FINANCIAL STATEMENTS
2013/2014

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ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	2014 $	2013 $
Income			
Revenue			
Recurrent revenue			
Rates and levies	3 (a)	66,757,314	76,006,921
Sale of goods and major services	3 (b)	1,566,036	2,231,530
Fees and charges	3 (c)	8,494,614	12,212,233
Rental and levies	3 (d)	1,046,104	1,394,492
Interest received	3 (e)	5,659,345	4,865,653
Sales of contract and recoverable works	3 (f)	5,840,887	5,385,290
Other recurrent income	3 (g)	165,691	474,469
Grants, subsidies, contributions and donations	4 (i)	3,130,002	19,181,915
Proceeds from sales of land developed for sale	5	1,242,782	-
Total operating revenue		93,902,775	121,752,503
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	50,700,197	21,112,152
		50,700,197	21,112,152
Total revenue		144,602,972	142,864,655
Capital income	6	1,128,046	-
Total income	2	145,731,018	142,864,655
Expenses			
Recurrent expenses			
Employee benefits	8	(32,916,666)	(30,232,850)
Materials and services	9	(43,351,363)	(64,382,798)
Current cost of developed land sold	5	(413,962)	-
Finance costs	10	(1,015,735)	(840,416)
Depreciation and amortisation	11	(19,402,835)	(19,809,614)
Total operating expenses		(97,100,561)	(115,265,678)
Capital expenses			
Other capital expenses	12	(54,215,306)	(11,324,579)
Total expenses		(151,315,867)	(126,590,257)
Net result		(5,584,849)	16,274,398
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus		63,411,436	(3,185,945)
Total other comprehensive income for the year		63,411,436	(3,185,945)
Total comprehensive income for the year		57,826,587	13,088,453

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

ISAAC REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2014

	Note	2014 $	2013 $
Current assets			
Cash and cash equivalents	14	66,666,854	113,587,092
Cash investments	18	41,137,038	30,562,290
Trade and other receivables	15 (a)	11,335,040	13,845,029
Inventories	16	26,924,902	9,954,424
Total current assets		146,063,834	167,948,835
Non-current assets			
Trade and other receivables	15 (b)	8,370,458	7,668,867
Investment properties	19	13,513,958	13,037,737
Property, plant and equipment	20 (a)	981,339,904	895,210,258
Intangible assets	22	29,913	34,052
Total non-current assets		1,003,254,233	915,950,914
TOTAL ASSETS		1,149,318,067	1,083,899,749
Current liabilities			
Trade and other payables	23	15,653,459	19,740,465
Provisions	24	298,566	359,144
Borrowings	25	1,417,222	1,309,402
Other	26	300,421	143,081
Total current liabilities		17,669,668	21,552,092
Non-current liabilities			
Trade and other payables	23	1,139,941	1,459,135
Provisions	24	4,739,853	2,698,451
Borrowings	25	38,320,946	40,238,159
Total non-current liabilities		44,200,740	44,395,745
TOTAL LIABILITIES		61,870,408	65,947,837
NET COMMUNITY ASSETS		**1,087,447,659**	**1,017,951,912**
Community equity			
Asset revaluation surplus	27	314,929,984	251,518,548
Retained surplus (deficiency)	28	667,711,436	636,808,984
Reserves	29	104,806,238	129,624,380
TOTAL COMMUNITY EQUITY		**1,087,447,659**	**1,017,951,912**

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

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2014

	Note	Total		Retained surplus (deficit) Note 28		Reserves Note 29		Asset revaluation surplus Note 27	
		2014 $	2013 $	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Balance at beginning of year		1,017,951,912	1,004,863,459	636,808,984	648,985,889	129,624,380	101,173,077	251,518,548	254,704,493
Corrections to opening balances	37	11,669,160	-	11,669,160	-			-	
Restated opening balances		1,029,621,072	1,004,863,459	648,478,144	648,985,889	129,624,380	101,173,077	251,518,548	254,704,493
Net result		(5,584,849)	16,274,398	(5,584,849)	16,274,398				
Other comprehensive income for the period									
Revaluations									
Property, plant & equipment	20	65,257,497	(2,911,329)					65,257,497	(2,911,329)
Change in value of future rehabilitation costs		(1,846,061)	(274,616)					(1,846,061)	(274,616)
Total comprehensive income for year		57,826,587	13,088,453	(5,584,849)	16,274,398	-	-	63,411,436	(3,185,945)
Transfers (to) from retained earnings and recurrent reserves	28		-	8,880,162	5,397,254	(8,880,162)	(5,397,254)		
Transfers (to) from retained earnings and capital reserves	28		-	15,937,980	(33,848,557)	(15,937,980)	33,848,557		
		-	-						
Balance at end of year		1,087,447,659	1,017,951,912	667,711,436	636,808,984	104,806,238	129,624,380	314,929,984	251,518,548

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 Cash Flows
For the year ended 30 June 2014

	Note	2014 $	2013 $
Cash flows from operating activities			
Receipts			
Receipts from customers		99,329,643	109,831,864
Non capital grants, subsidies and contributions		1,993,553	16,626,174
Interest received		5,282,774	5,177,759
Proceeds from sales of land developed for sale		1,242,782	-
Payments			
Payments to suppliers and employees		(108,478,070)	(103,570,410)
Finance costs		(2,002,052)	(716,171)
Net cash inflow (outflow) from operating activities	35	(2,631,370)	27,349,216
Cash flows from investing activities			
Commonwealth grants		189,534	4,023,818
State government subsidies & grants		41,317,368	5,735,346
Capital contributions		6,379,687	11,336,678
Payments for property, plant and equipment		(79,294,335)	(40,740,244)
Net transfer (to) from cash investments	18	(41,137,038)	-
Proceeds from sale of property plant and equipment	7	160,000	205,606
Net movement in loans to controlled entities & associates		(597,098)	(75,000)
Net cash inflow (outflow) from investing activities		(72,981,882)	(19,513,796)
Cash flows from financing activities			
Proceeds from borrowings	25	-	29,800,000
Repayment of borrowings	25	(1,869,276)	(386,659)
Net cash inflow (outflow) from financing activities		(1,869,276)	29,413,341
Net increase (decrease) in cash and cash equivalents held		(77,482,528)	37,248,761
Cash and cash equivalents at beginning of the financial year		144,149,382	106,900,621
Cash and cash equivalents at end of the financial year	14	**66,666,854**	**144,149,382**

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

1 Significant accounting policies

1. 1 Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 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 revaluation of certain non-current assets.
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 2014.

1. 2 Statement of compliance

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

1. 3 Constitution

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

1. 4 Date of authorisation

The financial statements are authorised for issue on the date it was 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. 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. However the Application of*AASB 13 Fair Value Measurement* and *AASB 2011-8 Amendments to Australian Accounting Standards* arising from AASB 13 for the first time this year has resulted in greater disclosures.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on are after
AASB 9 Financial Instruments (December 2009)	1 January 2017
AASB 10 Consolidated Financial Statements	1 January 2014
AASB 11 Joint Arrangements	1 January 2014
AASB 12 Disclosure of interests in other entities	1 January 2014
AASB 127 Separate Financial Statements (replaces the existing standard together with AASB 10	1 January 2014
AASB 128 Investments in Associates and Joint Ventures (replaces the existing standard)	1 January 2014
AASB 1055 Budgetary Reporting	1 July 2014
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1 January 2015

AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015
AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 January 2014
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014
[AASB 132]	
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	1 January 2014
AASB 2013-5 Amendments to Australian Accounting Standards – Investment Entities [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	1 January 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	1 January 2014
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]	1 January 2014
AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049]	1 January 2014
AASB2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Refer Title column
Interpretation 21 Levies	1 January 2014

AASB 9 Financial Instruments (effective from 1 January 2015)
AASB 9, which replaces AASB 139 Financial Instruments: Recognition and Measurement, is effective for reporting periods beginning on or after 1 January 2015 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.

As a result, Council will be required to measure its financial assets at fair value.

Consolidation Standards
The following accounting standards apply to Isaac Regional Council as from reporting periods beginning on or after 1 January 2014

- *AASB 10 Consolidated Financial Statements*
- *AASB 11 Joint Arrangements*
- *AASB 12 Disclosure of Interests in Other Entities*
- *AASB 127 Separate Financial Statements*
- *AASB 128 Investments in Associates and Joint Ventures*
- *AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards*
- *AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*

These standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

AASB10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into another entity's financial statements.

AASB 12 contains the disclosure requirements for interests in other entities including unconsolidated structured entities.

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 fron 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 1.16 and note 19
Valuation and depreciation of property, plant and equipment - note 1.17 and note 21
Impairment of property, plant and equipment - note 1.19 and note 20 (a)
Provisions - note 1.22 and note 24
Valuation of finance leases - note 1.20
Contingencies - note 32

1. 8 Revenue

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

1. 8 (a) Rates and levies

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

1. 8 (b) Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is transferred from retained earnings to the relevant reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the 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 infrastructure, 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. 8 (e) Rental income

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

1. 8 (f) Interest

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

1. 8 (g) **Sales revenue**

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.
The council generates revenues from a number of services including child care and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of materia costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

1. 8 (h) **Fees and Charges**

Fees and charges are recognised upon unconditional entitlement to the funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

1. 9 **Financial assets and liabilities**

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

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

Financial assets
Cash and cash equivalents (note 1.10)
Receivables - measured at amortised cost less any impairment (note 1.11)
Other financial assets (finance leases) - measured at fair value (note 1.20)

Financial liabilities
Payables - measured at amortised cost (note 1.21)
Borrowings - measured at amortised cost (note 1.23)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.
All other disclosures relating to the measurement and financial risk management of financial instruments are included in note 38.

1. 10 **Cash and cash equivalents**

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

1. 11 **Receivables**

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

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

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

Because Council 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.

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. 12 Inventories

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

Inventories held for distribution (internal consumption) are
- goods to be supplied at no or nominal charge, and
- goods to be used for the provision of services at no or nominal charge.

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

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. 13 Other financial assets

Other financial assets are recognised at cost.
At present Council does not have any other financial assets.

1. 14 Non current assets held for sale

Items of property, plant and equipment are reclassified as non-current assets as held for sale when the carrying amount of these assets will be recovered principally through a sales transaction rather than continuing use. Non-current assets classified as held for sale are available for immediate sale in their present condition and management believe the sale is highly probable. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less cost to sell and are not depreciated. On the eventual sale of these assets a gain or loss is recognised.

1. 15 Investments

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

1. 16 Investment property

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

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

Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured at cost until fair value can be reliably determined).

Gains or losses arising from changes in the fair value of investment property are recognised as incomes or expenses respectively for the period in which they arise. Investment property is not depreciated and is not tested for impairment.

1. 17 Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than $5,000, and infrastructure assets and buildings with a total value of less than $10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.
The classes of property plant and equipment recognised by the council are reported in note 20 (a).

(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.

(b) **Capital and operating expenditure**

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

(c) **Valuation**

Land and improvements, buildings, major plant and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with*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.

(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 1.16 for furthe information.

(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, less its estimated residual value, 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, estimated useful lives and residual values 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 written down 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 20 (a).

(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 sucl 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. 18 Intangible Assets

Intangible assets with a cost or other value exceeding $10,000 are recognised as intangible assets in the financial statements, items with a lesser value being expensed.

Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software are capitalised and are amortised on a straight-line basis over the period of expected benefit to Council.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in note 22.

1. 19 Impairment of non current assets

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

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

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

1. 20 Leases

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially al the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified a finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.
The council has no finance leases.

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

1. 21 Payables

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

1. 22 Liabilities - employee benefits

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

(a) **Salaries and wages**
A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is included in note 23 as a payable.

(b) **Annual leave**
A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projecte future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 23 as a payable.

(c) **Superannuation**
The superannuation expense for the reporting period is the amount of the contribution the local government makes to the superannuation plan which provides benefits to its employees.
Details of those arrangements are set out in note 33.

(d) **Long service leave**
A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.
This liability is reported in note 24 as a provision.

1. 23 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 borrow for capital projects and land development, for a term no longer than the expected life of the asset or the development project. 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 development are capitalised to land held for resale.

1. 24 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 and some which are not. The following accounting treatments apply depending on the site location.

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

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 provisions

(a) **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.

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 a site will close in 2017 and that the restoration will occur in 2018 with other sites closing progressively over the subsequent years as disclosed in note 24.

1. 25 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. 26 Retained surplus (deficit)
This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1. 27 Reserves held for funding future capital expenditure

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

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. As the funds are expended they are transferred to the council's capital account. Refer notes 14 and 29 (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. Where non-reciprocal grants, subsidies and contributions are received for specific capital projects, amounts equivalent to the capital grants received are transferred from retained surplus to the constrained works reserve. When the grant monies are expended on the respective projects, an equivalent amount is transferred out of the constrained works reserve to retained surplus. The Council does not reallocate amounts in this reserve to any other reserve or for any other purpose.

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.

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 Isaac Regional Council.

Community facilities reserve
This reserve has been established to provide funding for future community facilities within Isaac Regiona 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. 28 Reserves held for funding future recurrent expenditure

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

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

Constrained works - operational grants reserve
This reserve has been established to constrain unspent grant monies.

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.

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

Community recovery - operational grants 2014
Reserves held for funding future recurrent expenditure as yet to be identified under the Community Recoveries Grant purposes.

1. 29 National competition policy

The Council has reviewed its activities and has identified 4 activities that are business activities. Details of these activities can be found in note 39.

1. 30 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. 31 Trust funds held for outside parties

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

For details see note 34.

1. 32 Taxation

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

The Council pays payroll tax to the Queensland Government on certain activities.

1. 33 Carbon Pricing

Council has been, and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. Taking this into consideration the council has carefully assessed the current and immediate future political predictions on carbon tax pricing and considers that the impact on the council's current financial position will not be material. The council will continue to monitor the impact of carbon pricing as future political policies are determined.

2 (a) Components of council functions

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

Office of the CEO

The Office of the Chief Executive Officer is responsible for the day to day management of all functions of Council and to ensure that the 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.

Organisational Development

Organisational Development provides business improvement, arts and culture, libraries and community development, media, marketing and communication, community and stakeholder engagement, organisational change, and cultural development.

Corporate & Financial Services

Corporate and Financial Services provide financial services, rating, information technology, human resource services, business and commercial services, procurement, tenders and contracts.

Engineering & Infrastructure

Engineering and Infrastructure provide the following functions; emergency management, long term asset planning, project management, project delivery, servicing of assets, roads and urban services, water and sewerage and resource recovery.

Built & Natural Environment

Built and Natural Environment have a responsibility to provide the following functions including; economic development and tourism, natural environment, property, compliance and statutory planning.

Legal & Governance

Legal and Governance are responsible for in-house legal services, governance and risk, land development, customer service and records management.

2 Analysis of results by function

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

Functions	Income		Total income	Total expenses	Net result for period	Assets
	Grants	Other				
	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $
Office of the CEO	-	-	-	(242,513)	242,513	-
Organisational Development	396,958	216,165	613,123	6,012,314	(5,399,191)	-
Corporate & Financial Services	1,192,677	57,518,802	58,711,479	18,968,233	39,743,246	266,487,298
Engineering & Infrastructure	42,681,783	34,788,169	77,469,952	118,984,382	(41,514,430)	858,312,610
Built & Natural Environment	53,978	7,597,188	7,651,166	5,740,002	1,911,164	-
Legal & Governance	24,255	1,261,043	1,285,298	1,853,449	(568,151)	24,518,159
Total	44,349,651	101,381,367	145,731,018	151,315,867	(5,584,849)	1,149,318,067

Prior Year

On July 1, 2013 the council underwent an organisational restructure, re-defining the programs and the functions that are grouped within each program. The ability of council to prepare revised comparative figures for last year under the current structure can not be achieved with any certainty or sufficient accuracy to make the comparatives of use to the reader, when comparing these figures to the current year results. The council has therefore not reported any comparatives figures this year in this note.

	Note	2014 $	2013 $
3 Revenue analysis			
(a) Rates and levies	1.8(a)		
General rates		45,476,869	43,890,335
Separate rates		5,077,801	17,610,979
Disaster management levy		116,994	101,974
Water		8,854,304	7,509,656
Water consumption, rental and sundries		34,040	428,840
Sewerage		7,863,025	6,605,276
Sewerage connection fees		29,770	229,257
Garbage charges		3,666,200	3,100,840
Total rates and utility charge revenue		71,119,003	79,477,157
Less: Discounts		(4,190,382)	(3,303,972)
Less: Pensioner remissions		(171,307)	(166,264)
Net rates and utility charges		66,757,314	76,006,921
(b) Sales revenue	1.8(g)		
Sale of services			
Recycling services		454,077	176,840
Green waste services		39,403	251,945
Airport services		1,072,556	1,802,745
		1,566,036	2,231,530
(c) Fees and charges	1.8(h)		
Statutory fees and charges include			
Development fees		1,353,853	1,724,721
Building fees & charges		125,595	254,053
Environmental fees		65,027	197,542
Animal registrations		139,745	101,296
Other statutory fees		-	5,345
User fees and charges		6,810,394	9,929,276
		8,494,614	12,212,233
(d) Rental and levies	1.8(e)		
Housing rentals		469,026	781,888
Investment property rentals		287,324	342,069
Community housing rental income		64,714	97,627
Other rental income		225,040	172,908
		1,046,104	1,394,492
(e) Interest received	1.8(f)		
Investments		4,943,742	4,702,145
Loan to controlled entities		597,098	-
Other sources		20,095	-
Over due rates and utility charges		98,410	163,508
		5,659,345	4,865,653
(f) Sales of contract and recoverable works	1.8(g)		
Revenue		5,840,887	5,385,290
		5,840,887	5,385,290

The amount recognised as revenue from contract works during the period is the amount receivable in respect of invoices issued during the period.
The contract work carried out is not subject to retentions.

(g) Other recurrent income			
Other income		165,691	474,469
		165,691	474,469

	Note	2014 $	2013 $
4 Grants, subsidies, contributions and donations	1.8(b)		
(i) Recurrent - grants, subsidies, contributions and donations			
General purpose grants		2,123,463	4,931,436
Commonwealth government subsidies and grants		198,981	-
State government subsidies & grants		520,305	13,919,034
Donations		1,278	75,945
Contributions		285,975	255,500
		3,130,002	19,181,915

A prepayment of 2014/15 Financial Assistance Grant was not paid to Council in June 2014, resulting in the reduction of grant revenue recognise at June 2014. The prepaid grant of $2,984,692, recognised in June 2013 for the 2013/2014 period, was set aside in a reserve at June 2013 and is now transferred to retained earnings for funding in this period.

(ii) Capital - grants, subsidies, and contributions

(a) Monetary revenue designated for capital funding purposes			
Commonwealth government grants		189,534	4,023,818
State government subsidies & grants		3,679,281	5,735,346
NDRRA flood damage grants		37,638,087	-
Contributions		6,379,687	11,352,988
		47,886,589	21,112,152
(b) Non-monetary revenue received is analysed as follows	1.8(c)		
Developer assets contributed by developers at fair value		2,813,608	-
		2,813,608	-
Total capital revenue		50,700,197	21,112,152

(iii) Conditions over contributions

Non-reciprocal grants and contributions which were recognised as revenues during the reporting period and which were obtained on the condition that they be expended in a general specified manner (eg.headworks) by the contributor but had not been expended at the reporting date.

Grants for infrastructure		-	6,938,051
Contributions for infrastructure		6,379,687	11,352,988
		6,379,687	18,291,039

Non-reciprocal grants and contributions which were recognised as revenues during a previous reporting period and were expended during the current reporting period.

Grants for infrastructure		542,687	383,126
Grants for operations expenditure		3,111,941	-
Contributions for infrastructure		-	267,002
		3,654,628	650,128
5 Gain (loss) on the disposal of inventory land developed for sale			
Proceeds from sales of land developed for sale		1,242,782	-
Current cost of developed land sold	17	(413,962)	-
		828,820	-
6 Capital income			
Gain on the sale of capital assets	7	27,375	-
Revaluation of investment property - land and buildings	19	476,221	-
Revaluation up of property, plant and equipment reversing		-	-
previous revaluation down	20	624,450	-
		1,128,046	-

	Note	2014 $	2013 $
7 Gain (loss) on the disposal of capital assets			
Proceeds from the sale of plant and equipment		160,000	205,606
Less book value of plant and equipment sold		(132,625)	(265,955)
		27,375	(60,349)
8 Employee benefits			
Total staff wages and salaries		26,250,004	22,550,302
Councillors' remuneration		735,344	634,748
Annual, sick and long service leave entitlements		3,766,956	3,845,642
Superannuation	33	3,006,796	2,560,368
		33,759,100	29,591,060
Other employee related expenses		724,555	1,874,481
		34,483,655	31,465,541
Less capitalised employee expenses		(1,566,989)	(1,232,691)
		32,916,666	30,232,850

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

Total Council employees at 30 June	2014	2013
Elected members	9	9
Administration staff	246	189
Depot and outdoors staff	187	166
Total full time equivalent employees	442	364

9 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		201,655	88,200
Professional fees including legal fees		8,381,772	4,398,536
Donations Paid		311,177	293,195
Electricity		2,422,349	2,362,595
Refuse collection		1,861,952	589,435
Plant and vehicle expense		2,189,150	2,541,045
IT and telecommunications		2,221,876	2,511,268
Contractors		563,600	7,811,069
Insurance		1,576,119	1,311,066
Rentals - Operating leases		734,836	1,176,122
Revaluation of land for sale (classified as inventory)		610,270	-
Other material and services		22,276,607	41,300,267
		43,351,363	64,382,798
10 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		2,002,052	716,171
Bank charges		125,013	124,245
Impairment of receivables and bad debts written off		179,930	-
Refuse sites - change in present value over time		24,050	-
		2,331,045	840,416
Less capitalised interest		(1,315,310)	-
		1,015,735	840,416
11 Depreciation and amortisation	1.17(e)		
(a) Depreciation of non-current assets			
Land and improvements		659,979	726,382
Buildings		1,641,899	1,269,603
Plant and equipment		2,745,917	2,896,071
Road, bridge network and drainage		7,804,349	8,161,672
Water		3,292,019	3,032,499
Sewerage		3,010,095	3,090,426
Waste management		68,463	75,694
Aerodrome		175,975	541,328
		19,398,696	19,793,675

	Note	2014 $	2013 $
(b) Amortisation of other intangible assets			
Software		4,139	15,939
		4,139	15,939
Total depreciation and amortisation		19,402,835	19,809,614
12 Capital expenses			
Loss on the sale of capital assets	7	-	60,349
Loss on write-off of capital assets	13	54,155,423	8,018,415
Revaluation down of property, plant and equipment	20 (a)	-	3,245,815
Loss on market value adjustment to long term debt	25	59,883	-
Total capital expenses		54,215,306	11,324,579
13 Loss on write-off of capital assets			
Land and improvements		10,391	1,006,352
Buildings		-	570,050
Road, bridge and drainage		50,545,175	5,975,948
Water		1,383,280	142,871
Sewerage		2,216,577	309,309
Waste management		-	13,885
	12	54,155,423	8,018,415

Details of capital asset write-offs
In 2013 expenditure on flood damage was treated as an operating expense. In 2014 the accounting treatment was changed to capitalise flood damage expenditure and write-off the carrying value of the damaged assets.
At June 2014 $46,044,456 was written off roads as a result of flood damage.

14 Cash and cash equivalents	1.10		
Cash at bank and on hand		671,740	29,992,518
Deposits at call		27,925,225	114,156,864
Term deposits		38,069,889	-
Total cash and cash equivalents per Statement of Cash Flows		66,666,854	144,149,382
Cash investments held	18	41,137,038	-
Total cash assets		107,803,892	144,149,382

Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets			
Unspent loan monies	29 (a) (i)	5,762,441	26,100,475
Unspent government grants and subsidies	29 (a) (ii)	5,475,579	10,204,856
Unspent developer contributions	29 (a) (ii)	40,929,941	34,634,327
Internally imposed expenditure restrictions at the reporting date			
Funds set aside by council and held in reserves for future projects		52,638,277	58,684,722
Total unspent restricted cash	29	104,806,238	129,624,380

Cash and deposits at call are held in the ANZ Bank, Queensland Country Credit Union, National Australia Bank, Westpac Banking Corporation, Bank of Queensland and Queensland Treasury, AMP Bank, Suncorp Metway Ltd and ING Bank (Australia) Ltd.

15 Trade and other receivables	1.11		
(a) Current			
Rateable revenue and utility charges		1,670,345	1,884,635
Accrued government operating grants and subsidies		3,692,190	2,555,741
Accrued interest		1,722,349	1,345,778
GST recoverable		909,377	2,359,002
Other debtors		2,204,533	5,667,120
Less: Impairment provision		(259,750)	(199,404)
		9,939,044	13,612,872
Prepayments		1,395,996	232,157
		11,335,040	13,845,029

	Note	2014 $	2013 $
(b) Non-current			
Deferred debtors		104,493	-
Loans and advances to controlled entities and associates		8,265,965	7,668,867
		8,370,458	7,668,867

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.

All loans and advances relate to loans made to various community bodies. These loans arise from time to time and are subject to negotiated interest rates.

Movement in accumulated impairment losses (trade and other receivables)

Opening balance at 1 July		199,404	205,916
Impairment adjustment during the year		60,346	(6,512)
Closing balance at 30 June		259,750	199,404

16 Inventories	1.12		
Current			
Inventories for internal use			
Quarry and road materials		1,771,425	1,601,955
Stores and materials		635,318	1,128,720
		2,406,743	2,730,675
Valued at cost, adjusted when applicable for any loss of service potential.			
Land purchased for development and sale	17	24,518,159	7,223,749
Total inventories		26,924,902	9,954,424

17 Land purchased for development and sale	1.14		
Balance at beginning of the financial year		7,223,749	7,749,125
Transferred from other asset category		-	(2,839,593)
Land acquired in period		17,003,332	2,314,217
Capitalised interest in period		1,315,310	-
Less cost of developed land sold		(413,962)	-
Valuation adjustment as at 30 June 2014		(610,270)	-
Balance at end of the financial year		24,518,159	7,223,749

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

18 Cash investments			
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted		41,137,038	-
		41,137,038	-

Term deposits at fixed interest rates are held with the National Australia Bank, Westpac Bank, and ING Bank. Maturity ranges from 4 to 10 months and bear interest rates from 3.8% to 3.9%.

19 Investment properties			
Property held for rental income and capital growth		13,513,958	13,037,737
Fair value at end of the financial year		13,513,958	13,037,737
Movement in assets during the reporting period			
Property held for rental income and capital growth			
Fair value at beginning of the financial year		13,037,737	10,198,144
Fair value of assets transferred from other asset category		-	2,839,593
Revaluation adjustment to income statement	6	476,221	-
Fair value at end of the financial year		13,513,958	13,037,737

	Note	2014 $	2013 $
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 2014. APV Valuers have extensive experience in valuing properties of this nature in the Isaac Regional Council and surrounding areas. Further information about the valuation techniques used to derive fair value are included in note 21.			
Income from the investment property is shown in note 3 .			
Investment property does not include community housing.			-

20 (a) Property, plant and equipment

	Note	Land and improvements	Buildings	Plant and equipment	Office furniture and fittings	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Asset Values		2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $	2014 $
Opening gross value as at 1 July 2013		72,338,388	127,246,413	25,739,401	-	523,329,331	170,503,716	146,711,253	1,175,361	8,920,907	19,948,464	1,095,913,234
Minor correction to opening balance	37	941,089	2,204,569	-	-	4,984,742	2,064,500	1,686,600	-	-	838,957	12,720,457
Additions at cost *		-	-	-	-	46,044,456	-	-	-	-	33,407,219	79,451,675
Contributed assets at valuation		-	226,825	-	-	2,586,783	-	-	-	-		2,813,608
Internal transfers from work in progress		2,544,337	1,600,168	4,036,093	-	14,742,609	1,569,914	3,481,732	319,909	261,665	(28,556,427)	-
Disposals	7	-	-	(212,700)	-	-	-	-	-	-		(212,700)
Write-offs	12	(10,391)	-	-	-	(50,826,255)	(1,996,501)	(3,028,388)	-	-	-	(55,861,535)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	27	13,258,834	1,375,218	-	-	24,559,851	3,363,286	(1,128,012)	173,047	-		41,602,223
Revaluation adjustment to capital income	6	-	-	-	-	-	-	-	-	332,787		332,787
Internal transfers between asset classes		18,328	115,782	-	-	-	4,665	(4,665)	(134,110)	-		-
Closing gross value as at 30 June 2014		89,090,585	132,768,974	29,562,794	-	565,421,517	175,509,580	147,718,519	1,534,207	9,515,359	25,638,213	1,176,759,749
Accumulated depreciation and impairment												
Opening balance as at 1 July 2013		6,225,887	21,025,062	9,942,896	-	66,172,583	51,912,663	43,362,090	361,572	1,700,223		200,702,976
Minor correction to opening balance	37	136,779	119,248	-	-	184,319	349,823	261,128	-	-		1,051,297
Depreciation provided in period	11	659,979	1,641,899	2,745,917	-	7,804,349	3,292,019	3,010,095	68,463	175,975		19,398,696
Depreciation on disposals	7	-	-	(80,075)	-	-	-	-	-	-		(80,075)
Depreciation on write-offs	12	-	-	-	-	(281,080)	(613,221)	(811,811)	-	-		(1,706,112)
Revaluation adjustment to other comprehensive income. (refer the ARS*)	27	2,600,269	(3,671,926)	-	-	(7,627,454)	(9,171,387)	(5,722,236)	(62,540)	-		(23,655,274)
Revaluation adjustment to capital income	6	-	-	-	-	-	-	-	-	(291,663)		(291,663)
Internal transfers to other asset classes		88,339	7,438	(7,520)	-	-	1,162	(1,162)	(88,257)	-		-
Accumulated depreciation as at 30 June 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
Total book value as at 30 June 2014		79,379,332	113,647,253	16,961,576	-	499,168,800	129,738,521	107,620,415	1,254,969	7,930,824	25,638,213	981,339,904
Range of estimated useful life in years		5 - 100	3 - 100	5 - 20		5 - 100	5 - 100	5 - 100	5 - 10	10 - 50		
Addition of renewal assets		-	-	-	-	46,044,456	-	-	-	-	15,796,917	61,841,373
Addition of other assets		-	226,825	-	-	2,586,783	-	-	-	-	18,449,259	21,262,867
Total additions in period		-	226,825	-	-	48,631,239	-	-	-	-	34,246,176	83,104,240

* ARS denotes - Asset Revaluation Surplus

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

	Note	Land and improvements	Buildings	Plant and equipment	Office furniture and fittings	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	valuation	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Asset Values		2013 $	2013 $	2013 $	2013 $	2013 $	2013 $	2013 $	2013 $	2013 $	2013 $	2013 $
Opening gross value as at 1 July 2012		70,226,677	119,350,861	22,069,956	-	490,632,064	167,570,382	128,873,367	828,594	11,486,114	45,220,299	1,056,258,314
Additions at cost		-	-	-	-	-	-	-	-	-	40,740,244	40,740,244
Internal transfers from work in progress		2,582,334	8,479,365	4,492,800	-	28,377,537	3,107,606	18,378,487	360,652	233,298	(66,012,079)	-
Disposals	7	-	-	(823,355)	-	-	-	-	-	-	-	(823,355)
Write-offs	12	(1,006,352)	(583,813)	-	-	(6,600,622)	(174,272)	(540,601)	(13,885)	-	-	(8,919,545)
Revaluation adjust to other comprehensive income. (refer the ARS*)	27	-	-	-	-	10,920,352	-	-	-	-		10,920,352
Revaluation adjustment to capital loss	12	-	-	-	-	-	-	-	-	(2,798,505)		(2,798,505)
Recognition/change of future rehabilitation costs		535,729										535,729
Closing gross value as at 30 June 2013		72,338,388	127,246,413	25,739,401	-	523,329,331	170,503,716	146,711,253	1,175,361	8,920,907	19,948,464	1,095,913,234
Accumulated depreciation and impairment												
Opening balance as at 1 July 2012		5,247,455	19,769,222	7,604,225	-	44,897,408	48,911,565	40,502,956	285,878	711,585		167,930,294
Depreciation provided in period	11	726,382	1,269,603	2,896,071	-	8,161,672	3,032,499	3,090,426	75,694	541,328		19,793,675
Depreciation on disposals	7	-	-	(557,400)	-	-	-	-	-	-		(557,400)
Depreciation on write-offs	12	-	(13,763)	-	-	(624,674)	(31,401)	(231,292)	-	-		(901,130)
Revaluation adjust to other comprehensive income. (refer the ARS*)	27	93,504	-	-	-	13,738,177	-	-	-	-		13,831,681
Revaluation adjustment to capital loss	12	-	-	-	-	-	-	-	-	447,310		447,310
Recognition of open balance on rehabilitation costs		158,546										158,546
		-	-	-	-	-	-	-	-	-		
Accumulated depreciation as at 30 June 2013		6,225,887	21,025,062	9,942,896	-	66,172,583	51,912,663	43,362,090	361,572	1,700,223		200,702,976
Total book value as at 30 June 2013		66,112,501	106,221,351	15,796,505	-	457,156,748	118,591,053	103,349,163	813,789	7,220,684	19,948,464	895,210,258
Range of estimated useful life in years		5 - 100	3 - 100	5 - 20		5 - 100	5 - 100	5 - 100	5 - 10	10 - 50		

* ARS denotes - Asset Revaluation Surplus

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21 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 network and drainage
- Water infrastructure
- Sewerage infrastructure
- 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 25 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.

21 Fair Value Measurements - continued

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 Fair Value Measurement

	Note	Level 2 (Significant other observable inputs) 2014 $	Level 3 (Significant unobservable inputs) 2014 $	Total 2014 $
Recurring fair value measurements				
Investment Property	19			
- Investment property - Land and Buildings		13,513,958		13,513,958
Property, plant and equipment	20			
- Land and improvements		79,379,332		79,379,332
- Buildings		113,647,253		113,647,253
- Road, bridge network and drainage			499,168,800	499,168,800
- Water infrastructure			129,738,521	129,738,521
- Sewerage infrastructure			107,620,415	107,620,415
- Waste management			1,254,969	1,254,969
- Aerodrome			7,930,824	7,930,824
		206,540,543	745,713,530	952,254,073

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.
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 this 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 comprise

Property, plant and equipment

Land and improvements, buildings and other structures

As at 30 June 2014 a comprehensive 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.

21 Fair Value Measurements - continued

(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.

(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 residual value, 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.

There were also some parks and reserves for which there was no observable evidence of sales prices for comparable sites in close proximity. These were subsequently values at the level 3 valuation input hierarchy by using the professional judgement of a registered Valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

21 Fair Value Measurements - continued

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. These included the average cost of construction and consumption score for each component. As these are supported by observable market evidence they have been classified as level 2 inputs. The unobservable inputs (such as estimates of residual values, useful life, pattern of consumption and asset condition and its relationship to the assessed level of remaining service potential of the depreciable amount) 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.

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.

		% RSP of depreciable amount				
Consumption score	**Description**	**Straight-line**	**Low**	**Mod**	**High**	**Extreme**
0	New or very good condition - very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in the near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%
6	Theoretical end of life.	Fully written off				

21 Fair Value Measurements - continued

Fair value sensitivity to unobservable inputs

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Asset	Level of valuation input	Unobservable inputs	Sensitivity to unobservable market		Amount of potential impact	
			Lower	Upper	Lower	Upper
Buildings (cost approach) - Specialised buildings	3	Condition of the asset where based on condition as supplied by Council	-2.50%	2.50%	-$2,700,864	$2,700,864
Other structures	3	Relationship between asset consumption rating scale	-2.50%	2.50%	-$374,282	$374,282

Road, bridge network and drainage

As at 30 June 2014 a comprehensive 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 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.

To provide assurance over the accuracy of this information and taking into account the cost-benefit of undertaking physical inspections the valuation relies 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.

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 residual value, 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.

21 Fair Value Measurements - continued

The approach estimated the replacement cost for each asset by compensating 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 residual value, 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.

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.

		% RSP of depreciable amount				
Consumption score	**Description**	**Straight-line**	**Low**	**Mod**	**High**	**Extreme**
0	New or very good condition - very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in the near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.					
6	Theoretical end of life.	Fully written off				

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

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21 Fair Value Measurements - continued

Fair value sensitivity to unobservable inputs

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Asset	Level of valuation input	Unobservable inputs	Sensitivity to unobservable market		Amount of potential impact	
			Lower	Upper	Lower	Upper
Infrastructure (cost approach)	3	Condition of the asset where based on condition as	-3.00%	3.00%	-$15,072,479	$15,072,479
	3	Relationship between asset consumption rating scale	-3.00%	3.00%	-$15,072,479	$15,072,479

Water and sewerage infrastructure

As at 30 June 2014 a comprehensive 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. Likewise, especially for water network infrastructure, a large portion of the portfolio is located underground and may only be inspected on an irregular basis.

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 residual value, 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 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 residual value, 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.

21 Fair Value Measurements - continued

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.

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.

Consumption score	Description	% RSP of depreciable amount				
		Straight-line	Low	Mod	High	Extreme
0	New or very good condition - very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in the near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%
6	Theoretical end of life.	Fully written off				

(ii) Non-recurring fair value measurements
No assets were valued as a non-recurring valuation.

Fair value sensitivity to unobservable inputs
The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Asset	Level of valuation input	Unobservable inputs	Sensitivity to unobservable market		Amount of potential impact	
			Lower	Upper	Lower	Upper
Infrastructure (cost approach)	3	Condition of the asset where based on condition as	-5.00%	5.00%	-$11,840,656	$11,840,656
	3	Relationship between asset consumption rating scale	-5.00%	5.00%	-$11,840,656	$11,840,656

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21 Fair Value Measurements - continued

Waste management

As at 30 June 2013 a desktop valuation was undertaken of Councils waste management assets by APV Valuers and Asset Management.

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 residual value, 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 waste management assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by compensating 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 residual value, 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.

21 Fair Value Measurements - continued

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.

Consumption score	Description	% RSP of depreciable amount				
		Straight-line	Low	Mod	High	Extreme
0	New or very good condition - very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in the near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%
6	Theoretical end of life.	Fully written off				

(ii) Non-recurring fair value measurements
No assets were valued as a non-recurring valuation.

Fair value sensitivity to unobservable inputs

The following table provides a summary of the unobservable inputs and an assessment of the sensitivity of these to the fair value measurement.

Asset	Level of valuation input	Unobservable inputs	Sensitivity to unobservable market		Amount of potential impact	
			Lower	Upper	Lower	Upper
Infrastructure (cost approach)	3	Condition of the asset where based on condition as	-2.50%	2.50%	-$31,374	$31,374
	3	Relationship between asset consumption rating scale	-2.50%	2.50%	-$31,374	$31,374

Movements in asset classes that have multi-level valuation inputs

The movement in asset classes as disclosed on note 20 to which more than one valuation input level was applied to derive fair value are reported below.

21 Fair Value Measurements - continued

Changes in Buildings	2014 Level 2 assets $	2014 Level 3 assets $
Asset value		
Opening balance	54,990,533	72,255,880
Error correction to opening balance		2,204,569
Additions in period	119,380	1,707,613
Transfers in period	115,782	
Revaluation adjustment included in the asset revaluation surplus	-1,704,197	3,079,415
Gross closing balance Buildings	53,521,497	79,247,477
Accumulated depreciation		
Opening balance	9,070,568	11,954,494
Correction to accumulated. depreciation opening balance		119,248
Depreciation in current period	889,354	752,545
Transfer in period	7,438	
Closing balance of accumulated depreciation	9,967,360	12,826,287
Written down (fair value) at reporting date	43,554,137	66,421,190

(iv) Valuation processes

Council's valuation policies and procedures are set by the executive leadership team. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment and investment property (recurring fair value measurements) is set out in note 1R and 1Q respectively. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

	Note	2014 $	2013 $
22 Intangible assets			
Computer software			
Opening gross carrying value		484,987	484,987
Closing gross carrying value		484,987	484,987
Accumulated amortisation			
Opening balance		450,935	434,996
Amortisation in the period		4,139	15,939
Closing balance		455,074	450,935
Net carrying value at end of the financial year		29,913	34,052
Software has a finite life estimated at three years.			
Straight line amoritisation has been used with no residual value.			
Total intangible assets		29,913	34,052
23 Trade and other payables			
Current			
Accruals		9,573,512	213,053
Creditors	1.21	1,561,393	16,180,606
Employee related accruals		2,303,226	711,827
GST payable		-	685,014
Annual leave	1.22(b)	2,000,279	1,690,060
Other entitlements		215,049	259,905
		15,653,459	19,740,465
Non Current			
Creditors for operational expenses		7,154	312,265
Annual leave	1.22(b)	1,132,787	1,146,870
		1,139,941	1,459,135

Employee benefit expenses are calculated at current pay levels and adjusted for inflation and likely future changes in salary level.
The non-current portion of annual leave and long service leave is then discounted to the present value. Further details on employee entitlements are reported in Note 1.22

24 Provisions			
Current			
Long service leave	1.22(d)	298,566	359,144
		298,566	359,144
Non-Current			
Long service leave	1.22(d)	2,217,943	2,046,652
Property restoration			
Refuse sites	1.24	2,521,910	651,799
		4,739,853	2,698,451
Details of movements in provisions			
Long service leave			
Balance at beginning of the financial year		2,405,796	2,206,386
Long service leave entitlement arising		293,084	701,222
Long service leave entitlement paid		(182,371)	(501,812)
Balance at end of the financial year		2,516,509	2,405,796
Refuse sites			
Balance at beginning of the financial year		651,799	-
Increase due to change in time		24,050	-
Increase (decrease) due to change in discount rate		56,139	-
Increase due to new site		-	651,799
Increase (decrease) in estimate of future cost		1,789,922	-
Balance at end of the financial year		2,521,910	651,799

	Note	2014 $	2013 $
Current portion		-	-
Non-current portion		2,521,910	651,799
		2,521,910	651,799

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 $5,003,023 and this is expected to be incurred from 2018 to 2045.

Cash funds committed to meet this liability at the reporting date are		32,119	-

25 Borrowings

(a) Bank overdraft

The council does not have a bank overdraft facility.

(b) Unsecured borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.
All borrowings are in $A denominated amounts and carried at amortised cost, interest being expensed as it accrues. Expected final repayment dates vary from June 2028 to June 2034.

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

Principal and interest repayments are made quarterly in arrears.

Borrowings at balance date are		
Current		
Queensland Treasury Corporation	1,417,222	1,309,402
Non Current		
Queensland Treasury Corporation	38,320,946	40,238,159

Movements in borrowings		
Queensland Treasury Corporation		
Book value at beginning of the financial year	41,547,561	12,134,220
Loans raised	-	29,800,000
Principal repayments	(1,869,276)	(386,659)
Adjustment to loan value due to change in interest rates.	59,883	-
Book value at end of the financial year	39,738,168	41,547,561
Classified as		
Current	1,417,222	1,309,402
Non-current	38,320,946	40,238,159
	39,738,168	41,547,561

The QTC loan market value at the reporting date was $42,501,914.
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.

26 Other liabilities

Current		
Capital cash contributions with future reciprocal obligation	143,081	143,081
Construction retentions	157,340	-
	300,421	143,081

	Note	2014 $	2013 $
27 (i) Asset revaluation surplus			
Movements in the asset revaluation surplus			
Balance at beginning of the financial year		251,518,548	254,704,493
Adjustments to the property, plant and equipment through revaluations	20		
Land and improvements		10,658,565	(93,504)
Buildings		5,047,144	-
Road, bridge and drainage		32,187,305	(2,817,825)
Water		12,534,673	-
Sewerage		4,594,224	-
Waste management		235,587	-
		65,257,497	(2,911,329)
Change in value of future rehabilitation costs charged to the surplus		(1,846,061)	(274,616)
Balance at end of the financial year		314,929,984	251,518,548
(ii) Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories			
Land and improvements		25,873,634	17,061,130
Buildings		32,589,415	27,542,271
Road, bridge and drainage		145,721,497	113,534,192
Water		62,881,073	50,346,400
Sewerage		47,628,779	43,034,555
Waste management		235,587	-
		314,929,984	251,518,548
28 Retained surplus / (deficiency)	1.26		
Movement in retained surplus			
Balance at beginning of the financial year		636,808,984	648,985,889
Error correction to opening balance	-	11,669,160	-
Net result		(5,584,849)	16,274,398
		642,893,294	665,260,287
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended or closed			
Constrained grants and subsidy contributions reserve		(1,566,337)	(21,972,833)
Unspent loan cash reserve		20,338,034	(22,170,521)
Buildings reserve		1,215,608	(4,500,000)
Roads infrastructure reserve		-	4,295,107
Water reserve		146,035	2,071,000
Sewerage reserve		(3,700,099)	3,263,477
Other infrastructure reserve		(1,979,523)	9,382,138
Carry over capital reserve		3,215,561	(4,216,925)
Mines capital projects reserve		(1,731,299)	-
		15,937,980	(33,848,557)
Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended or closed			
Natural disaster reserve		50,000	-
Constrained works - operational grants reserve		3,111,941	574,128
Mines operating projects reserve		5,718,221	(2,319,851)
NDRRA funding - operational grants reserve		-	7,117,585
Community recovery - operational grants 2014		-	25,392
		8,880,162	5,397,254
Retained surplus at end of the financial year		667,711,436	636,808,984

	Note 1.27	2014 $	2013 $
29 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.			
Balance at beginning of the financial year		26,100,475	3,929,954
Loan funds drawn down in period.		-	29,800,000
Loan cash expended in period.		(20,338,034)	(7,629,479)
Balance at end of the financial year		5,762,441	26,100,475
(ii) Constrained grants and subsidy contributions reserve			
Balance at beginning of the financial year		44,839,183	22,866,350
Transfer from retained earnings non reciprocal grants, subsidies and contributions received and allocated to specific capital projects		47,886,589	21,112,152
Transfer to retained earnings funds expended		(46,320,252)	860,681
Balance at end of the financial year		46,405,520	44,839,183
Total restricted capital reserves		52,167,961	70,939,658
(b) Other reserves			
(1) Summary of capital reserves held for funding future projects			
(ii) Buildings reserve		6,784,392	8,000,000
(iii) Plant and equipment reserve		1,245,000	1,245,000
(iv) Roads infrastructure reserve		2,521,212	2,521,212
(v) Water reserve		2,229,686	2,375,721
(vi) Sewerage reserve		4,723,347	1,023,248
(vii) Other infrastructure reserve		10,696,767	8,717,244
(viii) Community facilities reserve		43,487	43,487
(ix) Carry over capital reserve		21,085,408	24,300,969
(x) Mines capital projects reserve		1,731,299	-
		51,060,598	48,226,881
(2) Summary of recurrent reserves held for funding future projects			
(i) Natural disaster reserve		-	50,000
(ii) Constrained works - operational grants reserve		-	3,111,941
(iii) Planning & environmental enforcement - operational reserve		373,379	373,379
(iv) Mines operating projects reserve		1,204,300	6,922,521
(v) NDRRA funding - operational grants reserve		-	-
(vi) Community recovery - operational grants 2014		-	-
		1,577,679	10,457,841
Total other reserves		52,638,277	58,684,722
Total reserves		104,806,238	129,624,380
Movements in capital reserves			
(ii) Buildings reserve			
Balance at beginning of the financial year		8,000,000	3,500,000
Transfer from retained earnings for future expenditure		237,924	5,050,000
Transfer to retained earnings funds expended		(1,453,532)	(550,000)
Balance at end of the financial year		6,784,392	8,000,000
(iii) Plant and equipment reserve			
Balance at beginning of the financial year		1,245,000	1,245,000
Balance at end of the financial year		1,245,000	1,245,000

	Note	2014 $	2013 $
(iv) Roads infrastructure reserve			
Balance at beginning of the financial year		2,521,212	6,816,319
Transfer to retained earnings funds expended		-	(4,295,107)
Balance at end of the financial year		2,521,212	2,521,212
(v) Water reserve			
Balance at beginning of the financial year		2,375,721	4,446,721
Transfer to retained earnings funds expended		(146,035)	(2,071,000)
Balance at end of the financial year		2,229,686	2,375,721
(vi) Sewerage reserve			
Balance at beginning of the financial year		1,023,248	4,286,725
Transfer from retained earnings for future expenditure		3,700,099	-
Transfer to retained earnings funds expended		-	(3,263,477)
Balance at end of the financial year		4,723,347	1,023,248
(vii) Other infrastructure reserve			
Balance at beginning of the financial year		8,717,244	18,099,382
Transfer from retained earnings for future expenditure		2,250,344	301,100
Transfer to retained earnings funds expended		(270,821)	(9,683,238)
Balance at end of the financial year		10,696,767	8,717,244
(viii) Community facilities reserve			
Balance at beginning of the financial year		43,487	43,487
Balance at end of the financial year		43,487	43,487
(ix) Carry over capital reserve			
Balance at beginning of the financial year		24,300,969	20,084,044
Transfer from retained earnings for future expenditure		13,399,895	18,200,365
Transfer to retained earnings funds expended		(16,615,456)	(13,983,440)
Balance at end of the financial year		21,085,408	24,300,969
(x) Mines capital projects reserve			
Transfer from retained earnings for future expenditure		3,911,592	-
Transfer to retained earnings funds expended		(2,180,293)	-
Balance at end of the financial year		1,731,299	-
Movements in recurrent reserves			
(i) Natural disaster reserve			
Balance at beginning of the financial year		50,000	50,000
Transfer to retained earnings funds expended		(50,000)	-
Balance at end of the financial year		-	50,000
(ii) Constrained works - operational grants reserve			
Balance at beginning of the financial year		3,111,941	3,686,069
Transfer from retained earnings for future expenditure		-	3,111,941
Transfer to retained earnings funds expended		(3,111,941)	(3,686,069)
Balance at end of the financial year		-	3,111,941
(iii) Planning & environmental enforcement - operational reserve			
Balance at beginning of the financial year		373,379	373,379
Balance at end of the financial year		373,379	373,379
(iv) Mines operating projects reserve			
Balance at beginning of the financial year		6,922,521	4,602,670
Transfer from retained earnings for future expenditure		527,901	3,547,680
Transfer to retained earnings funds expended		(6,246,122)	(1,227,829)
Balance at end of the financial year		1,204,300	6,922,521

	Note	2014 $	2013 $
(v) NDRRA funding - operational grants reserve			
Balance at beginning of the financial year		-	7,117,585
Transfer to retained earnings funds expended		-	(7,117,585)
Balance at end of the financial year		-	-
(vi) Community recovery - operational grants 2014			
Balance at beginning of the financial year		-	25,392
Transfer to retained earnings funds expended		-	(25,392)
Balance at end of the financial year		-	-

30 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases

Within one year	657,268	669,913
Later than 1 year but not later than 5 years	1,631,176	1,492,616
Later than 5 years	5,626,050	5,997,658
	7,914,494	8,160,187

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

Management of Council pools and recreational dams - $443,729 - per year	889,161	1,233,286
Town Maintenance Contracts - $689,381 - per year	175,070	207,758
Library Lease - $11,864 - per year	11,864	21,290
Recreation Reserve - $146,269 - per year	109,802	221,462
Communication contracts - $80,941 - per year	162,151	-
Waste Management Collection $2,584,605 - per year	5,863,159	430,794
	7,211,207	2,114,590

Capital commitments

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

Infrastructure	3,890,604	3,242,710
Other Assets	1,172,344	1,364,477
	5,062,948	4,607,186

These expenditures are payable

Within one year	5,062,948	4,607,186
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	0
	5,062,948	4,607,186

31 Events after balance date

There were no material financial adjusting events after balance date.

32 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities

(a) Native Title Claims over Council Land

At 30 June 2012, thirteen native title claims have been received in respect of council land covering a total area of 162.8 hectares in the Isaac Regional Council area. The land has a carrying amount of $3.03 million.

At reporting date it is not possible to make an estimate of any probable outcome of these claims, or any financial effects.

	Note	2014 $	2013 $
(b) Contractor Dispute Council is currently in legal dispute with a contractor in regards to works undertaken with funding from the NDRRA program. The financial impact to Council is not yet known with any certainty, however, it is not considered by management that it will not be a material amount.			
Local Government Workcare The Isaac Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is		1,070,436	897,604
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 2013 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.		22,557,143	14,173,836

33 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.

	Note	2014 $	2013 $

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 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experiences.

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 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 2013-14 financial year.

The next actuarial investigation will be conducted as at 1 July 2015.

The amount of superannuation contributions paid by Isaac Regional Council to the scheme in this period for the benefit of employees was		3,006,796	2,560,368

34 Trust funds 1.31

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		41,980	41,980
Security deposits		490,567	758,549
		532,547	800,529

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

35 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

Net result		(5,584,849)	16,274,398
Non-cash operating items			
Impairment of receivables and bad debts written off	10	179,930	-
Depreciation and amortisation	11	19,402,835	19,809,614
Current cost of developed land sold	17	413,962	-
Change in restoration provisions expensed to finance costs		24,050	-
Revaluation of inventory land expensed to materials and services		610,270	-
		20,631,047	19,809,614

	Note	2014 $	2013 $
Investing and development activities			
Capital grants, subsidies and contributions	4	(50,700,197)	(21,112,152)
Capital income	6	(1,128,046)	-
Capital expenses	12	54,215,306	11,324,579
Payment for land for sale and development costs in the period		(17,003,332)	(2,314,217)
		(14,616,269)	(12,101,790)
Financing activities			
Capitalised interest		(1,315,310)	-
Changes in operating assets and liabilities			
(Increase) decrease in receivables		2,704,391	(1,308,334)
(Increase) decrease in inventories (excluding land)		323,932	(757,999)
Increase (decrease) in payables		(6,200,335)	5,233,917
Increase (decrease) in provisions		110,713	199,410
		(3,061,299)	3,366,994
Net cash inflow from operating activities		(2,631,370)	27,349,216

36 Controlled entities that have not been consolidated

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

Isaac Affordable Housing Fund Pty Ltd (Company) acts as trustee for the Isaac Affordable Housing Trust Fund (IAFHT) established under the Trust Deed dated 25th November 2010. Isaac Affordable Housing Fund Pty Ltd was the trustee for the IAFHT for the entire year and the sole activity for the Company was to act as trustee for the Trust. The Company does not trade in it's own right.

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

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

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

The Queensland Auditor-General audits the company. Total external audit fees relating to the 2013-14 financial year are estimated to be $6,500 (2013: $5,400). There are no non-audit services included in this amount.

A summary of financial results for Isaac Affordable Housing Trust

Revenues	1,067,316	2,256,191
Expenses	(594,311)	(207,138)
Net Surplus/(Deficit)	473,005	2,049,053
Assets	12,802,383	12,049,757
Liabilities	(7,320,437)	(6,757,662)
Net Assets	5,481,946	5,292,095

	Note	2014 $	2013 $

Moranbah Early Learning Centre Pty Ltd

In December 2011, the council resolved to establish the Moranbah Early Learning Centre Pty Ltd and has 100% ownership of the company. The company was formed to provide financial support for a community childcare facility within the township of Moranbah. The council's total contribution to the company's share capital is $10.

The principle activities of the company during the financial year are to provide financial support for a community childcare facility in Moranbah.

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

The Queensland Auditor-General audits the company. Total external audit fees relating to the 2013-2014 financial year are to be $16,000 (2013: $17,580). There are no non-audit services included in this amount.

A summary of financial results for the Moranbah Early Learning Centre Pty Ltd

Revenues	1,700,102	1,125,548
Expenses	(1,467,777)	(1,947,961)
Net Surplus/(Deficit)	232,325	(822,413)
Assets	705,501	462,326
Liabilities	(1,252,954)	(1,242,105)
Net Assets	(547,453)	(779,778)

37 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

Gross value of property, plant and equipment	20	12,720,457	-
Less: Accumulated depreciation	20	(1,051,297)	-
Net value		11,669,160	-

38 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

Isaac Regional 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.

Isaac Regional 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.

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

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period.

	Note	2014	2013
Financial assets		$	$
Cash and cash equivalents - Bank	14	671,740	29,992,518
Cash investments held with - QTC	14	19,253,428	30,836,150
Cash investments held with other approved deposit taking institutions	14&18	87,878,724	83,320,714
Receivables - rates	15	1,670,345	1,884,635
Receivables - other	15	16,639,157	19,397,104
Other credit exposure			
Guarantee	32	1,070,436	897,604
Total financial assets		127,183,830	166,328,725

38 Financial instruments - continued

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. 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. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Other financial assets

Other investments are held with financial institutions, which are rated AA- to A- based on rating Standard & Poor's agency ratings, 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 and mining, there is also a concentration in the agricultural and mining sector.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table.

	Not past due	Past due			Less Impaired	Total
		31 to 60 days	61 to 90 days	Over 90 days		
	$	$	$	$	$	$
Receivables						
2014	15,676,985	895,088	43,171	1,954,008	(259,750)	18,309,502
2013	10,517,695	1,156,117	60,950	9,746,381	(199,404)	21,281,739

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.

Isaac Regional Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC and other financial institutions.

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.
These facilities are disclosed in note 25.
The council does not have any overdraft facilities at the reporting date.

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements.

38 Financial instruments - continued

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
2014	$	$	$	$	$
Trade and other payables	13,445,285	-	-	13,445,285	13,445,285
Loans QTC	3,355,996	13,423,985	44,713,130	61,493,111	39,738,168
	16,801,281	13,423,985	44,713,130	74,938,396	53,183,453
2013					
Trade and other payables	18,102,765	-	-	18,102,765	18,102,765
Loans QTC	3,500,267	13,922,273	48,906,318	66,328,858	41,547,561
	21,603,032	13,922,273	48,906,318	84,431,623	59,650,326

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

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.

Interest rate risk

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

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount	Effect on Net result		Effect on equity	
		1% increase	1% decrease	1% increase	1% decrease
2014	$	$	$	$	$
Other investments	8,671,797	86,718	(86,718)	86,718	(86,718)
Loans - QTC at fixed and generic *	(39,738,168)				
Net total	(31,066,371)	86,718	(86,718)	86,718	(86,718)
2013					
Loans - QTC at variable **	-	-	-	-	-
Net total	(41,547,561)	-	-	-	-

In relation to the QTC loans held by the Council, the following has been applied:
*QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

*QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

**QTC Client Specific Pool - client specific pool products are often rebalanced to a target benchmark duration. This partially exposes clients to the level of interest rates at the time of rebalancing. Sensitivity on these products is provided by QTC through calculating the interest effect over the period.

The sensitivity analysis provided by QTC is currently based on a 1% change but this is subject to change.

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 25.

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.

39 National competition policy

(a) Business activities to which the code of competitive conduct is applied

This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity.

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

The Isaac Regional Council applies the competitive code of conduct to

Saleyards
Airport Services
Private & Recoverable Works
Fleet Operations

(b) Statements for activities subject to the competitive code of conduct:

	Saleyards	Airport Services	Private & Recoverable Works	Fleet Operations
	2014	2014	2014	2014
	$	$	$	$
Revenue for services provided to the Council	-	-	-	10,887,156
Revenue for services provided to external clients	267,185	1,073,022	5,688,993	812,741
* Community service obligations	367,300	-	-	-
	634,485	1,073,022	5,688,993	11,699,897
Less expenditure	634,484	1,537,857	4,991,579	6,697,023
Surplus (deficiency)	1	(464,835)	697,414	5,002,874

(c) Description of CSO's provided to business activities during the reporting period:

Activities	CSO description	Actual
Saleyards	Community contribution for the economic benefits of providing saleyards services	367,300

MANAGEMENT CERTIFICATE

For the year ended 30 June 2014

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 52, 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

Name: Cr. Anne Baker

Date: 16 / 10 / 14

Acting Chief Executive Officer

Name: Mr Scott Riley

Date: 16 / 10 / 14

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 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government 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 2013 to 30 June 2014 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.

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

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement
For the year ended 30 June 2014

Measures of Financial Sustainability

(i) Operating surplus ratio

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 (excluding capital items).

Council's performance at 30 June 2014 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	-3.41%	318.79%	-89.66%

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 2014.

Certificate of Accuracy

For the year ended 30 June 2014

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: 16 / 10 / 14

Acting Chief Executive Officer

Name: Mr Scott Riley

Date: 16 / 10 / 14

QAO
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 2014, 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 2014, 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 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 2014

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 2014 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 2014	-3.41%	318.79%	-89.66%
Projected for the 30 June 2015	2.16%	105.01%	-50.83%
30 June 2016	1.55%	74.97%	-51.01%
30 June 2017	10.57%	77.38%	-50.27%
30 June 2018	10.57%	79.95%	-55.24%
30 June 2019	7.78%	82.53%	-59.09%
30 June 2020	6.56%	85.14%	-61.25%
30 June 2021	5.44%	87.86%	-63.65%
30 June 2022	6.16%	90.60%	-63.56%
30 June 2023	6.49%	92.61%	-63.84%

Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2014

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: 16 / 10 / 14

Acting Chief Executive Officer

Name: Mr Scott Riley

Date: 16 / 10 / 14