The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Fair Value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is discussed below and disclosed in note 19.

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

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MANAGEMENT CERTIFICATE

For the year ended 30 June 2016

These general purpose financial statements have been prepared pursuant to sections 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

In accordance with section 212(5) of the Regulation we certify that

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages 1 to 38, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Mayor	**Chief Executive Officer**
Name: Cr Anne Baker	**Name: Mr Gary Stevenson PSM**
Date: 25 / 10 / 16	Date: 25 / 10 / 16

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certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Isaac Regional Council

Report on the Financial Report

I have audited the accompanying financial report of Isaac Regional Council, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the Mayor and the 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 Regulation 2012*, 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 gives a true and fair view and 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 be removed only 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 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

QUEENSLAND
31 OCT 2016
AUDIT OFFICE

D. Stolz

D A STOLZ FCPA
(as delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

Current-year Financial Sustainability Statement
For the year ended 30 June 2016

Measures of Financial Sustainability

(i) Operating surplus ratio

Operating surplus (Net result excluding all capital items) divided by total operating revenue (excludes capital revenue).

(ii) Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.

(iii) Net financial liabilities ratio

Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2016 against key financial ratios

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	7.23%	204.62%	-58.36%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2016.

Certificate of Accuracy

For the year ended 30 June 2016

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.

Mayor

Name: Cr Anne Baker

Date: 25 / 10 / 16

Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 25 / 10 / 16

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certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Isaac Regional Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Isaac Regional Council for the year ended 30 June 2016, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

The Council is responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the *Local Government Regulation 2012*. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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 Council's internal control. 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 statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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 be removed only 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.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Isaac Regional Council, for the year ended 30 June 2016, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

D. Stolz

QUEENSLAND
31 OCT 2016
AUDIT OFFICE

D A STOLZ FCPA
(as delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Long-Term Financial Sustainability Statement
Prepared as at 30 June 2016

Measures of Financial Sustainability

(i) Operating surplus ratio

Operating surplus (Net result excluding all capital items) divided by total operating revenue (excludes capital revenue).

(ii) Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.

(iii) Net financial liabilities ratio

Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2016 against key financial ratios

		Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target		between 0% and 10%	greater than 90%	not greater than 60%
Actuals at 30 June 2016		7.23%	204.62%	-58.36%
Projected for the years ended	30 June 2017	1.17%	183.46%	-42.01%
	30 June 2018	1.93%	119.37%	-42.28%
	30 June 2019	2.40%	97.13%	-46.39%
	30 June 2020	2.68%	78.77%	-43.99%
	30 June 2021	8.25%	105.67%	-44.36%
	30 June 2022	10.70%	105.29%	-45.00%
	30 June 2023	7.39%	98.61%	-51.53%
	30 June 2024	5.99%	110.18%	-59.74%
	30 June 2025	4.36%	110.45%	-66.78%

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2016

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.

Mayor

Name: Cr Anne Baker

Date: 25 / 10 / 16

Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 25 / 10 / 16