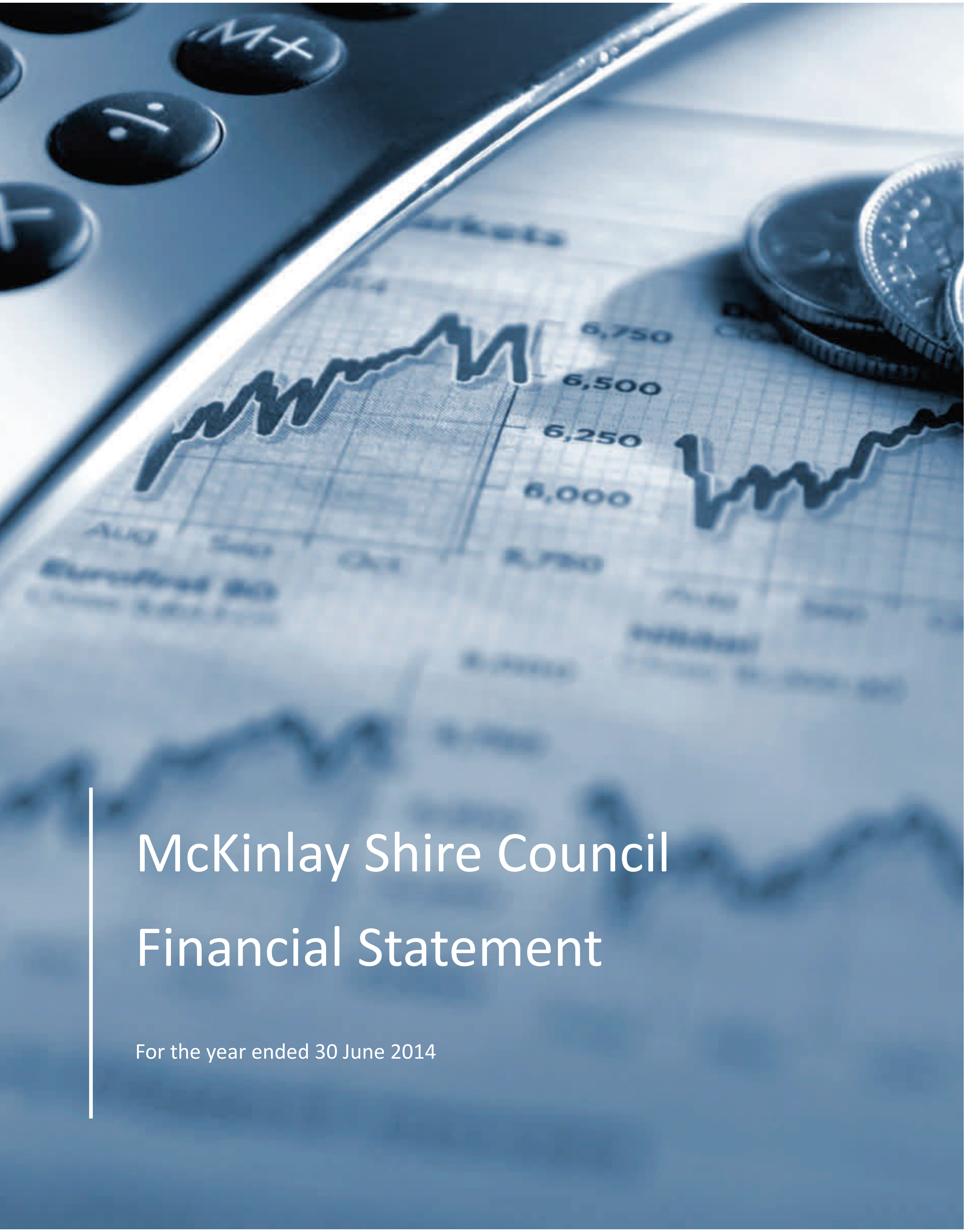

McKinlay Shire Council

Financial Statement

For the year ended 30 June 2014

McKinlay Shire Council
Financial statements
For the year ended 30 June 2014

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McKinlay Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	Council 2014 $	Council 2013 $
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	2,594,506	2,501,575
Fees and charges	3(b)	492,991	438,587
Interest received	3(c)	372,214	533,474
Sales revenue	3(d)	10,732,790	3,749,653
Other revenue	3(e)	191,144	284,836
Grants, subsidies, contributions and donations	4(a)	3,232,569	5,004,972
		17,616,214	12,513,097
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	5,001,874	4,567,715
Total revenue		22,618,088	17,080,812
Capital income	5	1,604	-
Total income		22,619,692	17,080,812
Expenses			
Recurrent expenses			
Employee benefits	6	(4,160,918)	(4,098,024)
Materials and services	7	(10,850,848)	(5,129,124)
Finance costs	8	(63,650)	(116,553)
Depreciation and amortisation	9	(4,183,081)	(4,159,570)
		(19,258,497)	(13,503,271)
Non recurrent expenses			
Capital expenses	10	-	(186,202)
Write-off of flood damaged roads		(3,433,333)	
Total expenses		(22,691,830)	(13,689,473)
Net result		(72,138)	3,391,339
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	19	3,028,959	-
Total other comprehensive income for the year		3,028,959	-
Total comprehensive income for the year		2,956,821	3,391,339

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

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McKinlay Shire Council
Statement of Financial Position
as at 30 June 2014

	Note	Council 2014 $	Council 2013 $
Current assets			
Cash and cash equivalents	11	11,321,140	12,639,974
Trade and other receivables	12	1,055,919	1,325,247
Inventories	13	1,415,453	1,384,275
		13,792,512	15,349,496
Total current assets		13,792,512	15,349,496
Non-current assets			
Property, plant and equipment	15	150,801,945	146,653,114
Total non-current assets		150,801,945	146,653,114
Total assets		164,594,457	162,002,610
Current liabilities			
Trade and other payables	16	1,737,540	1,542,979
Borrowings	17	180,895	564,510
Provisions	18	67,014	71,061
Total current liabilities		1,985,449	2,178,550
Non-current liabilities			
Trade and other payables	16	86,796	61,646
Borrowings	17	368,296	549,130
Provisions	18	268,056	284,245
Total non-current liabilities		723,148	895,021
Total liabilities		2,708,597	3,073,571
Net community assets		**161,885,860**	**158,929,039**
Community equity			
Asset revaluation surplus	19	38,339,752	35,310,793
Retained surplus/(deficiency)	20	123,546,108	123,618,246
Reserves	21	-	-
Total community equity		**161,885,860**	**158,929,039**

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

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McKinlay Shire Council

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

Council	Note	Asset revaluation surplus	Retained Surplus	Reserves	Total
		19	20	21	
		$	$	$	$
Balance as at 1 July 2013		35,310,793	123,618,246	-	158,929,039
Net operating surplus		-	(72,138)	-	(72,138)
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		3,028,959	-	-	3,028,959
Total comprehensive income for the year		3,028,959	(72,138)	-	2,956,821
Transfers to and from reserves					
Transfers to/from capital		-	-	-	-
Transfers to reserves		-	-	-	-
Transfers from reserves		-	-	-	-
Total transfers to and from reserves		-	-	-	-
Balance as at 30 June 2014		38,339,752	123,546,108	-	161,885,860
Balance as at 1 July 2012		35,310,793	117,511,908	2,715,000	155,537,701
Net operating surplus		-	3,391,339	-	3,391,339
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		-	-	-	-
Total comprehensive income for the year		-	3,391,339	-	3,391,339
Transfers to and from reserves*					
Transfers to/from capital		-	-	-	-
Transfers to reserves		-	-	-	-
Transfers from reserves		-	2,715,000	(2,715,000)	-
Total transfers to and from reserves		-	2,715,000	(2,715,000)	-
Balance as at 30 June 2013		35,310,793	123,618,246	-	158,929,039

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

***Transfers to and from reserves**
Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

During the course of the 2013 financial year council resolved to close all existing reserves and account for these restrictions using an internal management accounting system.

All existing reserve balances were transferred to retained surplus/(deficit) on that date. Further information is supplied in note 21.

McKinlay Shire Council
Statement of Cash Flows
For the year ended 30 June 2014

	Note	Council 2014 $	Council 2013 $
Cash flows from operating activities			
Receipts from customers		17,512,785	13,641,545
Payments to suppliers and employees		(14,842,926)	(9,667,358)
		2,669,859	3,974,188
Interest received		372,214	533,474
Borrowing costs		(63,650)	(116,553)
Net cash inflow (outflow) from operating activities	26	2,978,423	4,391,109
Cash flows from investing activities			
Payments for property, plant and equipment		(8,738,286)	(11,404,923)
Proceeds from sale of property plant and equipment		3,604	598,501
Grants, subsidies, contributions and donations		5,001,874	4,567,715
Net cash inflow (outflow) from investing activities		(3,732,808)	(6,238,707)
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		(564,449)	(720,285)
Net cash inflow (outflow) from financing activities		(564,449)	(720,285)
Net increase (decrease) in cash and cash equivalent held		(1,318,834)	(2,567,882)
Cash and cash equivalents at the beginning of the financial year		12,639,974	15,207,856
Cash and cash equivalents at end of the financial year	11	11,321,140	12,639,974

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

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1 Significant accounting policies

1.01 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.

1.02 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.

1.03 Constitution

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

1.04 Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.05 Currency

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

1.06 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 or 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	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 [AASB 132]	1 January 2014
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]	1 January 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part A - C)	1 July 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part D)	1 January 2015
AASB 2014-1 Amendments to Australian Accounting Standards (Part E)	1 January 2016
Interpretation 21 Levies	1 January 2014

AASB 9 Financial Instruments (effective from 1 January 2015)
AASB 9, which replaces AASB139 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 AASB9 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.

1.07 Critical accounting judgements and key sources of estimation uncertainty

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

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

Valuation and depreciation of property, plant and equipment - Note 1.15 and Note 15

Provisions - Note 18
Contingent liabilities - Note 23.

1.08 Revenue

Rates are recognised as revenue at the commencement of the rating period, Grants and other revenue are recognised on receipt of funds or earlier upon unconditional entitlement to the funds.

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

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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. In the financial year ended 30 June 2012, and previous years, an equivalent amount was transferred from retained earnings to the relevant reserve until the funds were expended. Unspent non-reciprocal capital grants were placed in the Unspent capital grants reserve. During the course of the 2013 financial year council resolved to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

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.

Contributions for maintenance of gates and grids

Council policy requires landowners to meet all costs of maintenance and replacement of gates and grids. Where maintenance is performed by a landowner directly, no recognition is made of either revenue or cost. When council performs such work and recovers from landowners, these revenues are brought to account as private works revenue in the year they are conducted.

Sales revenue

Sale of goods and services 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.

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 infringement notice or when the service is provided.

Other Revenue

Other revenues receivable by Council are recognised on an accrual basis.

Interest received

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

1.09 Financial assets and financial liabilities

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

The McKinlay Shire 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 (Note 1.11)

Financial liabilities

Payables - measured at amortised cost (Note 1.17)
Borrowings - measured at amortised cost (Note 1.19)

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 29.

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

Because Council 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.

1.12 Inventories

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

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

1.13 Land held for resale

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.

1.14 Investments

Term deposits in excess of six months are reported as investments, with deposits of less than six months being reported as cash equivalents. At 30 June 2014 Council did not have any term deposits in excess of six months.

1.15 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 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised. All land assets are capitalised irrespective of total value.

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.

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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.

For each class of depreciable asset the following range of useful lives has been adopted.

Asset	Range of estimated useful lives
Land	not depreciated
Buildings	40 - 100
Other Structures	20 - 50
Plant and Equipment	
Fleet vehicles	2 - 10
Fleet machinery	5 -15
Other plant and equipment	5 -20
Office furniture & fittings	
Computer equipment	3 - 5
Other	5 - 20
Roads and street infrastructure	
Roads (sealed)	7 - 100
Roads (gravel)	40 - 100
Roads (formed only)	80 - 100
Bridges	60 - 80
Drainage	75
Water infrastructure	30 - 80
Sewerage infrastructure	25 - 75

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.

Capital and operating expenditure

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

Valuation

Land, buildings and other structures 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 - 5 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 management assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land, buildings and other structures asset classes in the intervening years, management may engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information 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.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation valuers performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 28.

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.

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.

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 McKinlay Shire Council currently does not have any such land holdings.

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

1.16 Impairment of non-current assets

All non-current physical assets are 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 in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.17 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.

1.18 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.

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 reported in Note 16 as a payable.

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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 projected 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 16 as a payable.

Superannuation
The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 24.

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 18 as a provision.

1.19 Borrowings and borrowing costs

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

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

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

1.20 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.

1.21 Retained surplus

In reference to the comparative figures for the year ended 30 June 2013, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.22 Reserves

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves. During the course of the 2013 financial year council resolved to close all existing reserves and account for these restrictions using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

The former reserves operated as follows:

Future capital works reserve
This reserve represented amounts set aside for future capital asset needs of Council. The amounts formally reported in this reserve at balance date are now disclosed as internal restrictions on cash in note 11.

Asset replacement reserve
Council maintained funds for ongoing plant and other asset replacements. These amounts are now disclosed in note 11.

1.23 National competition policy

The Council has reviewed its activities to identify its business activities and resolved not to apply the Code of Competitive Conduct to general business activities or building certification activities performed by Council as defined by LGA s761, hence the code of competitive conduct is not applicable to these activities. See Note 30.

1.24 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.

1.25 Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include funds for prepaid funerals, security deposits lodged and key holding deposits paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 25.

1.26 Carbon Pricing

The *Clean Energy Legislation (Carbon Tax Repeal) Act 2014* abolished the carbon pricing mechanism established by the *Clean Energy Act 2011.*

Council operates a number of small landfill facilities that have annual emission of carbon dioxide equivalent that are well below the individual site threshold of 25,000 tonnes and as such Council has not incurred a Carbon Pricing obligation as at 30 June 2014

1.27 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.

2. Analysis of Results by Function

2(a) Components of council functions

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

Finance and administration
Includes financial management, human resources, customer services, council elections, public relations, organisational development, councillor remuneration and expenses.

Utilities
Includes construction and maintenance of water and sewerage infrastructure.

Engineering services
Includes construction and maintenance of roads, stormwater drainage and plant and depot operations and maintenance.

Community services and economic development
Includes economic development, tourism, aged care and disabled services, cultural services, maintenance of parks, gardens, public amenities, recreational reserves, sporting facilities, caravan park, swimming pool and other community services.

Environmental health and community laws
Includes environment issues, workplace health and safety, animal control, pest management, stock routes, refuse collection and disposal, town planning and local laws administration.

McKinlay Shire Council
Notes to the financial statements
For the year ended 30 June 2014

2 **Analysis of results by function**

(b) **Income and expenses defined between recurring and capital are attributed to the following functions:**

Year ended 30 June 2014

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014	2014
	$	$	$	$	$	$	$	$	$	$	$
Finance and administration	2,664,731	2,198,806	-	1,605	4,865,142	(1,957,258)	-	(1,957,258)	2,906,279	2,907,884	13,498,094
Utilities	440,312	5,344	432,141	-	877,797	(509,918)	-	(509,918)	(64,262)	367,879	7,395,352
Engineering Services	-	11,318,782	4,342,390	-	15,661,172	(12,734,520)	(3,433,333)	(16,167,853)	(1,415,738)	(506,681)	138,612,930
Community services & economic development	-	665,978	227,343	-	893,321	(2,556,864)	-	(2,556,864)	(1,890,886)	(1,663,543)	5,088,081
Environmental health & community laws	127,526	194,734	-	-	322,260	(1,499,937)	-	(1,499,937)	(1,177,677)	(1,177,677)	-
Total Council	3,232,569	14,383,644	5,001,874	1,605	22,619,692	(19,258,497)	(3,433,333)	(22,691,830)	(1,642,284)	(72,138)	164,594,457

Year ended 30 June 2013

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013	2013
	$	$	$	$	$	$	$	$	$	$	$
Finance and administration	4,491,588	2,025,739	-	-	6,517,327	(1,961,801)	(186,202)	(2,148,003)	4,555,526	4,369,324	15,113,348
Utilities	425,400	2,006	30,000	-	457,406	(570,513)	-	(570,513)	(143,107)	(113,107)	7,101,279
Engineering Services	-	4,752,977	4,032,129	-	8,785,106	(6,597,103)	-	(6,597,103)	(1,844,126)	2,188,003	139,222,278
Community services & economic development	-	500,123	505,586	-	1,005,709	(2,833,124)	-	(2,833,124)	(2,333,001)	(1,827,415)	565,495
Environmental health & community laws	87,984	227,280	-	-	315,264	(1,540,732)	-	(1,540,732)	(1,225,468)	(1,225,468)	211
Total Council	5,004,972	7,508,125	4,567,715	-	17,080,812	(13,503,271)	(186,202)	(13,689,473)	(990,174)	3,391,339	162,002,610

	Note	Council 2014 $	2013 $
3 Revenue analysis			
(a) Rates, levies and charges			
General rates		2,270,281	2,216,041
Water		293,787	284,054
Sewerage		188,554	181,294
Garbage charges		103,297	96,675
Total rates, levies and charges		2,855,919	2,778,064
Less: Discounts		(239,234)	(255,004)
Less: Pensioner remissions		(22,179)	(21,485)
Net rates, levies and charges		2,594,506	2,501,575
(b) Fees and charges			
Caravan Park Fees		191,118	121,435
Aged care fees		60,000	60,450
Livestock saleyard fees		48,712	86,832
Animal registration & controls		5,899	4,534
Stock route fees		127,525	123,329
Other fees and charges		59,737	42,007
		492,991	438,587
(c) Interest received			
Interest received from term deposits		339,870	529,922
Interest from overdue rates and utility charges		32,344	3,552
		372,214	533,474
(d) Sales revenue			
Flood damage recoverable works		267,266	978,766
RMPC & APPC revenue		8,663,644	2,077,724
Other recoverable work		1,801,880	693,163
		10,732,790	3,749,653
Total sales revenue		10,732,790	3,749,653

The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

	Note	2014 $	2013 $
(e) Other revenue			
Insurance claim		46,787	178,407
Other income		144,357	106,429
		191,144	284,836
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
State government subsidies and grants		3,167,625	4,981,745
Commonwealth government subsidies and grants		64,944	23,227
		3,232,569	5,004,972
(b) Capital			
State government subsidies and grants		4,427,289	4,005,742
Commonwealth government subsidies and grants		574,585	561,973
		5,001,874	4,567,715

	Note	Council 2014 $	Council 2013 $

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

		2014	2013
Non-reciprocal grants for expenditure on infrastructure		615,059	-
		615,059	-

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

		2014	2013
Non-reciprocal grants for expenditure on infrastructure		-	-
		-	-

5 Capital income

		2014	2013
Gain on the disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		3,604	-
Less: Book value of property, plant and equipment disposed of		(2,000)	-
		1,604	-
Total capital income		1,604	-

6 Employee benefits

	Note	2014	2013
Total staff wages and salaries		3,375,487	3,422,389
Councillors' remuneration		172,909	177,354
Annual, sick and long service leave entitlements		569,920	610,158
Superannuation	24	363,370	403,436
		4,481,686	4,613,337
Other employee related expenses		32,053	(6,926)
		4,513,739	4,606,411
Less: Capitalised employee expenses		(352,821)	(508,387)
		4,160,918	4,098,024

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

Total Council employees at the reporting date:	2014	2013
Elected members	5	5
Administration staff	12	12
Depot and outdoors staff	46	48
Total full time equivalent employees	63	65

7 Materials and services

	2014	2013
Administration costs	560,807	491,993
Airport operating costs	66,549	58,139
Audit Services	47,000	30,000
Caravan park costs	169,376	141,324
Community service expenses	350,286	355,510
Council housing expenses	164,959	185,154
Flood damage expenses	66,975	111,006
Parks & gardens expenses	332,646	338,412
Plant operating costs	1,197,107	1,284,729
Pool expenses	241,008	211,451
Road & Street maintenance	909,694	330,203
Recoverable works	5,846,824	391,648
Sports & rec facilities	226,260	252,581
Stock route & livestock expenses	265,365	258,809
Tourism expenses	126,773	94,283
Water & Sewerage costs	222,940	269,479
Weed control expenses	36,101	161,339
Other materials and services	20,178	163,064
	10,850,848	5,129,124

	Note	Council 2014 $	Council 2013 $
8 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		59,121	109,195
Bank charges		4,529	5,318
Impairment of debts		-	2,040
		63,650	116,553
9 Depreciation			
Depreciation of non-current assets			
Buildings		246,087	179,565
Office furniture & fittings		28,605	52,512
Plant & equipment		681,258	603,468
Road & streets infrastructure		2,771,481	2,906,174
Water infrastructure		139,671	139,287
Sewerage infrastructure		110,892	88,858
Other structures		205,088	189,707
		4,183,081	4,159,570
Total depreciation		4,183,081	4,159,570
10 Capital expenses			
Loss on the disposal of non current assets			
Proceeds from sale of property plant & equipment		-	598,501
Less: Book value of property plant & equipment disposed of		-	(784,703)
		-	(186,202)
Total capital expenses		-	(186,202)
11 Cash and cash equivalents			
Cash at bank and on hand		328,638	14,846
Deposits at call		10,992,502	12,625,128
Balance per Statement of Cash Flows		11,321,140	12,639,974

Cash and deposits at call are held with Suncorp Bank in normal term deposits and business cheque accounts. The Suncorp Bank currently has a short term S&P credit rating of A-1 and a long term credit rating of A+.

Deposits are also held with the Queensland Treasury Corporation in a capital guarenteed cash fund. The Queensland Treasury Corporation has a AA credit rating.

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:

	2014	2013
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	615,059	40,000
*Internally imposed expenditure restrictions at the reporting date:		
Future capital works	2,101,000	2,515,000
Asset replacement reserve	30,000	200,000
Total unspent restricted cash	2,746,059	2,755,000

* These restrictions were previously allocated as reserves

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	Note	Council 2014 $	Council 2013 $
12 Trade and other receivables			
Current			
Rateable revenue and utility charges		140,371	27,368
Other debtors		822,041	1,203,830
Less impairment		(6,000)	(6,000)
Prepayments		99,507	100,049
		1,055,919	1,325,247

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.

Movement in accumulated impairment losses (other debtors) is as follows:

		2014	2013
Opening balance at 1 July		6,000	6,000
Impairment Debts written off during the year		-	-
Additional impairments recognised		-	-
Impairments reversed		-	-
Closing Balance at 30 June		6,000	6,000

	Note	2014	2013
13 Inventories			
Inventories for consumption			
Stores & raw materials		155,742	124,564
		155,742	124,564
Land purchased for development and sale	14	1,259,711	1,259,711
Total inventories		1,415,453	1,384,275
14 Land purchased for development and sale			
Opening Balance		1,259,711	1,402,170
Development costs		-	5,560
Less: Cost of development land sold		-	(148,019)
		1,259,711	1,259,711
Classified as			
Current	13	1,259,711	1,259,711
		1,259,711	1,259,711

Land held for development and sale is held at the lower of cost or net realisable value.

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30-Jun-14	Note	Land	Buildings	Office Furniture & Fittings	Plant and equipment	Road & Street Infrastructure	Water Infrastructure	Sewerage Infrastrucutre	Other Structures	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2013		1,030,000	23,830,010	473,814	6,957,915	151,447,101	7,077,732	7,156,022	11,824,713	616,134	210,413,441
Additions		-	-	-	362,325	-	-	-	-	8,375,961	8,738,286
Disposals	5	(2,000)	-	-	-	(136,816)	(2,500)	-	-	-	(141,316)
Write off of flood damaged roads on statement of comprehensive income		-	-	-	-	(4,911,576)	-	-	-	-	(4,911,576)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	19	-	361,588	-	-	3,628,498	147,144	151,461	182,014	-	4,470,705
Transfers between classes		-	116,199	-	8,776	372,904	65,191	198,976	229,211	(991,257)	-
Closing gross value as at 30 June 2014		1,028,000	24,307,797	473,814	7,329,016	150,400,111	7,287,567	7,506,459	12,235,938	8,000,838	218,569,540
Accumulated depreciation and impairment											
Opening balance as at 1 July 2013		-	5,515,602	367,420	2,361,020	45,745,637	3,522,508	3,648,663	2,599,478	-	63,760,327
Depreciation provided in period	9	-	246,087	28,605	681,258	2,771,481	139,671	110,892	205,088	-	4,183,081
Depreciation on disposals	5	-	-	-	-	(136,816)	(2,500)	-	-	-	(139,316)
Write off of flood damaged roads on statement of comprehensive income		-	-	-	-	(1,478,244)	-	-	-	-	(1,478,244)
Revaluation adjustment to asset revaluation surplus	19	-	87,002	-	-	1,159,559	75,441	77,395	42,349	-	1,441,746
Transfers between classes		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2014		-	5,848,691	396,025	3,042,278	48,061,617	3,735,120	3,836,950	2,846,915	-	67,767,595
Total written down value as at 30 June 2014		1,028,000	18,459,106	77,789	4,286,738	102,338,494	3,552,447	3,669,509	9,389,023	8,000,838	150,801,945
Residual value		1,028,000	8,630,683	-	2,160,563	43,047,152	1,387,745	1,032,812	3,110,151	-	
Range of estimated useful life in years		Land: Not depreciated.	40 - 100	3 - 20	2 - 20	7 - 100	30 - 80	25 - 75	20 - 50	-	

Additions comprise:

	Land	Buildings	Office Furniture & Fittings	Plant and equipment	Road & Street Infrastructure	Water Infrastructure	Sewerage Infrastrucutre	Other Structures	Work in progress	Total
	$	$	$	$	$	$	$	$	$	$
Renewals			-	-					3,125,956	3,125,956
Other additions		-	-	362,325				-	5,250,005	5,612,330
Total additions	-	-	-	362,325	-	-	-	-	8,375,961	8,738,286

McKinlay Shire Council
Notes to the Financial Statements
For the year ended 30 June 2014

30-Jun-13	Note	Land	Buildings	Office Furniture & Fittings	Plant and equipment	Road & Street Infrastructure	Water Infrastructure	Sewerage Infrastrucutre	Other Structures	Work in progress	Total
Basis of measurement		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Asset values		$	$	$	$	$	$	$	$		$
Opening gross value as at 1 July 2012		1,011,902	21,603,172	442,818	7,240,169	144,559,083	6,971,335	6,019,358	10,846,447	1,947,738	**200,642,022**
Additions at cost		-	-	30,996	1,363,299	-	-	-	-	10,010,629	**11,404,924**
Disposals	5	(10,000)	(217,260)	-	(1,406,245)	-	-	-	-	-	**(1,633,505)**
Transfers between classes		28,098	2,444,098	-	(239,308)	6,888,018	106,397	1,136,664	978,266	(11,342,233)	-
Closing gross value as at 30 June 2013		1,030,000	23,830,010	473,814	6,957,915	151,447,101	7,077,732	7,156,022	11,824,713	616,134	**210,413,441**
Accumulated depreciation and impairment											
Opening balance as at 1 July 2012		-	6,039,883	314,908	2,739,172	42,348,373	3,466,313	3,629,805	1,911,105	-	**60,449,559**
Depreciation provided in period	9	-	179,565	52,512	603,468	2,906,174	139,287	88,858	189,707	-	**4,159,570**
Depreciation on disposals	5	-	(106,491)	-	(742,311)	-	-	-	-	-	**(848,802)**
Transfers between classes		-	(597,355)	-	(239,309)	491,090	(83,092)	(70,000)	498,666	-	-
Accumulated depreciation as at 30 June 2013		-	5,515,602	367,420	2,361,020	45,745,637	3,522,508	3,648,663	2,599,478	-	**63,760,327**
Total written down value as at 30 June 2013		1,030,000	18,314,408	106,394	4,596,895	105,701,464	3,555,224	3,507,359	9,225,235	616,134	**146,653,114**
Residual value		1,030,000	8,630,683	-	2,331,053	43,047,152	1,387,745	1,032,812	3,110,151	-	
Range of estimated useful life in years		Land: Not depreciated.	40 - 100	3 - 20	2 - 20	7 - 100	30 - 80	25 - 75	20 - 50	-	

16 Trade and other payables

	Note	Council 2014 $	Council 2013 $
Current			
Creditors and accruals		1,437,137	1,278,861
Annual leave		282,017	246,765
Other entitlements		18,386	17,352
		1,737,540	1,542,979
Non-current			
Annual leave		86,796	61,646
		86,796	61,646

17 Borrowings

		2014	2013
Current			
Loans - Queensland Treasury Corporation		180,895	564,510
		180,895	564,510
Non-current			
Loans - Queensland Treasury Corporation		368,296	549,130
		368,296	549,130
Loans - Queensland Treasury Corporation			
Opening balance at beginning of financial year		1,113,640	1,833,925
Loans raised		-	-
Principal repayments		(564,449)	(720,285)
Book value at end of financial year		549,191	1,113,640

The loan market value at 30 June 2014 is $575,029. This represent the value of the debt if the 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 to the accounts. The interest rates on Queensland Treasury Corporation borrowings range from 5.76% to 7.04%. Based on the current level of repayments the final repayment dates vary from August 2014 to June 2017. Borrowings are all in Australian dollars and guarenteed by the Queensland State Government.

18 Provisions

		2014	2013
Current			
Long service leave		67,014	71,061
		67,014	71,061
Non-current			
Long service leave		268,056	284,245
		268,056	284,245

Details of movements in provisions:

		2014	2013
Long service leave			
Balance at beginning of financial year		355,306	426,130
Long service leave entitlement arising		40,638	64,179
Long Service entitlement extinguished		-	-
Long Service entitlement paid		(60,874)	(135,003)
Balance at end of financial year		335,070	355,306

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	Note	Council 2014 $	Council 2013 $
19 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		35,310,793	35,310,793
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		-	-
Buildings		274,586	-
Road & streets infrastructure		2,468,939	-
Water infrastructure		71,703	-
Sewerage infrastructure		74,066	-
Other structures		139,665	-
Balance at end of financial year		38,339,752	35,310,793

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

	2014 $	2013 $
Land	574,294	574,294
Buildings	7,906,072	7,631,486
Road & streets infrastructure	24,258,730	21,789,791
Water infrastructure	2,554,381	2,482,678
Sewerage infrastructure	1,648,318	1,574,252
Other structures	1,397,957	1,258,292
	38,339,752	35,310,793

	Note	2014 $	2013 $
20 Retained surplus			
Movements in the retained surplus were as follows:			
Retained surplus at beginning of financial year		123,618,246	117,511,908
Net result attributable to Council		(72,138)	3,391,339
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended or closed:	21		
Future capital works reserve		-	2,515,000
Asset replacement reserve		-	200,000
Retained surplus at end of financial year		123,546,108	123,618,246

21 Reserves

Council's cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. In prior years council accounted for these restrictions using a system of reserves.

During the course of the 2013 financial year, council resolved to close all existing reserves and account for these restrictions using an internal management accounting system.

The internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in Note 11.

	2014 $	2013 $
Reserves held for funding future capital expenditure		
Future capital works reserve	-	-
Asset replacement reserve	-	-
Constrained works reserve	-	-
	-	-
Reserves held for funding future recurrent expenditure		
Future recurrent expenditure reserve	-	-
	-	-
Total reserves	-	-

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Movements in capital reserves:

Future capital works reserve		
Balance at beginning of financial year	-	2,515,000
Transfer from retained surplus for future expenditure	-	-
Transfer to the retained surplus/capital due to the closure of	-	(2,515,000)
Balance at end of financial year	-	-
Asset replacement reserve		
Balance at beginning of financial year	-	200,000
Transfer from retained surplus for future expenditure	-	-
Transfer to the retained surplus/capital due to the closure of	-	(200,000)
Balance at end of financial year	-	-

22 Commitments for expenditure

The Mckinlay Shire Council does not have any current contractual commitments.

23 Contingent liabilities

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

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 2014 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's 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 $88,432.

24 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,

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.

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 experience."

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 71 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 councils. McKinlay Shire Council made less than 4% of the total contributions to the plan in the 2013-14

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

	Note	Council 2014 $	Council 2013 $
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	363,370	403,436

25 Trust funds

	2014 $	2013 $
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	65,390	2,828
Security deposits	5,432	1,650
	70,822	4,478

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

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

	2014 $	2013 $
Net result	(72,138)	3,391,339
Non-cash items:		
Depreciation and amortisation	4,183,081	4,159,570
Write-off of flood damaged roads	3,433,333	-
Revaluation adjustments	-	-
	7,616,414	4,159,570
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	(1,604)	186,202
Capital grants and contributions	(5,001,874)	(4,567,717)
	(5,003,478)	(4,381,515)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	269,328	1,502,013
(Increase)/decrease in inventory	(31,178)	159,476
Increase/(decrease) in payables	219,711	(368,950)
Increase/(decrease) in other provisions	(20,236)	(70,824)
	437,625	1,221,715
Net cash inflow from operating activities	2,978,423	4,391,109

27 Events after the reporting period

There were no material adjusting events after the balance date.

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28 Fair Value Measurements

(i) Recognised fair value measurements

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

Property, plant and equipment

- Land
- Buildings
- Road & streets infrastructure
- Water Infrastructure
- Sewerage Infrastructure
- Other structures

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 17 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).

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 non residential Council buildings, road and street infrastructure and water and sewerage infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the 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*

At 30 June 2014	Note	Level 2	Level 3	Total
		(Significant other observable inputs)	(Significant unobservable inputs)	
		$	$	$
Recurring fair value				
Land	15	1,028,000	-	1,028,000
Buildings	15			
- Commercial Buildings			16,623,338	16,623,338
- Residential Buildings		1,835,768	-	1,835,768
Road & streets infrastructure	15	-	102,338,494	102,338,494
Water infrastructure	15	-	3,552,447	3,552,447
Sewerage infrastructure	15	-	3,669,509	3,669,509
Other structures	15	-	9,389,023	9,389,023
		2,863,768	135,572,811	138,436,579

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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:

Land (level 2)

Land fair values were determined by independent valuer, Australian Pacific Valuers (APV) as at 1 July 2012. Level 2 valuation inputs were used to value land in freehold title 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.

Council undertook a residential and industrial subdivision in a previous period. Council undertook this as a developer and as such the land has been classified as inventory. As an inventory asset, the carrying value has been determined as the lower of cost or realisable value. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph.

Buildings & Other structures (level 2 and 3)

The last comprehensive valuation of buildings and other structures was undertaken by Australian Pacific Valuers (APV) as at 1 July 2012. These valuations have again been internally assessed by management as at 30 June 2014 who are of the opinion that there has been no material change in the value of these assets. Notwithstanding this, management determined it appropriate to apply an index adjustment in line with the Australian Bureau of Statistics, Queensland Building Construction Index. Management believes this to be the most appropriate readily available index.

Current replacement cost

Reference asset replacement costs for buildings and other structures were compiled for asset valuations by reference to actual costs incurred for some of the subject assets, for similar asset improvements constructed within the North West Queensland region and also supported by reference to available data prepared and provided by construction cost consultants and quantity surveyors. Costs are adjusted to account for regional location of the subject properties being away from the major supply centres or due to being in a different location to some of the other assets recently constructed. Differences associated with time factors (date of construction of similar improvements and date of compilation of cost data in comparison to valuation date) have also been accounted for.

Cost data

Reference asset replacement cost for the structural complexes have been compiled primarily by reference to actual costs for similar improvements constructed in the North West Queensland region and also supported by reference to construction cost consultants and quantity surveyors compiled data and available documentation. Costs are indexed to account for the location of the subject properties as opposed to costing applicable to other locations.

Accumulated Depreciation

The depreciation rates applied for the valuation process are generally based on a gradual deterioration in the assets over time, but also account for abnormal adverse depreciation with accelerated depreciation in rates being applied if considered appropriate. Where there has been refurbishment works completed, the depreciation rate has been adjusted to account for the improved condition to the asset.

When considering the estimate remaining life of each of the assets, consideration has been given to the construction, present age, condition, serviceability, climate conditions and present and potential utilisation. Investigations have been made into the lifespan of the assets to better understand the factors influencing sustainable physical, functional and economic asset life expectancy. This has been combined with general information collated by the valuer over an extended period working in the region.

Life expectancy

The valuation as assessed is based on the asset life expectancy. The remaining life of an asset has been determined by inspection and reference to its general physical condition, design and economic and functional utility. Obsolescence as well as physical depreciation has been considered.

There is no market for Council's building and other structure assets as these are held to provide essential services to the community. As the Council buildings and other structure assets are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived by reference to market data for recent projects and costings guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). As the subject structures are located in a regional area, far removed from a coastal centre, adjustments were required to the applicable absolute costings, to account for additional costs incurred in transporting materials and labour onsite. Where a depth of market can be identified, the net value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component.

Where a depth of market can be identified, the net value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation calculated to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Condition rating	100%-0%	The higher the condition rating, the lower the fair value.
Remaining useful life	10 - 60 years	The longer the remaining useful life, the higher the fair value
Residual value	$0 - $50,000	The higher the residual value the higher the fair value.

Infrastructure assets (level 3)

The last comprehensive valuation of Council infrastructure classes was undertaken by Australian Pacific Valuers (APV) as at 1 July 2012. These valuations have again been internally assessed by management as at 30 June 2014 who are of the opinion that there has been no material change in the value of these assets. Notwithstanding this, management determined it appropriate to apply an index adjustment in line with the Australian Bureau of Statistics, Queensland non Building Construction Indices. Management believes these to be the most appropriate readily available indices applicable to Council.

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

There is no market for Council's roads & streets, water and sewerage infrastructure assets, as these are held to provide essential services to the community. For the purpose of assessing fair value for financial reporting purposes, value has been determined primarily by using the depreciated current replacement cost methodology. Considerations in the calculations have been the type and size of the individual infrastructure asset, construction materials used, level of finish, fixtures installed within, and the location of the assets. As the subject structures are located in a regional area, far removed from a coastal centre, adjustments were required to the applicable absolute costings, to account for additional costs incurred in transporting materials and specialist labour onsite.

In relation to the assessment of the estimation of the remaining useful life of each structure it is considered that the calculations should be done on the basis of the overall structure, with individual elemental depreciation figures being acceptable and included where considered appropriate. This is due to the nature of the structures, whereby it is considered that the different identifiable construction elements making up the total structure would not depreciate at the same rate per annum or have the same overall total life expectancy.

When considering the estimated remaining life of each of the assets, consideration has been given to the construction, present age, condition, serviceability, climate conditions, and present and potential utilisation. Investigations have been made into the lifespan of the infrastructure assets to better understand the factors influencing sustainable physical, functional and economic asset life-expectancy. This has been combined with general information collated by APV over an extended period working in North West Queensland.

To accurately assess the value of the infrastructure assets, the valuer carried out an inspection of the assets (where practical), calculated the size of each asset, and recorded structural details. The general condition, total life expectancy and actual residual life expectancy for the infrastructure assets have also been established as a result of the inspections carried out.

Reference asset replacement costs for the road & street, water and sewerage infrastructure assets have been compiled by reference to actual costs incurred for some of the subject assets, for similar asset improvements constructed within the North West Queensland region, and also supported by reference to available data prepared and provided by construction cost consultants and quantity surveyors. Base costs have also been adjusted to account for the location of the subject assets, and their distance from a coastal centre.

Indexation considerations

The asset revaluation index for engineering construction, building cost construction indices and other relevant cost data indicates that prices for civil engineering work has increased but that this increase has not significant and is not considered material to the relevant asset classes. Notwithstanding this, management has considered it appropriate to apply an index adjustment to the carrying values of these asset classes in line with the relevant indices as published by the Australian Bureau of Statistics. Management has considered the suitability of these Queensland indices to North West Queensland and believe anecdotal evidence is supportive of their appropriateness and localised applicability.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The DRC was determined using methods relevant to the asset class as described under individual asset categories below.

Road and street infrastructure

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and the further sub-categorises these into sealed and unsealed roads. All road segments are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. It is assumed that all raw materials can be sourced locally. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years. Reference was also made to recent costs for construction works with the region.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives and based on that applicable and observable in North West Queensland.

Sensitivity of valuation to unobservable inputs

As detailed above Council road & street infrastructure has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon past experience, different judgements could result in a different valuation. The table below summarises that changes in the most significant unobservable inputs would have on the valuation.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of Labour hours	5-100hrs/linear metre or sqm	The higher the labour hours, the higher the fair value
Standard material usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value
Condition rating	1 - 10 (with 1 being the highest and 10 the lowest)	The higher the condition rating, the lower the fair value.
Remaining useful life	7-100 years	The longer the remaining useful life, the higher the fair value.
Residual value	$0 - $300,000 (by component)	The higher the residual value the higher the fair value.

Water and Sewerage Infrastructure

Current replacement cost

Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Consistent with roads, it is assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where assets are located underground and physical inspection is not possible, the age, size and type of construction material together with the current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

APV's cost models were derived from the following sources:
• APV database
• Schedule rates for construction of asset or similar assets
• Cost curves derived by APV
• Building Price Index tables
• Recent contract and tender data
• Rawlinson's Rates for building and construction

Factors taken into account in determining replacement costs included:
• Development factors - the area in which development takes place (e.g. rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control).
• Soil factors - The types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

Condition rating	Internal management expanded condition rating	Condition description	Description explanation	Remaining useful life %
1	1 - 2	As new/ excellent	Asset "as new"	95% of useful life
2	3 - 4	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset.	75% of useful life
3	5 - 6	Fair	Asset is reliable and operates as intended, but its appearance and structural integrity are questionable.	50% of useful life
4	7 - 8	Poor	Asset still operates, but does not meet intended duty or does not appear sound.	25% of useful life
5	9 - 10	Unserviceable	Asset is not functioning/ needs immediate attention.	5% of useful life

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

2(b) Water and Sewerage Infrastructure – Sensitivity of valuation to unobservable inputs

The method used to value councils' water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Standard material usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value
Condition rating (useful life)	1 – 10 as specified above	The higher the condition rating, the lower the fair value.
Remaining useful life	4 - 80 years	The longer the remaining useful life, the higher the fair value.
Residual value	$0 - $100,000 (by component)	The higher the residual value the higher the fair value.

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

The changes in level 3 assets with recurring and non recurring fair value measurements are detailed in Note 15 (property, plant and equipment). There have been no transfers between level 1,2 or 3 measurements during the year.

(iv) Valuation processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer and Finance Officer. 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 is set out in note 1.15. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

29 Financial instruments

The McKinlay Shire Council has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

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

Financial risk management

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

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

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

The McKinlay Shire 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. In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of these debts. In other cases Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with the Suncorp Bank. The QTC cash fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. The Suncorp deposits, whilst not capital guaranteed, the liklihood of credit failure is remote.

By the nature of Councils operations, there is a geographical concentration of risk in the Council's area. Because the area is largely operated by pastoralists, there is also a concentration in the grazing sector.

No collateral is held as security relating to the financial assets held by McKinlay Shire 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	11	11,321,140	12,639,974
Receivables - rates	12	140,371	27,368
Receivables - other	12	816,041	1,197,830
Other credit exposures			
Guarantees	23	88,432	79,820
Total financial assets		12,365,984	13,944,992

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

30th June 2014	Fully Performing	<30 days	30 - 60 days	61 - 90 days	Total
Receivables	794,018	33,816	343	134,235	962,412
Less impairment	-	-	-	(6,000)	(6,000)
Net receivables	794,018	33,816	343	128,235	956,412

30th June 2013	Fully Performing	<30 days	30 - 60 days	61 - 90 days	Total
Receivables	796,718	229,705	169,731	35,043	1,231,197
Less impairment	-	-	-	(6,000)	(6,000)
Net receivables	796,718	229,705	169,731	29,043	1,225,197

Liquidity risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilites that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from Queensland Treasury Corporation for capital works.

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:

Council	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	$	$	$	$	$
2014					
Trade and other payables	1,737,540	86,796	-	1,824,336	1,737,540
Loans - QTC	207,973	392,729	-	600,702	576,269
	1,945,513	479,525	-	2,425,038	2,313,809
2013					
Trade and other payables	1,542,978	61,646	-	1,604,624	1,604,624
Loans - QTC	615,285	600,143	-	1,215,428	1,113,640
	2,158,263	661,789	-	2,820,052	2,718,264

The outflows in the above table are not expected to occur significantly earlier or 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

The McKinlay Shire Council is exposed to interest rate risk through investments and borrowings with QTC and investments held with financial institutions.

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

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
Council	$	$	$	$	$
2014					
Financial assets	11,321,140	113,211	(113,211)	113,211	(113,211)
Financial liabilities	549,191	5,492	(5,492)	5,492	(5,492)
Net total		118,703	(118,703)	118,703	(118,703)
2013					
Financial assets	12,639,974	126,400	(126,400)	126,400	(126,400)
Financial liabilities	1,113,640	11,136	(11,136)	11,136	(11,136)
Net total		137,536	(137,536)	137,536	(137,536)

30 National Competition Policy

Activities to which the code of competitive conduct applies:

A "business activity" of a local government is is divided into 2 categories:

(a) Roads building activity means:

(i) The construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation other than through a sole supplier arrangement; or

(ii) Submission of a competitive tender for the construction or maintenance on the local government's road which the local government has put out to tender, or called for by another local government.

(b) Other business activity (previously referred to as type 3 activities) means the following:

(i) trading in goods and services to clients in competition with the private sector ; or

(ii) the submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to itself. Excluded activities are (a) library services and (b) an activity or part thereof prescribed by legislation.

There are no activities to which the Code of Competitive Conduct (CCC) applies in respect of the financial year ended 30 June 2014.

McKinlay Shire Council
Financial statements
For the year ended 30 June 2014

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 33, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Mayor	**Chief Executive Officer**
CR Belinda Murphy	**Aaron Childs**
Date: 20 / 10 / 14	Date: 20 / 10 / 14

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INDEPENDENT AUDITOR'S REPORT

To the Mayor of McKinlay Shire Council

Report on the Financial Report

I have audited the accompanying financial report of McKinlay Shire 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 the Chief Executive Officer.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

(a) I have received all the information and explanations which I have required; and

(b) in my opinion -

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of McKinlay Shire 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. Stolz

QUEENSLAND
30 OCT 2014
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

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

Measures of Financial Sustainability	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2014 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-9.3%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	74.7%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-62.9%	not greater than 60%

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	**Chief Executive Officer**
Cr Belinda Murphy	**Aaron Childs**
Date 20 / 10 / 14	Date 20 / 10 / 14

QAO certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of McKinlay Shire 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 McKinlay Shire 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 McKinlay Shire 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. Stolz

QUEENSLAND
30 OCT 2014
AUDIT OFFICE

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

Queensland Audit Office
Brisbane

McKinlay Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2014

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
				Projected for the years ended								
Council												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-9.3%	-0.8%	6.5%	6.4%	6.8%	7.8%	8.0%	8.3%	8.7%	9.0%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	74.7%	156.8%	90.4%	91.7%	89.8%	105.9%	100.6%	97.6%	100.0%	102.5%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-62.9%	-17.0%	-20.0%	-24.0%	-27.0%	-27.0%	-29.0%	-31.0%	-32.0%	-34.0%

McKinlay Shire Council's Financial Management

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
Cr Belinda Murphy
Date: 20/10/14

Chief Executive Officer
Aaron Childs
Date: 20/10/14