

TOWNSVILLE CITY COUNCIL

ABN: 44 741 992 072

Financial Report For The Year Ended 30 June 2014

General Purpose Financial Statement For The Year Ended 30 June 2014

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Financial Sustainability Statement For The Year Ended 30 June 2014

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TOWNSVILLE CITY COUNCIL MANAGEMENT CERTIFICATION

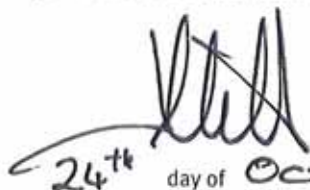
These general purpose financial statements have been prepared pursuant to Section 176 and 177 of the *Local Government Regulation 2012* (the Regulation) and other prescribed requirements.

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 3 to 53, present a true and fair view, in accordance with *Australian Accounting Standards*, of Council's transactions for the financial year and financial position at the end of the year.

Mayor

Dated this


24th day of OCTOBER 2014

Chief Executive Officer

Dated this


24th day of October 2014

TOWNSVILLE CITY COUNCIL
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$000	2013 \$000
Income			
Revenue			
Recurrent Revenue			
Rates, levies and charges	2(a)	315,370	294,693
Fees and charges	2(b)	24,444	23,412
Interest received	2(c)	5,468	4,741
Other income	2(d)	13,068	14,762
Grants, subsidies, contributions and donations	2(e)	23,610	35,614
		<u>381,960</u>	<u>373,222</u>
Capital Revenue			
Grants, subsidies, contributions and donations	2(f)	54,479	83,316
Total revenue		<u>436,439</u>	<u>456,538</u>
Capital Income			
Contribution of assets	2(g)	46,691	51,646
		<u>46,691</u>	<u>51,646</u>
Total income		<u>483,130</u>	<u>508,184</u>
Expenses			
Recurrent Expenses			
Employee benefits		(132,344)	(120,290)
Materials and services		(112,501)	(119,338)
Depreciation and amortisation	3(a)	(102,142)	(101,389)
Finance costs	3(b)	(23,198)	(24,880)
Other expenses	3(c)	(3,979)	(2,514)
Share of net loss of joint venture	11(a)	(1,721)	(3,286)
		<u>(375,885)</u>	<u>(371,697)</u>
Capital Expenses	3(d)	(78,270)	(39,166)
Total expenses		<u>(454,155)</u>	<u>(410,864)</u>
Net result		<u>28,975</u>	<u>97,320</u>
Other comprehensive income:			
Items that will not be reclassified to net result			
Net gain/(loss) on revaluation of property, plant and equipment		(295,403)	33,989
Total other comprehensive income for the year		<u>(295,403)</u>	<u>33,989</u>
Total comprehensive income for the year		<u>(266,428)</u>	<u>131,309</u>

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

TOWNSVILLE CITY COUNCIL
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014 \$000	2013 \$000
CURRENT ASSETS			
Cash and cash equivalents	5	96,785	77,810
Investments	6	10,000	-
Trade and other receivables	7	35,395	43,172
Inventories	8	1,261	1,605
Other assets	14	2,155	3,327
Assets classified as held for sale	9	-	718
TOTAL CURRENT ASSETS		145,596	126,632
NON-CURRENT ASSETS			
Trade and other receivables	7	10,005	6,138
Investments accounted for using the equity method	10	23,905	25,625
Property, plant and equipment	12	4,324,190	4,620,311
Intangible assets	13	12,409	12,256
Other assets	14	4,988	105
Assets classified as held for sale	9	-	4,995
TOTAL NON-CURRENT ASSETS		4,375,497	4,669,430
TOTAL ASSETS		4,521,093	4,796,062
CURRENT LIABILITIES			
Trade and other payables	15	55,321	50,651
Borrowings	17	19,600	19,983
Provisions	18	9,136	20,360
Other current liabilities	16	2,953	995
TOTAL CURRENT LIABILITIES		87,010	91,989
NON-CURRENT LIABILITIES			
Trade and other payables	15	1,973	-
Borrowings	17	314,233	333,842
Provisions	18	42,430	28,357
TOTAL NON-CURRENT LIABILITIES		358,636	362,199
TOTAL LIABILITIES		445,646	454,188
NET COMMUNITY ASSETS		4,075,447	4,341,874
EQUITY			
Asset Revaluation Surplus	19	688,442	983,845
Retained surplus		3,387,005	3,358,029
TOTAL COMMUNITY EQUITY		4,075,447	4,341,874

*See Note 27 for details regarding the retrospective restatement of comparative figures.

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

TOWNSVILLE CITY COUNCIL
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Note	Retained Surplus	Asset Revaluation Surplus	General Reserves	Total
		\$000	\$000	\$000	\$000
Balance as at 01 July 2013		3,358,029	983,845	-	4,341,874
Net result for the year		28,975	-	-	28,975
Increase/(decrease) in asset revaluation surplus		-	(295,403)	-	(295,403)
Total comprehensive income for the year		3,387,005	688,442	-	4,075,447
Transfers to and from reserves		-	-	-	-
Balance as at 30 June 2014		3,387,005	688,442	-	4,075,447
Balance as at 01 July 2012		3,263,762	949,856	29,439	4,243,057
Effect of correction of error	27(b)	(32,492)	-	-	(32,492)
Restated balances		3,231,270	949,856	29,439	4,210,565
Net result for the year		97,320	-	-	97,320
Increase/(decrease) in asset revaluation surplus		-	33,989	-	33,989
Total comprehensive income for the year		97,320	33,989	-	131,309
Transfers to and from reserves		29,439	-	(29,439)	-
Balance as at 30 June 2013		3,358,029	983,845	-	4,341,874

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

TOWNSVILLE CITY COUNCIL
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$000	2013 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		400,919	402,712
Payments to suppliers and employees		(257,057)	(284,745)
Interest received		5,468	3,148
Finance costs		(22,388)	(23,656)
Net cash inflow (outflow) from operating activities	24	126,942	97,459
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		46,627	3,922
Net movement in loans and advances		(5,010)	11
Net movement in term deposit over 90 days		(10,000)	-
Proceeds from cash contributions for constructing assets		54,479	83,316
Payments of property, plant and equipment		(171,982)	(149,560)
Payments of intangible assets		(2,089)	(8,186)
Net cash inflow (outflow) from investing activities		(87,975)	(70,497)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	-
Repayment of borrowings		(19,992)	(18,813)
Net cash inflow (outflow) from financing activities		(19,992)	(18,813)
Net increase in cash and cash equivalent held		18,975	8,149
Cash and cash equivalents at the beginning of financial year		77,810	69,661
Cash and cash equivalents at end of financial year	5	96,785	77,810

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

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 1 Summary of Significant Accounting Policies

(a) Basis of Preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 and have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements issued by the Australian Accounting Standards Board and the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

(b) 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 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 in the following accounting treatments:

- the offsetting of revaluation and impairment gains and losses within a class of assets; and
- the timing of the recognition of non-reciprocal revenue.

The financial report has been prepared on an accruals basis and is based on historical costs, modified by the measurement at fair value of selected assets and liabilities, where applicable.

(c) Currency

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

(d) Constitution

Townsville City Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

(e) 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.

(f) 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.

Accounting Standard or Interpretation	Effective for annual report periods beginning on or after:
<i>AASB 9 Financial Instruments (December 2009)</i>	1 Jan 2017
<i>AASB 10 Consolidated Financial Statements</i>	1 Jan 2014
<i>AASB 11 Joint Arrangements</i>	1 Jan 2014
<i>AASB 12 Disclosure of interests in other entities</i>	1 Jan 2014
<i>AASB 127 Separate Financial Statements (replaces the existing standard together with AASB 10)</i>	1 Jan 2014
<i>AASB 128 Investments in Associates and Joint Ventures (replaces the existing standard)</i>	1 Jan 2014
<i>AASB 1055 Budgetary Reporting</i>	1 Jul 2014
<i>2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)</i>	1 Jan 2015
<i>AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	1 Jan 2015

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards	1 Jan 2014
AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132]	1 Jan 2014
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 Jul 2014
AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets	1 Jan 2014
AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting [AASB 139]	1 Jan 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 Jan 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements	1 Jan 2014
AASB 2013-7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders [AASB 1038]	1 Jan 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 Jan 2014
AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments	Refer title column
[Operative dates: Part A Conceptual Framework - 20 Dec 2013; Part B Materiality - 1 Jan 2014; Part C Financial Instruments - 1 Jan 2015]	
Interpretation 21 Levies	1 Jan 2014
AASB 9 Financial Instruments (effective from 1 January 2015)	

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2015 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets, including its investment in Townsville Entertainment and Convention Centre (TECC) refer Note 1(t), at fair value. Had this requirement been adopted at 30 June 2014, management estimate that the fair value of this investment would have been \$23,905,000 in the Council's separate Statement of Financial Position. There would also have been a corresponding loss of \$1,721,000 recognised in other comprehensive income.

(g) Rounding of Amounts

The amounts included in the financial report have been rounded to the nearest \$1,000 or where that amount is \$500 or less, to zero. Amounts shown in the financial statements may not add to the correct sub totals or totals due to rounding.

(h) Comparative Figures

Where Council has retrospectively applied an accounting policy or made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional Statement of Financial Position as at the beginning of the earliest comparative period will be disclosed. For details regarding the restatement of comparative figures, refer to Note 27.

(i) Critical Accounting Estimates and Judgements

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.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

- Fair value assessments of property, plant and equipment assets. Refer to Note 31;
- Estimated useful life assessments of property, plant and equipment assets. Refer to Note 12;
- Impairment of property, plant and equipment assets. Refer to Note 12;
- Impairment of trade and other receivables. Refer to Note 7;
- Measurement and recognition of provisions. Refer to Note 18; and
- Measurement and recognition of revenue arising from non-reciprocal transfers of assets. Refer Note 2.

(j) Taxation

Income of local authorities and public authorities is exempt from Commonwealth income taxation except for Fringe Benefits Tax and Goods and Services Tax (GST).

The commercial businesses of Council pay an income tax equivalent to Council in accordance with the requirements of the *Local Government Act 2009*.

Where a commercial business of Council is subject to the tax equivalents regime, the income tax expense is calculated on the operating surplus adjusted for permanent and timing differences between taxable and accounting income. These transactions are eliminated upon consolidation of the commercial business units.

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

(k) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense or liability.

Receivables and payables in the Statement of Financial Position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the Australian Taxation Office, is shown as an asset or liability respectively in the Statement of Financial Position.

(l) Carbon Pricing

In 2011 the Australian Government introduced a Clean Energy Legislation package. One aspect of this package, which has impacted Council directly and indirectly is the introduction of a pricing mechanism for greenhouse gas emissions in the Australian economy.

The pricing mechanism commenced on 1 July 2012 and set a fixed price path for the first three years (\$23 per tonne of CO₂-equivalent emissions adjusted in real terms by 2.5 percent per annum) before moving to a flexible price mechanism from 1 July 2015. It provides a framework for setting a cap on greenhouse gas emissions by capping the number of carbon units available once the flexible price period commences, which can be adjusted over time to ensure that the government's reduction targets are met.

Council has two landfills that produce emissions that exceed the current relevant liability threshold. In addition a third landfill was expected to exceed the emissions threshold by 2016. Council projections indicate that each of these facilities will continue to exceed the relevant emissions thresholds into the foreseeable future.

Council recognises a liability under the carbon pricing mechanism as the emissions from these facilities occur. Organic material within waste deposited at landfills takes time to begin decomposing. Waste deposited in 2012/13 only began to break down and generate emissions at the start of 2013/14; therefore Council recognised a liability for the purchase of or purchased carbon permits for the first time this year. Council's liability for carbon permits for emissions during 2013/14 was \$605,614.

Although waste deposited in landfills takes over twelve months to begin emitting carbon dioxide, it also continues to generate emissions for the following 40 years so Council may have an ongoing liability for this "carbon tax" in respect of the past and future waste deposited.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The final accounting treatment for the recognition of ongoing liability for "carbon tax" has not been decided by the Council at the date of this report.

On the 17th July 2014 the Clean Energy Legislation (Carbon Tax Repeal) Bill 2013 was passed by the Senate. When the bill becomes law, it will repeal the *Clean Energy Act 2011* and abolish the carbon pricing mechanism from 1 July 2014.

(m) Revenue

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

Rates and utilities

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.

Fees and charges

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

Grants, subsidies and contribution

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

Where grants, subsidies and contributions are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council currently receives contributions for the maintenance of state controlled roads. These funds are held as an unearned revenue liability until projects are evaluated and approved by the relevant funding body.

Sales revenue

Revenue from the sale of goods is recognised at the point of sale as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all Council's involvement in those goods.

Rental income

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

Interest received

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

Other income

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

Council may also receive cash contributions towards the cost of constructing/upgrading existing and proposed water supply and sewerage headworks in accordance with Council's planning scheme policies. Cash contributions in relation to water supply and sewerage headworks are not within the scope of *AASB Interpretation 18* because there is no performance obligation associated with these contributions. Consequently, these cash contributions are recognised as income when received in accordance with *AASB 1004 Contributions*.

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

Grants and subsidies that meet the recognition criteria as Revenue above, but are received for the purpose of constructing assets, are treated as grants, subsidies, contributions and donations in the Statement of Comprehensive Income.

(n) Leases

Leases of plant and equipment under which Council assumes substantially all the risks and benefits of ownership but not the legal ownership are classified as finance leases and amortised on a straight line basis over the term of the lease or where it is likely Council will obtain ownership of the asset, over the life of the asset. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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

In recording and reporting lease arrangements as lessor, Council records in the Statement of Financial Position the lease premiums related to the asset and records as revenue in the current period the amount of the lease premium which is regarded as having been earned in the current period based on the pattern of benefits received by the lessee.

Council has no finance leases in this reporting period.

(o) Cash and Cash Equivalents

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

External restrictions have been placed on Council's cash and cash equivalents, held as a result of non-reciprocal unspent grants and contributions. These restrictions are disclosed in Note 5.

(p) Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2014 Council had three term deposits in excess of three months.

(q) Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery. Trade receivables are generally settled within 30 days from invoice date. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

The collectability of receivables is assessed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor such as bankruptcy, liquidation or receivership along with any legal action taken on default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, an impairment loss will be recognised on those receivables over which Council no longer has control. 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the net result within other expenses. When a trade receivable for which an allowance for impairment loss had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other revenue in profit or loss. All known bad debts were written off at 30 June 2014.

If required Council has the power to sell an owner's property to recover certain outstanding rate receivables, in accordance with the *Local Government Act 2009*. Council does not recognise any impairment on these particular rate receivables. However, in recognition of the 3 year period for residential properties and 1 year period for commercial properties that must lapse prior to collection being pursued via sale of the property, in accordance with the *Local Government Regulation 2012*, these receivables are presented as non-current receivables. Additionally, it is Council's policy not to pursue overdue rate receivables from eligible pensioners and therefore any overdue rate receivables to be collected from these customers are presented as non-current receivables.

Other Term receivables, such as loans and advances, are recognised in the same way as other receivables. Security is not normally obtained.

Other receivables includes accrued income and revenue not yet invoiced, along with miscellaneous non-trade debtors such as amounts related to GST receivable.

(r) Inventories

(i) Inventory held for consumption

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Raw materials and stores

Raw materials and stores are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour, and an appropriate portion of variable and fixed overheads. The cost of significant categories of inventory are based on weighted average cost.

Inventories held for distribution are:

- goods to be supplied at no or nominal charge; or
- goods to be used for the provision of services at no or nominal charge.

These goods are valued at the lower of cost and replacement cost.

(ii) Inventory held for sale**Land developed and held for sale is classified as inventory**

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, borrowing costs and holding costs until completion of development. Finance costs, and holding charges incurred after development is completed, are expensed. Profits are brought to account on the signing of an unconditional contract of sale.

(s) Non Current assets held for sale

Items of property, plant and equipment are reclassified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and where sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as, financial assets and investment property that are carried at fair value, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

(t) Interests in Joint Ventures

Council's interest in the joint venture has been recognised by including its share of any assets, liabilities, revenue and expenses of the joint venture within the relevant items reported in the Statement of Comprehensive Income and Statement of Financial Position. Information about the joint venture is set out in Note 10 and Note 11.

(u) Property, Plant and Equipment**Recognition and measurement**

The cost method of accounting is used for the initial recognition of all property, plant and equipment assets. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including all costs incurred in preparing the assets ready for use or for restoring the asset at the end of its life to meet specific obligations.

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 defined in *Fair Value Measurements* Note 31.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised when Council obtains control of the assets and becomes liable for any ongoing maintenance. All non-cash contributions are recognised at the fair value of the contribution received.

Items of land with a total value less than \$1 and all other property, plant and equipment with a total value of less than \$5,000, are treated as an expense in the period of acquisition. All other items of property, plant and equipment are recognised as assets. Assets such as computers and water meters that have individual values below \$5,000 but are connected to a network are treated as assets.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

A park, including all the play equipment and shade sails therein, is treated as a single asset with linked sub-assets.

The measurement basis used for determining the gross carrying amount of each class of property, plant and equipment assets are set out in Note 12.

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.

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, infrastructure and other assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. All other non-current assets, principally plant and equipment, are measured at cost. Where there is no active market, assets will be valued at replacement cost less obsolescence. Where assets are not required, and intended to be disposed of fair value is the anticipated net sale proceeds. Assets recently purchased are shown in the financial statements at their historical cost less accumulated depreciation. Assets within each class of property, plant and equipment carried at fair value are revalued as necessary, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date.

Revaluations are undertaken in accordance with AASB 116 *Property, Plant and Equipment*, *Local Government Regulation 2012* and Council Policy. In the intervening years, Council internally assesses through physical inspection the condition of infrastructure assets on a sample basis and as part of the maintenance process. The inspection results are considered in combination with external indices from a range of sources including the Australian Bureau of Statistics, the Bureau of Resources and Energy Economics, plus data provided by Queensland Treasury and where appropriate internally sourced capital cost data. Indices are viewed over a 5 year cycle and short term fluctuations are discounted in determining the appropriate index to be applied. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years when an external revaluation is not performed.

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.

Valuations of non-current assets which were current as at 30 June 2014 were determined on the following basis:-

Land

Land assets were valued as at 28 February 2014 on a fair value basis (market value) valued by Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) No.1632). These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

Buildings

Buildings, including fixed plant, fixtures and fittings, were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntill from AECOM (RPEQ No.11865). Where a market value existed, this was used to determine fair value and valued by Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) No.1632). These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

Landfills

Landfill assets are valued at 30 June 2014 by creating a complementary asset equivalent to the future provision for restoration of the landfill sites and depreciating the cost over the effective life of the asset.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The valuation process was performed as follows:

- Commissioning of a report on values and timing by external consultants AECOM on the anticipated life and site plans of the landfills and using that data to obtain subsequent estimated costs to restore the sites to comply with existing licence and environmental requirements.
- Management assessing the report for completeness and accuracy and making amendments based on existing Council policies. Provision estimates are prepared using an agreed landfill capping methodology selected by engineering staff as being the most effective in meeting landfill licence conditions. This methodology was applied during the year to both Stuart and Hervey Range cell capping works.

Management has determined that this method accurately reflects fair value for these assets at 30 June 2014.

Land improvements

Land Improvements were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntill from AECOM (RPEQ No.11865). Where a market value existed, this was used to determine fair value. These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

Land improvement assets were subject to independent revaluation in the financial year ended 30 June 2014.

Transport network

Roads and bridges were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period. The rates are based on the road profiles established by the Roads and Transport Alliance Valuation Project, a joint initiative by LGAQ and the Queensland Government, of which both Council and the valuer are members.

Management has determined that this method accurately reflects fair value for these assets at 30 June 2014.

Major Fixed Plant

Major Fixed Plant including Treatment Plants and Pump stations and excluding pipelines were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntill from AECOM (RPEQ No.11865). Where a market value existed, this was used to determine fair value. These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

Management has determined that this method accurately reflects fair value for these assets at 30 June 2014.

Pipe network

Pipe network assets were valued as at 28 February 2014 at their respective depreciated replacement costs by qualified council staff and external valuers, taking into account any expired portion of their useful lives. The economic life is based on engineering estimates at the time of installation, which, barring the opportunity to perform an intervening condition review of the underground asset, remains in place for the lifetime of that pipe.

The valuation process was performed as follows:

- Stormwater pipe network assets were revalued at their depreciated replacement cost based on independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). The process incorporates a review of unit rates for stormwater drainage with the valuer referring to the rates applied by other Councils utilising a 'first principles' model approach, consultant model rates and consultant greenfield contract rates.
- Water and Wastewater pipe network assets were revalued at their depreciated replacement cost based on assessments performed by Northern Water Management Pty Ltd (J Ballard RPEQ No.6854). The process incorporates the determination of unit rates by reference to data contained in Rawlinsons Australian Construction Handbook plus an assessment of Council's internal and external costings.
- These valuations were determined by Council contractors above to materially reflect fair value as at 28 February 2014. These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

TOWNSVILLE CITY COUNCIL NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Pipe network assets acquired during the financial year ended 30 June 2014 are recognised at revaluation rates for assets commissioned up until 28 February 2014 and at cost less depreciation for assets in the intervening period to 30 June 2014. Management has determined that this method accurately reflects fair value for these assets at 30 June 2014.

Dams and Weirs

Dams and Weir assets (excluding pipelines) were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntill from AECOM (RPEQ No.11865). These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

Wastewater assets were subject to independent revaluation in the financial year ended 30 June 2014.

Heritage and Cultural

Other assets were valued as at 30 June 2014 at their respective depreciated replacement cost determined by management. Heritage listed structures moved into this class at 30 June 2014 have a value determined at 28 February 2014 as per the building class above.

No indices have been used to determine the appropriate carrying value as there is no publicly referenced index deemed appropriate by management for the purpose. Management has assessed that the reported carrying values represent fair value at balance date.

Any other assets purchased or donated during the 2013/14 financial year have been recognised at cost, which has been determined by management to equate to fair value.

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where Council holds title or a financial lease over the asset. Council 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.

Deed of Settlement in Trust Lands

Under a Deed of Settlement in Trust dated 23rd July 2009, Council is Trustee of the Jezzine Land Trust comprising certain land titles known as Jezzine Barracks. Council has not recognised this land as an asset. Under the terms of the Trust, Council has control over the improvements on the site and accordingly the improvements are recognised as assets in these financial statements.

Depreciation

Property, plant and equipment assets, with the exception of land, having a limited useful life, are systematically depreciated over their useful lives as listed in Note 12.

Depreciation is recognised as an expense in the Statement of Comprehensive Income on a straight line basis over the estimated useful lives of each property, plant and equipment asset.

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 Council. Where expenditure extends the life of an asset, the expenditure is capitalised and the asset's life is revised.

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. The useful lives for each class of asset is included in Note 12.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Assets under construction

Wage and materials expenditure incurred for the acquisition or construction of assets is 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.

The costs of non-current assets constructed by Council includes the cost of all materials used in construction, direct labour and other costs directly attributable to bring the asset to the location and condition for it to operate in the manner intended.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal and when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying value of the property, plant and equipment, and is recognised net, within either other income or other expenses in the Statement of Comprehensive Income where appropriate.

(v) 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.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale (qualifying assets), are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

(w) Impairment of Current and Non-Current Assets

All current and non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, 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. For assets that are valued at replacement cost less obsolescence, Council adjusts the remaining life and accumulated depreciation when an asset has a material change in service potential that would otherwise be treated as an impairment.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs of to sell and its value in use. The value in use of an asset is equal to the depreciated replacement cost.

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

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

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**(x) Intangible Assets*****Software assets***

Software assets are recognised as intangible assets, where their cost exceeds \$5,000. Intangible assets with a lesser value than \$5,000 are expensed. Expenditure on internally generated intangible assets is recognised from the date of the approval by Council of a capital expenditure authorisation for the acquisition or development of the asset. This approval is taken to indicate that the project meets the criteria for recognition under AASB 138 *Intangible Assets*.

Expenditure on software assets, up to the decision to generate the asset in a particular form, are research costs and are expensed. It has been determined that there is not an active market for any of Council's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is based on the cost of a software asset less its residual value and is recognised as an expense in the Statement of Financial Performance. Amortisation is calculated on a straight-line basis over the expected period of expected benefit to Council that they are available for use. The estimated useful lives for software assets are between 3 and 10 years. Council does not hold any intangible assets with infinite lives.

Amortisation methods, useful lives and residual values are reviewed each reporting date and adjusted if appropriate.

(y) Payables

Accounts payable have been recognised as a liability for the year ended 30 June 2014 at the time when the amount owed can be measured reliably and when it is probable the account will be paid. This is at the time of the goods being received or the service being performed. The amount recognised for each creditor is based on purchase or contract costs. The amounts owing are unsecured and are normally settled within 30 working days.

(z) Provisions

Provisions are recognised when Council has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Restoration liabilities

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable Council will be liable, or required, to incur costs on the cessation of use of these facilities. The provision represents the present value of the anticipated future costs associated with the closure of the landfill sites, decontamination and monitoring of historical residues and leaching on these sites.

The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

The provision is measured at the expected cost of the work required, discounted to current day values using market yields on Commonwealth Government bonds with terms to maturity that match the expected timing of cashflows. Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

Nelly Bay Provision

A provision has been recognised as the present value of the estimated maintenance and operating costs relating to certain areas of which Council is responsible for the Nelly Bay Harbour. Council has a present obligation to incur these costs due to the issuing of special rate levies billed to the residents of the precinct.

These levies are specifically received for the purposes of funding these costs.

(aa) 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.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**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 15 as a trade 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 28.

(i) Short term obligations

A liability is recognised for annual leave. 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 15 as a payable.

(ii) Other long-term employee benefit obligations

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 Council's employment or other associated employment which would result in 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.

(ab) Reserves**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 revaluation surplus and not transferred to retained surplus.

(ac) Financial Instruments

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

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

Financial Assets	Categorisation
Cash and cash equivalents	Financial assets available for sale (at cost)
Receivables	Loans and receivables (at amortised cost)
Financial Liabilities	Categorisation
Payables	Financial liability (at cost)
Borrowings	Financial liability (at amortised cost)

Financial assets and financial liabilities are presented separately, offsetting has not been applied.

The fair value of financial assets and liabilities must be estimated in a way that permits it to be compared with its carrying amount. Disclosure of fair value is not presented when the carrying amount is a reasonable approximation of fair value.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The fair value of financial instruments is determined as follows:

- The fair values of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.
- The fair values of borrowings, as disclosed in the notes to the accounts, is determined by reference to published price quotations in an active market and by reference to pricing models and valuation techniques. It reflects the value of the debt if Council repaid it in full at balance date. As it is the intention of Council to hold its borrowings for their full term, no adjustment provision is made in these accounts. Refer to Note 17.
- The fair value of other monetary financial assets and financial liabilities is based on market prices where a market exists, or is determined by discounting expected future cash flows by the current interest rate for financial assets and liabilities with similar risk profiles.
- The fair value of trade receivables and payables is assumed to approximate their nominal value less estimated credit adjustments.
- The fair value of prepayments is represented by the book value as the period of time to consumption is short and there are no rates involved in the calculation, therefore they are not disclosed separately.
- Available for sale financial assets are measured at cost as fair value cannot be reliably measured, therefore no fair value is disclosed.

Loans payable are measured at amortised cost using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument.

Gains and losses on the early redemption of borrowings are recorded in the Statement of Comprehensive Income as finance costs.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Financial risk management

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

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia and are for a period of less than one year; and Council does not invest in derivatives or other investments of a speculative nature.

When Council borrows, it borrows from the Queensland Treasury Corporation. Borrowing by Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

Details of financial instruments and the associated risks are shown at Note 26.

(ad) Change in Accounting Policy, Accounting Estimates and Correction of Errors

Under *AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*, where there are material adjustments to the measurement of opening assets and liabilities as a consequence of changes in accounting policies, accounting estimates or corrections of error, these have been disclosed in Note 27.

(ae) Change in Comparatives

The comparatives in the Property Plant and Equipment Note 12 have been amended to reflect the reclassification of classes of Property Plant and Equipment in 2014.

(af) National Competition Policy

Council has reviewed its activities to identify its business activities. Details of these activities are disclosed in Note 30.

(ag) 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.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 2	Revenue and Other Income	2014 \$000	2013 \$000
(a)	Rates, levies and charges		
	- General rates	160,114	151,532
	- Special rates	-	176
	- Refuse and recycling utility charges	18,761	17,757
	- Water and wastewater utility charges	166,616	154,498
	- Less discounts	(20,831)	(19,680)
	- Less pensioner and other remissions	(9,290)	(9,590)
	Total rates and utilities revenue	315,370	294,693
(b)	Fees and charges		
	- Regulatory fees and charges	9,090	8,683
	- Commercial fees and charges	15,354	14,729
	Total fees and charges	24,444	23,412
(c)	Interest received		
	Interest received from:		
	- financial institutions	3,993	3,225
	- other persons	1,475	1,516
	Total interest received	5,468	4,741
(d)	Other income		
	- Other income	13,068	14,762
	Total other Income	13,068	14,762
(e)	Grants, subsidies, contributions and donations		
	Recurrent		
	- Contributions received for operating purposes	1,838	1,941
	- Subsidies and grants received for operating purposes	21,772	33,673
	Total grants, subsidies, contributions and donations	23,610	35,614
(f)	Grants, subsidies, contributions and donations		
	Capital		
	- Contributions received for capital purposes	34,808	46,430
	- Subsidies and grants received for capital purposes	19,671	36,886
	Total grants, subsidies, contributions and donations	54,479	83,316
(g)	Contribution of assets		
	Capital		
	- Fair value gain on contributions of assets	46,627	51,380
	- Impairment losses on property, plant and equipment reversed	64	266
	Total gain on disposal of capital assets	46,691	51,646
	Total Revenue and Other income	483,130	508,184

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 3	Expenses	2014 \$000	2013 \$000
(a)	Depreciation		
	- Buildings	7,279	6,586
	- Plant and equipment	12,962	15,270
	- Landfill	1,088	1,659
	- Land improvements	7,664	10,667
	- Transport network	26,666	23,528
	- Fixed Plant	17,071	17,007
	- Pipe network	23,536	22,591
	- Dams & Weirs	3,858	3,070
	- Heritage and Cultural	82	-
	Total depreciation expense	100,206	100,378
	Amortisation		
	- Software assets	1,936	1,011
	Total amortisation expense	1,936	1,011
	Total depreciation and amortisation	102,142	101,389
(b)	Finance costs		
	Interest expense on financial liabilities not at fair value		
	- Interest and finance charges on loans from financial institutions	22,388	23,727
	- Unwinding of discounted provisions	810	1,153
	Total finance expense	23,198	24,880
(c)	Other expenses		
	- Impairment charge - trade receivables	207	89
	- Inventory fair value write-down	213	377
	- Other expenses	3,559	2,048
	Total other expenses	3,979	2,514
(d)	Capital Expenses		
	Loss on sale of capital assets	9,358	39,166
	Revaluation decrement of Property, Plant and Equipment	68,912	-
	Total capital expenses	78,270	39,166
(e)	Rental expense on operating leases		
	- minimum lease payments	97	58

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(f) **Significant Revenue and Expenses**

Council's net result for the financial year ended 30 June 2014 includes the effect of the following declared disaster events that have impacted the Townsville local government area during the last 5 years.

Event	Year
Tropical Cyclone Ita	2014
Tropical Cyclone Dylan	2014
Heavy Rainfall and Flooding, Northern & FNQ	2012
Tropical Cyclone Yasi	2011
Monsoon Flooding	2010
Tropical Cyclone Olga	2010
Tropical Cyclone Neville	2010
Tropical Cyclone Ului	2010
Tropical Cyclone Paul	2010

The Queensland Government provides financial assistance to disaster affected communities in Queensland through the Natural Disaster Relief and Recovery Arrangements program (NDRRA), jointly funded by the Australian Government. The funding is available subject to strict guidelines and only for declared disaster events. In 2013/14 NDRRA relief measures were activated by the Queensland Government for Council, with respect to Counter Disaster Operations for the 2014 events, as well as Restoration of Essential Public Assets for Tropical Cyclone Ita. At reporting date, eligible restoration expenditure on Council's transport network as a result of damage sustained from Tropical Cyclone Ita had not reached the trigger point value for funding, while claims for Counter Disaster Operations are yet to be lodged.

The following significant revenue and expense items related to NDRRA events, included in the net result, are relevant in explaining the financial performance of Council for the period.

	2014	2013
	\$000	\$000
Recovery of expenditure incurred for NDRRA purposes:		
Grant funding received for operating expenditure incurred for NDRRA purposes	14,975	21,856
Grant funding received for capital expenditure incurred for NDRRA purposes	6,472	22,527
Total grant revenue received for recovery of capital and operating expenditure	21,447	44,383
Expenditure for costs incurred for NDRRA purposes:		
Operating expenditure incurred for NDRRA purposes	7,131	21,402
Capital expenditure incurred for NDRRA purposes	9,794	27,719
Total expenditure incurred for NDRRA purposes	16,925	49,121
Total grant funding due to Council for NDRRA purposes and recognised as a receivable as at balance date.	887	-
Total expenditure by Council for NDRRA purposes recognised as a payable as at balance date.	149	4,054
Further information on the NDRRA regarding contingent asset is stated at Note 22.		

Note 4	Auditors' Remuneration	2014	2013
		\$000	\$000
	Remuneration of the auditor of Council for:		
	- auditing the financial report	206	302

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 5	Cash and Cash Equivalents	Note	2014 \$000	2013 \$000
	Cash at bank and on hand		1,324	491
	Short-term bank deposits - at call		95,461	66,819
	Short-term bank deposits - held to maturity		-	10,500
	Total cash at bank and on hand	26	96,785	77,810
(a)	Reconciliation of cash			
	Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:			
	Cash and cash equivalents		96,785	77,810
			96,785	77,810
(b)	Cash not available for general use			
	Council cash and cash equivalents are subject to internal and external restrictions that limit amounts available for discretionary or future use. These include:			
	Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
	Unspent contributions, government grants and subsidies		5,408	9,077
(c)	Risk exposure			
	Council's exposure to interest rate risk is discussed in Note 26. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.			
Note 6	Investments		2014 \$000	2013 \$000
	Term deposits maturing beyond 90 days paying interest rates of 3.65% to 3.90%		10,000	-
	The carrying value of investments is equal to fair value.		10,000	-
	The Council's exposure to interest rate risk is disclosed in note 26			
Note 7	Trade and Other Receivables	Note	2014 \$000	2013 \$000
	CURRENT			
	Trade receivables - rates and utilities		11,677	11,050
	Allowance for impairment of receivables - rates and utilities	7(a)(i)	(113)	(77)
	Trade receivables - fees and charges		5,704	9,086
	Allowance for impairment of receivables - fees and charges	7(a)(ii)	(591)	(584)
			16,677	19,475
	Other receivables - term receivables		9	9
	Other receivables - other debtors and accrued revenue		18,534	23,595
	Accrued interest		175	93
			18,718	23,697
	Total current trade and other receivables		35,395	43,172

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$000	2013 \$000
NON-CURRENT			
Trade receivables - rates and utilities		4,936	6,079
		4,936	6,079
Other receivables - term receivables		5,069	59
		5,069	59
Total non-current trade and other receivables		10,005	6,138

The prior year current and non current split for trade receivables - rates and utilities has been adjusted to be consistent with the methodology applied in the current year. This adjustment has been reflected in the prior year by a reclassification of \$3,553,000 between the current and non current portion of trade receivables rates and utilities. Refer to note 27(a).

Trade and other receivables, excluding other term receivables, are non-interest bearing loans and generally on 30 day terms. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. Interest is charged on outstanding rates and utilities at a rate of 11% per annum. No interest is charged on other debtors.

Other term receivables relate to advances made to various not-for profit community organisations. These loans arise from time to time and are subject to negotiated interest rates. The credit risk on these loans is considered low.

(a) Allowance For Impairment of Receivables

An allowance for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in other expenses. Movements in accumulated impairment losses is as follows:

	Opening Balance	Charge for the Year	Amounts Written Off	Unused amount reversed	Closing Balance
	01 July 2013				30 June 2014
	\$000	\$000	\$000	\$000	\$000
(i) Current trade receivables - rates and utilities	77	100	(60)	(4)	113
(ii) Current trade receivables - fees and charges	584	459	(104)	(348)	591
	661	559	(164)	(352)	704

	Opening Balance	Charge for the Year	Amounts Written Off	Unused amount reversed	Closing Balance
	01 July 2012				30 June 2013
	\$000	\$000	\$000	\$000	\$000
(i) Current trade receivables - rates and utilities	287	47	(249)	(8)	77
(ii) Current trade receivables - fees and charges	686	347	(112)	(337)	584
	973	394	(361)	(345)	661

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Credit risk - Trade and Receivables

Council has no significant concentration of credit risk with respect to any single counterparty or entity of counterparties other than those receivables specifically provided for and mentioned within Note 26. The class of assets described as trade and other receivables is considered to be the main source of credit risk to the entity.

The following table details Council's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the entity and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to Council.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

2014	Gross Amount	Past due and impaired	Within initial trade terms	Past due but not impaired (days overdue)			
	Consolidated Balances	Consolidated Balances	Consolidated Balances	<30 Consolidated Balances	31-60 Consolidated Balances	61-90 Consolidated Balances	>90 Consolidated Balances
Trade receivables	22,317	(704)	6,362	644	97	344	14,166
Other receivables - Term	5,078	-	5,078	-	-	-	-
Other receivables - Other	18,709	-	18,709	-	-	-	-
Total	46,104	(704)	30,149	644	97	344	14,166

2013	Gross Amount	Past due and impaired	Within initial trade terms	Past due but not impaired (days overdue)			
	Consolidated Balances	Consolidated Balances	Consolidated Balances	<30 Consolidated Balances	31-60 Consolidated Balances	61-90 Consolidated Balances	>90 Consolidated Balances
Trade receivables	26,215	(661)	8,441	319	569	796	15,429
Other receivables - Term	68	-	68	-	-	-	-
Other receivables - Other	23,689	-	23,688	-	-	-	-
Total	49,971	(661)	32,197	319	569	796	15,429

Note **2014** **2013**
\$000 **\$000**

(b) Financial Assets classified as loans and receivables

Trade and other receivables

- Total Current 35,395 43,172

- Total Non-Current 10,005 6,138

Financial assets 26 45,400 49,310

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 8	Inventories	2014	2013
		\$000	\$000
	CURRENT		
	Raw materials and stores	1,261	1,605
		1,261	1,605

(i) Assigning costs to inventories

The costs of individual items of inventory are determined using weighted average costs.

(ii) Amounts recognised in profit and loss

Write downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2014 amounted to \$213,000 (2013: \$371,000). The expense has been included in 'Other expenses' in the Statement of Comprehensive Income. This write down was a result of the closure of nursery operations.

Note 9	Non-Current Assets Classified as Held for Sale	2014	2013
		\$000	\$000
	Non-current assets held for sale:		
	Land and Buildings		
	Current - expected to be sold within 12 months	-	718
	Non-current - expected to be sold after 12 months	-	4,995
		-	5,713

A review of assets held for sale disclosed no land and buildings that will be or have been sold in the 2015 financial year (2014: \$718,000). Council does have surplus land that may be available for sale from time to time, but which at balance date has not been specifically excluded from Council or public use.

Note 10	Investments Accounted for using the Equity Method	Note	2014	2013
			\$000	\$000
	Interests in joint venture	11	23,905	25,625
			23,905	25,625

Note 11 Joint Venture

(a) Interest in Joint Ventures

A joint venture partnership exists between the Perpetual Trustees Queensland Limited as trustee of the Breakwater Island Trust, and the Townsville City Council. The joint venture parties are associated in an unincorporated joint venture known as the Townsville Breakwater Entertainment Centre Joint Venture. The purpose of the joint venture is to design, develop, construct, commission, operate and own the Entertainment Centre.

Council has a 79.8% interest in the Townsville Breakwater Entertainment Centre Joint Venture, whose principal activities are the provision of a venture and ancillary services for the conduct of conventions, exhibitions, sports and entertainment events. Unless otherwise agreed in writing between the joint venturers, the joint venture is limited to the purposes and activities specified in the *Townsville Breakwater Entertainment Centre Act 1991*.

The joint venture has entered into an agreement with the then Trustee of Breakwater Island Trust and Breakwater Island Limited for the management of the Townsville Entertainment & Convention Centre. Pursuant to the terms of the Management Agreement, Breakwater Island Trust will indemnify the joint venture from any amount by which defined costs exceed operating revenue. Defined costs exclude general rates and land tax, replacement of fixed assets and major repairs. Breakwater Island Trust is entitled to repayment of any indemnity paid in any previous year out of net operating surpluses of the Entertainment Centre.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

The Townsville Breakwater Entertainment Centre joint venture is not considered a controlled entity because, in accordance with the *Townsville Breakwater Entertainment Centre Act 1991*, all decisions of the Management Committee governing the operations of the joint venture require a unanimous decision, except for decisions relating to the giving of notices to the operator about audit qualifications relating to the joint venture financial statements, or in the case of a default event, decisions to give to the defaulting party notice of intention to terminate the agreement.

Council was advised during the year that the value of Property, Plant and Equipment in prior years' financial statements had been revised. Council has recognised a loss of \$1,720,902 in the period ended 30 June 2014 in the Statement of Comprehensive Income of which \$161,277 relates to prior year adjustments.

(b) Share of the Net Assets Employed in the Joint Venture	2014	2013
	\$000	\$000
CURRENT ASSETS		
Cash and cash equivalents	486	395
Trade and other receivables	17	13
Inventories	32	27
Other assets	4	-
Total current assets	<u>539</u>	<u>435</u>
NON-CURRENT ASSETS		
Property, plant and equipment	<u>23,980</u>	<u>25,576</u>
Total non-current assets	<u>23,980</u>	<u>25,576</u>
CURRENT LIABILITIES		
Trade and other payables	<u>571</u>	<u>355</u>
Total current liabilities	<u>571</u>	<u>355</u>
NON-CURRENT LIABILITIES		
Provisions	<u>43</u>	<u>31</u>
Total non-current liabilities	<u>43</u>	<u>31</u>
Net interest in joint venture	<u>23,905</u>	<u>25,625</u>

Note 12 Property, Plant and Equipment

Townsville City Council - 30 June 2014

Basis of measurement

Asset values

Opening gross value as at 1 July 2013

Additions*

Disposals

Revaluation adjustment to asset revaluation surplus

Revaluation decrement to capital expense

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes - Reallocation

Transfers between classes - Capitalised Assets

Closing gross value as at 30 June 2014

Accumulated depreciation and impairment

Opening balance as at 1 July 2013

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Revaluation decrement to capital expense

Impairment adjustment to asset revaluation surplus

Impairment adjustment to Income

Transfers between classes

Accumulated depreciation as at 30 June 2014

Total written down value as at 30 June 2014

Buildings	Fair Value	Dams & Weirs	Fair Value	Fixed Plant	Fair Value	Heritage & Cultural	Fair Value	Land	Fair Value	Land Improvements	Fair Value	Landfill	Fair Value	Pipe Network	Fair Value	Plant & Equipment	Cost	Transport Network	Fair Value	Work in progress	Cost	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
227,734	477,067	656,135	6,121	375,927	240,959	26,556	2,198,182	19,524	124,347	175,806	20,293	156,500	72,124	5,714	-	-	-	-	-	-	-	-
(208)	(129)	(4,540)	-	(1,616)	(7,241)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	32,588	56,120	(1,625)	(16,552)	(16,877)	-	(11,382)	112	(198,884)	-	-	-	-	-	-	-	-	-	-	-	-	-
14,829	-	-	-	(28,526)	(58,427)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
59	-	-	-	5,655	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(3,819)	21,714	10,881	7,621	105	(72,207)	(952)	(30,378)	1,912	65,123	-	-	-	-	-	-	-	-	-	-	-	-	-
2,243	-	17,178	18	-	37,930	235	16,717	8,184	28,356	(112,840)	-	-	-	-	-	-	-	-	-	-	-	-
240,838	531,240	738,032	12,135	335,403	125,585	30,656	2,195,331	136,169	1,898,574	102,695	6,346,657	-	-	-	-	-	-	-	-	-	-	-

(47,635)	(100,002)	(194,662)	-	-	(112,636)	(21,659)	(861,728)	(52,824)	(404,577)	-	(1,795,723)	-	-	-	-	-	-	-	-	-	-	-
(7,279)	(3,858)	(17,071)	(82)	-	(7,664)	(1,088)	(23,536)	(12,963)	(26,665)	-	(100,206)	-	-	-	-	-	-	-	-	-	-	-
89	113	3,887	-	-	5,739	-	-	3,043	401	-	13,272	-	-	-	-	-	-	-	-	-	-	-
-	(8,629)	(99,308)	1,452	-	-	-	(34,429)	-	2,010	-	(138,904)	-	-	-	-	-	-	-	-	-	-	-
(30,035)	-	-	-	-	27,496	-	-	-	-	-	(2,539)	-	-	-	-	-	-	-	-	-	-	-
62	-	1,508	-	-	-	-	-	-	-	-	1,570	-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	64	-	64	-	-	-	-	-	-	-	-	-	-	-
2,561	(9,836)	(1,041)	(5,254)	-	32,990	646	(71)	477	(20,473)	-	(1)	-	-	-	-	-	-	-	-	-	-	-
(82,237)	(122,212)	(306,687)	(3,884)	-	(54,075)	(22,101)	(919,764)	(62,203)	(449,304)	-	(2,022,467)	-	-	-	-	-	-	-	-	-	-	-

158,601	409,028	431,345	8,251	335,403	71,510	8,555	1,275,567	73,966	1,449,270	102,695	4,324,190	-	-	-	-	-	-	-	-	-	-	-
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	Buildings		Dams & Weirs		Fixed Plant		Heritage & Cultural		Land		Land Improvements		Landfill		Pipe Network		Plant & Equipment		Transport Network		Work in progress		Total	
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Cost	Cost	Cost	Cost	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Residual value	-	226,512	-	8,178	-	-	-	-	-	-	1,372	-	-	-	267,666	-	8,025	-	121,659	-	-	-	633,412	
Range of estimated useful life in years	5 - 180	10 - 110	3 - 150	10 - 200	-	-	-	-	-	3 - 115	3 - 42	7 - 120	3 - 100	3 - 150	-	-	-	-	-	-	-	-	-	
Additions comprise:																								
Renewals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,666	-	88,666	
Other additions	-	-	2,258	-	410	1,448	4,817	810	19,524	88,666	35,681	87,140	-	-	-	-	-	-	-	-	-	-	-	
Total additions	-	-	2,258	-	410	1,448	4,817	810	19,524	88,666	35,681	87,140	-	-	-	-	-	-	-	-	-	-	-	

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Note 12 Property, Plant and Equipment - Continued

TOWNSVILLE CITY COUNCIL NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Townsville City Council - 30 June 2013

Basis of measurement

Asset values

Opening gross value as at 1 July 2012

Additions*

Disposals

Revaluation adjustment to asset revaluation surplus

Revaluation decrement to capital expense

Assets classified as held for sale

Assets transferred to investment property

Transfers between classes - Reallocation

Transfers between classes - Capitalised Assets

Closing gross value as at 30 June 2013

Accumulated depreciation and impairment

Opening balance as at 1 July 2012

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Revaluation decrement to capital expense

Impairment adjustment to asset revaluation surplus

Impairment adjustment to Income

Transfers between classes

Accumulated depreciation as at 30 June 2013

Total written down value as at 30 June 2013

Buildings	Dams & Wells	Fixed Plant	Heritage & Cultural	Land	Land Improvements	Landfill	Pipe Network	Plant & Equipment	Transport Network	Work in Progress	Total
Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
219,469	477,067	648,915	6,062	379,099	234,574	27,311	2,106,795	116,575	1,969,809	68,849	6,254,524
86	-	(1,723)	56	-	(2,142)	(1,396)	9,914	13,257	31,252	151,635	200,939
(2,243)	-	(10,579)	-	(1,142)	(1,134)	-	0	(16,198)	(67,291)	-	(98,588)
-	-	-	-	-	-	641	60,607	-	-	-	61,248
-	-	-	-	-	-	-	-	-	-	-	-
(59)	-	-	-	(2,030)	-	-	-	-	-	-	(2,089)
-	-	-	-	-	-	-	-	-	-	-	-
6,162	-	(6,162)	-	-	-	-	-	-	-	-	-
4,319	-	25,685	3	-	9,661	-	20,866	15,508	53,254	(129,296)	-
227,734	477,067	656,135	6,121	375,927	240,959	26,556	2,198,182	129,142	1,987,023	91,188	6,416,034

(42,235)	(96,932)	(182,582)	-	-	(102,498)	(20,000)	(813,385)	(49,386)	(416,831)	-	(1,723,850)
(6,586)	(3,070)	(17,009)	-	-	(10,667)	(1,659)	(22,591)	(15,269)	(23,528)	-	(100,378)
994	-	6,436	-	-	529	-	-	11,757	35,783	-	55,500
-	-	-	-	-	-	-	(35,751)	-	-	-	(25,751)
-	-	-	-	-	-	-	-	-	-	-	-
-	-	(1,508)	-	-	-	-	-	-	-	-	(1,508)
191	-	-	-	-	-	-	-	74	-	-	266
-	-	-	-	-	-	-	-	-	-	-	-
(47,635)	(100,002)	(194,662)	-	-	(112,636)	(21,659)	(861,728)	(52,824)	(404,577)	-	(1,795,723)

180,099	377,064	461,473	6,121	375,927	128,323	4,897	1,336,455	76,319	1,582,446	91,188	4,620,311
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TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Buildings		Dams & Weirs		Fixed Plant		Heritage & Cultural		Land		Land Improvements		Landfill		Pipe Network		Plant & Equipment		Transport Network		Work in progress		Total	
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Cost	Cost			
Residual value	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	8,755	834			2,216																		431,051	
Range of estimated useful life in years	15-130	10-150			5-100		20-100				10-100		4-42		25-80		3-40		10-150				-	
Additions comprise:																								
Renewals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,211	90,211		
Other additions	86	-	-	56	-	-	-	-	-	-	-	-	-	-	9,914	7,996	31,252	61,424	31,252	110,728				
Total additions	86	-	-	56	-	-	56	-	-	-	-	-	-	-	9,914	7,996	31,252	151,635	31,252	200,939				

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TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 13	Intangible Assets	2014	2013
		\$000	\$000
	Software assets		
	Cost	24,852	22,763
	Accumulated amortisation	(12,443)	(10,507)
	Total software assets	12,409	12,256
			Software assets \$000
	Year ended 30 June 2014		
	Balance at the beginning of year		12,256
	Additions		2,089
	Disposals		-
	Amortisation charge		(1,936)
	Closing value at 30 June 2014		12,409
	Year ended 30 June 2013		
	Balance at the beginning of year		5,081
	Additions		8,186
	Disposals		-
	Amortisation charge		(1,011)
	Closing value at 30 June 2013		12,256

Intangible assets have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense in the Statement of Comprehensive Income.

Note 14	Other Assets	2014	2013
		\$000	\$000
	CURRENT	2,155	3,327
	Prepayments	2,155	3,327
	NON-CURRENT	4,988	105
	Prepayments	4,988	105

Non-current prepayments are contractual amounts paid for capital expenditure on Council owned assets under a long term operating contract, where the capital expenditure has not yet occurred but is anticipated to be incurred over the contract term. Shortfalls or excess capital expenditure at the end of the contract term will be transferred to or from contract operational expense.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 15	Trade and Other Payables	Note	2014 \$000	2013 \$000
	CURRENT			
	Unsecured liabilities			
	Trade payables		21,022	18,275
	Annual Leave		16,549	15,189
	Sundry payables and accrued expenses		17,750	17,187
			<u>55,321</u>	<u>50,651</u>
	NON-CURRENT			
	Sundry payables and accrued expenses		1,973	-
			<u>1,973</u>	<u>-</u>
	Financial liabilities at amortised cost classified as trade and other payables			
	Trade and other payables			
	— Total Current		55,321	50,651
	— Total Non-current		1,973	-
	Financial liabilities as trade and other payables	26	<u>57,294</u>	<u>50,651</u>

Management changed the classification of annual leave to move \$15,189,000 from the current provisions to current trade and other payables. Council does not have unconditional right to defer settlement of annual leave liabilities for at least 12 months. As a result the non-current portion of the liability is still discounted, but is classified as current. Refer to note 27(a).

Note 16	Other Current Liabilities	2014 \$000	2013 \$000
	Unearned revenue	2,953	995
		<u>2,953</u>	<u>995</u>

Note 17	Borrowings	Note	2014 \$000	2013 \$000
	CURRENT			
	Unsecured liabilities			
	Loans		19,600	19,983
	Total current borrowings		<u>19,600</u>	<u>19,983</u>
	NON-CURRENT			
	Unsecured liabilities			
	Loans		314,233	333,842
	Total non-current borrowings		<u>314,233</u>	<u>333,842</u>
	Total borrowings	26	<u>333,833</u>	<u>353,825</u>

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(a) Loans

The total loan facility has been provided to a limit of \$333,833,256. The loans are unsecured and are all in Australian dollar denominated amounts with interest being expensed as it accrues. Borrowings have been recognised as a liability for the year ended 30 June 2014 at their carrying value. No assets have been pledged as security by Council for any liabilities, however all loans are guaranteed by the Queensland Government.

The fair value of \$388,310,916 represents the value of the loans if Council repaid the loans as at 30 June 2014. As it is the intention of Council to hold the loans for its term, no provision is required to be made in these accounts.

The interest rates of loans borrowings range from 5.87% to 9.72% for book value rates. Based on the current level of repayment of the book value debt, the expected term of non-current debt varies from 5 months to 17 years.

Principal and interest repayments are made quarterly. There have been no defaults or breaches of the loan agreement during the period.

(b) Undrawn borrowing facilities

	2014	2013
	\$000	\$000

Unrestricted access was available at balance date to undrawn facilities listed below:

Bank overdraft facility	500	500
Credit card facility	1,364	2,000
Loan facility	-	10,000
	1,864	12,500

Note 18 Provisions

	2014	2013
	\$000	\$000

CURRENT

Self Insurance	1,926	1,065
Landfill Restoration	5,043	17,354
Employee Benefits	1,817	1,524
Other	350	417
	9,136	20,360

NON-CURRENT

Self Insurance	4,665	3,045
Landfill Restoration	19,266	8,461
Employee Benefits	17,214	14,710
Other	1,285	2,141
	42,430	28,357

(a) Provision for Self Insurance

A provision of \$6,591,000 has been recognised, for self-insured risks relating to workers' compensation claims, based on independent actuarial advice of the estimated liability at 30th June 2014.

(b) Provision for Landfill Restoration

A provision of \$24,309,463 has been recognised as the present value of the estimated cost of restoring Council's landfill sites to the condition required by the licence at the end of their useful life. The total estimated cost at 30 June 2014 is \$26,577,593 for the landfill sites. These costs are expected to be incurred between 2015 and 2047. New site plans and operational strategies have been completed for each of the landfill areas except for Picnic Bay and Majors Creek. This has resulted in a change in the timing of capping works in the future and reclassification of current and non-current provision liabilities. Plans will necessarily evolve in the future as Council meets best practice operational efficiency and regulatory requirements, whilst endeavouring to meet community expectations.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(c) **Provision for Employee Benefits**

A provision of \$19,030,163 has been recognised for employee entitlements relating to long service leave, where Council does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. In calculating the present value of future cash flows in respect of these leave entitlements, the probability of leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1(aa) to this report.

(d) **Provision for Other Long-term Liabilities**

A provision of \$1,635,000 has been recognised as the present value of the estimated maintenance and operating costs relating to certain areas of which Council is responsible for the Nelly Bay Harbour. Council has a present obligation to incur these costs due to the issuing of special rate levies billed to the residents of the precinct. These levies are specifically received for the purposes of funding these costs. The special rate has been set at zero for the last two years as council has deemed the provision sufficient for the works required under the works plan for the next 10 years. The works plan is reviewed annually. The works area is subject to GBRMPA and native title constraints and the work plan may require permits at the time the work is to be completed.

(e) **Movements in provisions**

Movements in each class of provision during the financial year, other than employee benefits are set out below:

	Self Insurance \$000	Landfill Restoration \$000	Employee Benefits \$000	Other \$000	Total \$000
Balance at beginning of financial year	4,110	25,815	16,234	2,558	48,717
Additional provisions raised during year	5,531	4,339	4,077	(977)	12,970
Amounts used	(3,149)	(6,434)	(1,670)	(32)	(11,284)
Unused amounts reversed	-	-	-	-	-
Increase in provision due to unwinding of discount	99	322	389	-	810
Increase/(decrease) in provision due to change in discount rate	-	267	-	86	353
Balance at end of financial year	6,591	24,309	19,030	1,635	51,566

Note 19 Asset Revaluation Surplus

2014
\$000
2013
\$000

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year	983,845	949,856
Land	(16,552)	-
Land Improvements	(16,877)	-
Heritage & Cultural	(173)	-
Fixed Plant	(44,585)	-
Dams and Weirs	23,960	-
Pipe Networks	(45,811)	35,497
Transport Network	(196,874)	-
Impairment:	1,508	(1,508)
Balance at end of financial year	688,442	983,845

Note 20 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.

On 25 June 2013, Council passed a resolution to close all existing reserves and transfer balances to retained earnings. The internal restrictions that have been placed on Council's cash and cash equivalents are now disclosed in Note 5.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 21	Commitments for Expenditure	2014	2013
		\$000	\$000
(a)	Operating Lease Commitments		
	Non-cancellable operating leases contracted for but not capitalised in the financial statements	2,451	3,111
	Payable — minimum lease payments		
	- not later than 12 months	628	660
	- between 12 months and 5 years	1,814	2,440
	- greater than 5 years	9	11
		2,451	3,111
(b)	Capital Expenditure Commitments		
	Capital expenditure commitments contracted for:		
	Aplin Weir Rehabilitation Project	-	5
	Blakeys Crossing	6,115	-
	Dalrymple Road Bridge	104	746
	Douglas Reservoir	-	2,169
	Energy Performance Contract	835	-
	FEAM Systems Upgrade	-	225
	Howitt St Drainage Upgrade	1,149	-
	Jezzine Barracks Redevelopment	773	10,116
	LED Public Lighting Project	533	-
	Sewer Pipe Rehabilitation	206	931
	Stuart Landfill Capping	-	3,979
	Tony Ireland External Scoreboard	1,012	-
	Townsville International Sports Centre	-	33
	Townsville Recreational Boating	825	533
	Water Treatment Plant Refurbishment	35,008	36,949
	Other	2,047	2,477
		48,607	58,163
	Payable:		
	- not later than 12 months	15,383	23,055
	- between 12 months and 5 years	12,938	8,396
	- greater than 5 years	20,286	26,712
		48,607	58,163

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(c)	Other Expenditure Commitments	2014	2013
	Other expenditure commitments contracted for:	\$000	\$000
	Airconditioning Services	252	-
	Cash Carrying Services	130	120
	Cleaning Services	5,919	2,012
	Environmental Services	1,200	1,200
	Fixed Asset Revaluations	422	-
	Lifeguard Services	2,152	2,152
	NDRRA Project Management Services	25	49,218
	Parks Maintenance Services	9,643	9,334
	Port of Townsville Limited	-	2,420
	Records Management and Storage	-	210
	Road Network Maintenance Services	1,629	800
	Security Services	5,191	601
	Sponsorships and Community Contributions	182	231
	Townsville Recreational Boating Park	3,471	-
	Water Treatment Plant Maintenance Services	2,260	2,260
	Other Maintenance Services	751	1,053
		<u>33,227</u>	<u>71,611</u>
	Payable:		
	- not later than 12 months	18,732	65,435
	- between 12 months and 5 years	14,469	6,089
	- greater than 5 years	26	87
		<u>33,227</u>	<u>71,611</u>

Note 22 Contingencies**(a) Contingent Assets**

Estimates of the potential financial effect of contingent assets that may become receivable:

Claims

The Queensland Government provides financial assistance to disaster affected communities in Queensland through the Natural Disaster Relief and Recovery Arrangements program (NDRRA), jointly funded by the Australian Government. The claims for available funding are subject to strict guidelines and only for declared disaster events.

Council has completed works relating to the 2011 and 2012 declared disaster events on local infrastructure. At reporting date, the recovery of this expenditure has not been fully recognised as a receivable, as the recovery is dependent upon the outcome of the NDRRA claim process. Council estimates approximately \$5,700,000 of NDRRA funding to be received in 2014/15 under this program for the 2011 and 2012 disaster events.

(b) Contingent Liabilities

Estimates of the potential financial effect of contingent liabilities that may become payable:

Guarantees

Workers compensation self-insurance guarantees

2014	2013
\$000	\$000
5,060	5,802
<u>5,060</u>	<u>5,802</u>

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

State WorkCover authorities require guarantees against workers' compensation self-insurance liabilities. The guarantee is based on independent actuarial advice of the estimated liability. Guarantees held at each balance date do not always equal the liability at these dates due to delays in issuing the guarantees. An actuarial assessment of Council workers compensation claims liability performed on 29 July 2014 has estimated the required self-insurance guarantee be \$8,238,000. As at the date of this report, Council is in the process of arranging the required increase in the bank guarantee. A provision of \$6,591,000 (2013: \$4,110,000) has been recognised, for self-insured risks relating to the workers' compensation claims at balance date. Refer to Note 18.

Claims

Council is a member of the local government mutual 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 loss 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.

At the time of preparation of this report, the financial statements for 30 June 2014 of LGM Queensland were not available. As at 30 June 2013 the financial statements reported an accumulated surplus of \$22,557,143 and it was not anticipated any liability would arise.

Note 23 Operating Functions

Function Information

Identification of reportable functions

Council has identified its operating functions based on the internal reports that are reviewed and used by management in assessing performance and in determining the allocation of resources.

Council is primarily managed on the basis of product and service offerings since the diversification of Council's operations inherently have different risk profiles and performance assessment criteria. Operating functions are therefore determined on the same basis.

From July 2013, reportable functions disclosed are based on aggregating operating functions where the segments are considered to have similar service characteristics.

Operating Functions by Core Service

Core Services

- (i) **Community and Cultural Services**
Includes community services, libraries, art galleries, civic theatre, cultural, recreational facilities, health, integrated sustainability services and parking regulation.
- (ii) **Enabling Services**
Includes human resources, payroll, knowledge management, corporate communications, legal services, corporate governance, customer service, fleet services, corporate asset management and finance.
- (iii) **Environmental & Sustainability Services**
Delivery of specialised environmental health services to community including food safety, environmental protection, dangerous goods, public health, vector control and health promotion.
- (iv) **Planning and Development Services**
Includes town planning, development assessment, economic development and special projects.
- (v) **Public Infrastructure**
Includes roads, drainage, infrastructure planning and investigations, urban redevelopment and parks.
- (vi) **Solid Waste Management**
Includes refuse collection and disposal, and landfill operations and management.
- (vii) **Waste Water Services**
Includes Council's wastewater disposal and treatment plants.
- (viii) **Water Services**
Includes operation, construction and maintenance of Council's water storage, treatment, distribution and reticulation operations.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Core Services group by entity

The Council has identified its operating core services and grouped them by entity based on the internal reports that are reviewed and used by management in assessing performance and in determining the allocation of resources and assets. The core services above are grouped into the following entities:

Rest of Council	(i) to (v)
Townsville Waste Services	(vi) and (vii)
Townsville Water	(viii)

Basis of accounting for purposes of reporting by operating functions

(a) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Chief Executive Officer as the chief decision maker with respect to operating functions are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of Council.

(b) Function assets

Assets are used across multiple functions. Assets are allocated to an entity that receives the majority of the economic value from that asset. In the majority of instances, function assets are clearly identifiable on the basis of their nature and physical location.

(i) Function performance - Core Service

Year Ended 30 June 2014

Core Service	Income				Internal Eliminations	Total Income	Expense		Internal Eliminations	Total Expenses	Net Result from recurrent operations	Net Result
	Recurrent		Capital				Recurrent	Capital				
	Grants	Other	Grants	Other								
	YTD \$'000's	YTD \$'000's	YTD \$'000's	YTD \$'000's			YTD \$'000's	YTD \$'000's			YTD \$'000's	YTD \$'000's
Core Service												
Community And Cultural Services	2,487	9,071	-	14,050	-	25,609	(55,352)	(137)	20,237	(35,252)	(23,557)	(9,644)
Enabling Services	2,249	162,170	135	-	(25,321)	144,233	(72,407)	(41,705)	(63,033)	(177,145)	8,658	(32,912)
Environment And Sustainability Services	328	254	-	-	-	582	(5,429)	51	1,247	(4,132)	(3,601)	(3,550)
Planning And Development	-	7,613	-	-	(40)	7,573	(19,330)	-	5,005	(14,324)	(6,751)	(6,751)
Public Infrastructure	16,640	6,111	19,536	38,483	-	80,769	(102,125)	(36,959)	17,620	(126,465)	(66,755)	(45,695)
Solid Waste Management	66	31,797	-	-	(2,842)	29,020	(24,452)	1,027	8,874	(14,551)	13,443	14,470
Wastewater Services	-	81,008	-	21,656	(1,562)	101,102	(57,316)	(6,280)	22,060	(41,576)	44,150	39,526
Water Services	1	103,531	-	7,308	(16,599)	94,241	(77,972)	5,735	31,528	(40,710)	40,488	53,531
Total	21,772	406,554	19,671	81,498	(46,344)	483,130	(419,425)	(78,268)	43,538	(454,155)	6,075	28,975

Assets

Unit	Assets 2014 \$'000's	Assets 2013 \$'000's
Rest of Council	2,774,759	2,741,146
Townsville Water	1,738,844	2,002,159
Townsville Waste Services	17,490	52,757
Total Council	4,521,093	4,796,062

TOWNSVILLE CITY COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(ii) Function performance - Division

Function performance by division is shown below to provide a comparison of function performance to last year. Assets used across multiple functions are no longer tracked by division, assets below are grouped by entity in accordance with the service being delivered above.

Divisions

(i) Townsville Water

Includes operation, construction and maintenance of Council's water storage, treatment, distribution and reticulation operations and Council's wastewater disposal and treatment plants.

(ii) Townsville Waste

Includes refuse collection and disposal, and landfill operations and management.

(iii) Community and Environment Services

Includes community services, libraries, art galleries, civic theatre, cultural, recreational facilities, health, integrated sustainability services and parking regulation.

(iv) Planning and Development Services

Includes town planning, development assessment, economic development and special projects.

(v) Infrastructure Services

Includes roads, drainage, infrastructure planning and investigations, urban redevelopment, fleet services, parks and corporate asset management.

(vi) Corporate Services

Includes human resources, payroll, knowledge management, corporate communications, legal services, corporate governance, customer service and finance.

Year Ended 30 June 2014

Division	Income				Internal Eliminations	TOTAL INCOME	Expense		Internal Eliminations	Total Expenses	Net Result from recurrent operations	Net Result
	Recurrent		Capital				Recurrent	Capital				
	Grants	Other	Grants	Other								
	YTD \$'000's	YTD \$'000's	YTD \$'000's	YTD \$'000's								
Division												
Corporate Services	2,203	164,029	82	35	(22,643)	143,763	(64,969)	(7,891)	(16,536)	(89,396)	62,134	54,367
Planning & Development	-	2,613	-	10	(40)	7,583	(14,932)	3,600	94	(11,238)	(7,265)	(3,655)
Community & Environment	2,097	7,562	-	-	-	9,659	(37,754)	(186)	273	(37,666)	(27,822)	(28,097)
Townsville Water & Waste	67	220,385	-	28,965	(23,681)	225,735	(147,412)	356	46,291	(100,765)	95,650	124,970
Infrastructure Services	17,405	6,916	19,591	52,488	(1)	95,390	(154,358)	(74,147)	13,416	(215,089)	(116,622)	(118,700)
Total	21,772	406,554	19,671	81,498	(46,364)	483,130	(419,425)	(78,268)	43,538	(454,155)	6,075	28,975

Year Ended 30 June 2013

Division	Income				Extra Net Eliminations	TOTAL INCOME	Expense		Internal Eliminations	Total Expenses	Net Result from recurrent operations	Net Result
	Recurrent		Capital				Recurrent	Capital				
	Grants	Other	Grants	Other								
	YTD \$'000's	YTD \$'000's	YTD \$'000's	YTD \$'000's								
Division												
Corporate Services	4,330	186,365	254	268	(53,745)	137,522	(86,624)	599	53,913	(32,112)	104,289	105,410
Planning & Development	88	9,450	-	-	(2,003)	7,535	(20,211)	-	2,003	(18,208)	(10,673)	(10,673)
Community & Environment	2,486	14,085	-	11,596	(4,205)	23,961	(116,022)	(510)	4,131	(112,451)	(99,576)	(88,490)
Townsville Water & Waste	120	208,306	5,754	19,783	(26,145)	207,818	(130,329)	(4,327)	23,516	(111,140)	75,465	96,678
Infrastructure Services	26,599	59,425	30,878	66,429	(51,983)	131,348	(152,530)	(34,928)	50,505	(156,953)	(67,984)	(5,605)
Total	33,673	477,631	36,886	98,076	(138,082)	508,184	(505,766)	(39,166)	134,068	(410,864)	1,524	97,320

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Assets

Unit	Assets 2014 \$000's	Assets 2013 \$000's
Rest of Council	2,274,759	2,241,146
Townsville Water	1,728,844	2,002,159
Water Waste Services	17,490	52,757
Total Council	4,521,093	4,296,062

Note 24	Reconciliation of net result for the year to net cash inflow (outflow) from operating activities	2014	2013
		\$000	\$000
Net result for the year		28,975	97,320
Depreciation		100,206	100,378
Amortisation		1,936	1,011
Net impairment loss on property, plant and equipment		(64)	(266)
Net loss on sale of non-current assets		9,358	39,166
Revaluation decrement of property, plant and equipment		68,912	-
Contributions, subsidies and grants received for constructing assets		(54,479)	(83,316)
Fair value gain on contributions of assets		(46,627)	(51,380)
Share of joint venture entity net profit after income tax and dividends		1,721	3,286
Changes in operating assets and liabilities:			
(Increase)/decrease in trade and term receivables		8,920	10,786
(Increase)/decrease in inventories		344	719
(Increase)/decrease in other assets		(3,711)	(2,509)
Increase/(decrease) in trade payables and accruals		6,644	(17,010)
Increase/(decrease) in provisions		2,849	512
Increase/(decrease) in other liabilities		1,958	(1,239)
Net cash flows from operating activities		126,942	97,459

Note 25 **Events After the Reporting Period**
There were no material adjusting events after the balance date.

Note 26 **Financial Risk Management**

Council's financial instruments consist mainly of deposits with financial institutions, local money market instruments, short-term investments, accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with *AASB 139 Financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:-

	Note	2014	2013
		\$000	\$000
Financial Assets			
Cash and cash equivalents	5	96,785	77,810
Investments	6	10,000	-
Loans and receivables	7(b)	45,400	49,310
Total Financial Assets		152,185	127,120

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 \$000	2013 \$000
Financial Liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	15	57,294	50,651
- Borrowings	17	333,833	353,825
Total Financial Liabilities		<u>391,127</u>	<u>404,476</u>

Financial Risk Management Policies

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

Specific Financial Risk Exposures and Management

Council uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk, ageing analysis in the case of credit risk and maturity analysis in respect of liquidity risk.

(a) Credit risk

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

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

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

Credit Risk Exposures

Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with commercial banks. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. These deposits are bearing a floating interest rate of 3.38% as at 30 June 2014.

Other investments are held with highly rated and regulated financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote. All investments are in domestic currency denomination.

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

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

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

	Note	2014 \$000	2013 \$000
Cash and cash equivalents			
- AAA Rated		-	-
- AA+ Rated		95,460	-
- AA- Rated		1,275	72,266
- A+ Rated		-	2,000
- A- Rated		-	3,000
- Non Rated		50	544
	5	<u>96,785</u>	<u>77,810</u>

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	2014 \$000	2013 \$000
Receivables		
- Trade receivables - rates	16,500	17,052
- Trade receivables - fees and charges	5,113	8,502
- Term receivables	5,078	68
- Other receivables	18,709	23,688
	45,400	49,310

(b) **Liquidity Risk**

Liquidity risk refers to the situation where Council may encounter difficulty in meeting obligations associated with financial liabilities. Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the QTC for capital works.

Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 17.

The following table sets out the liquidity risk of financial liabilities held by Council in a format consistent with what might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Over 5 years		Total contractual cash flow		Carrying amount	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Financial Assets - cash flows realisable										
Cash and cash equivalents	96,785	77,810	-	-	-	-	96,785	77,810	96,785	77,810
Investments	10,000	-	-	-	-	-	10,000	-	10,000	-
Trade, term and other receivables	35,395	43,172	7,995	6,138	2,010	-	45,400	49,310	45,400	49,310
Total anticipated inflows	142,180	120,982	7,995	6,138	2,010	-	152,185	127,120	152,185	127,120

	Within 1 Year		1 to 5 years		Over 5 years		Total contractual cash flow		Carrying amount	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Financial Liabilities - due for payment										
Bank overdrafts and loans	40,843	42,398	152,768	153,109	309,646	350,179	503,257	545,685	333,833	353,825
Trade and other payables	55,321	50,651	1,973	-	-	-	57,294	50,651	57,294	50,651
Total contractual outflows	96,164	93,049	154,741	153,109	309,646	350,179	560,551	596,337	391,127	404,476
Less bank overdrafts	-	-	-	-	-	-	-	-	-	-
Total expected outflows	96,164	93,049	154,741	153,109	309,646	350,179	560,551	596,337	391,127	404,476
Net (outflow) / inflow on financial instruments	46,016	27,933	(146,746)	(146,971)	(307,636)	(350,179)	(408,366)	(469,217)	(238,944)	(227,356)

(c) **Market Risk**

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

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

(i) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows. In relation to QTC loans, Council holds generic debt pool products which approximate a fixed rate loan. Consequently, there is negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings. However, Council is exposed to earnings volatility where there are floating rate instruments. Last year's balances have been restated to provide comparability.

Council does not undertake any hedging of interest rate risk.

(ii) Sensitivity Analysis

The following interest rate sensitivity analysis depicts what a reasonable 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. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

Sensitivity Analysis	Net Carrying		Profit		Equity	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Financial assets	1,065	780	1,065	780	1,065	780
Financial liabilities	(8)	-	(8)	-	(8)	-
Increase to profit with 1% increase in interest	1,057	780	1,057	780	1,057	780

Note 27 Correction of error, revision of estimates and reclassifications

(a) Reclassification of prior year figures	2013 \$000	Increase/ (Decrease) \$000	2013 (Restated) \$000
Statement for financial position (extract)			
Current Assets			
Trade and other receivables	46,725	(3,553)	43,172
Non-Current Assets			
Trade and other receivables	2,585	3,553	6,138
Current Liabilities			
Trade and other payables	35,462	15,189	50,651
Provisions	35,549	(15,189)	20,360
Net Change		-	

Change in reclassification of annual leave:

Management changed the classification of annual leave to move \$15,189,000 from current provisions to current trade and other payables. Council does not have unconditional right to defer settlement of annual leave liabilities for at least 12 months. As a result the non-current portion of the liability is still discounted, but is classified as current.

Change in reclassification of trade receivables - rates and utilities:

The prior year current and non current split for trade receivables - rates and utilities has been adjusted to be consistent with the methodology applied in the current year. This adjustment has been reflected in the prior year by a reclassification of \$3,553,000 between the current and non current portion of trade receivables - rates and utilities.

(b) Correction of error

Land asset fair value has been adjusted to reflect prior year errors. At the time of the amalgamation fifty-six parcels of land were included as assets owned by Council, however Council was trustee for that land and did not own it. The error was discovered when a comprehensive check, including inspection of each title, was performed as part of the 2014 revaluation. That land is owned by the Queensland Government. In addition, land was recorded as an asset where it had been merged with other titles, in some cases decades ago, but the original land parcel was not disposed of as an asset. Other parcels of land had been transferred to the Queensland Government as land under roads. There was also a duplicate asset record and seven titles owned but not previously recorded as assets. All of the land involved is administered by Council as either trustee or owner.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

	30 June 2013	Increase/ (Decrease)	2013 (Restated)
	\$000	\$000	\$000
Statement of Financial Position (extract)			
Non-Current Assets			
Property, plant and equipment	4,652,803	(32,492)	4,620,311
Equity			
Retained surplus	3,390,521	(32,492)	3,358,029

(c) **Movements between asset classes, revision of residual values and useful lives of property, plant and equipment.**

Assets	Previous Class	Current Class	Prior Basis of Measurement	Current Basis of Measurement	2014 \$'000
Car Parks and pathways	Land improvements	Transport Network	Fair Value	Fair Value	as per table in Note 12
Weirs	Land improvements	Dams and Weirs	Fair Value	Fair Value	
Treatment plant structures, other buildings	Building, landfills	Fixed Plant, Heritage	Fair Value	Fair Value	
Fixed Plant components	Pipe network	Fixed Plant, Plant & Equipment	Fair Value	Fair Value, Cost	

The revaluation of assets and the concurrent installation of a new Business Management system allowed Council to take the opportunity to review unitisation of all classes of assets. As a result, assets were split with a view to achieving industry best practice life cycle asset management practices and compliance with newly introduced international asset management standards. This will be a multi year endeavour. The split allows better classification of assets into appropriate asset classes. The split has not impacted on depreciation per se, however does allow a more mature estimate of remaining life which has impacted on depreciation as noted below. Prior year restatement has not occurred for this asset unitisation as the data is only available for 2014 and is not material to previous year comparatives.

Revision of residual values and useful lives of property, plant and equipment

During the year the residual values and estimated useful lives of certain items of property, plant and equipment were revised. Council applied increases to the residual values of dams, weirs and reservoir base structures, while simultaneously reviewing the remaining life of the assets concerned. The residual value changes were based upon the elements of the dam and weir walls which would endure during a major refurbishment, i.e. the rock material. The construction mode for reservoir refurbishment typically does not impact base structures, which endure into the next asset iteration and a residual value reflects this carryover of fair value. Road residual values change in accordance to the unit rates applied by the Queensland Local Government Roads Alliance Rates. This year, residuals are applied to roads with spray seal surfaces for the first time, where the typical engineering treatment involves overspray of existing material. This change had minimal impact. Other residual rates changes also had minimal impact and follow a consistent methodology based on engineering practice. Asset lives were reviewed for water and wastewater plants, other major fixed plant, dams, weirs, reservoirs, buildings and land improvements. The estimated amounts required for landfill restoration were updated to reflect new landfill site plans and better cost information. These changes in estimate impact upon the depreciable amounts of assets within these specific asset classes. These changes in estimate impact upon the depreciable amounts of assets within these specific asset classes. Asset lives were based on AECOM's standard industry lives, modified for some treatment plant structures where the asset life profile and industry experience indicated an extended life is the optimum estimate.

Assuming the assets are held to the end of their estimated useful lives it has been management's assessment that the net effect of the revisions will result in a change in the depreciation expense for the current and future years by the following amounts:

Year ending 30 June - Change resulting from:	Revaluation \$000	Residual change \$000	Life Change \$000	Total \$000
2014	1,397	(2,412)	2,883	1,868
2015	4,494	(7,235)	8,346	5,605
2016-2018	13,763	(21,712)	23,191	15,242
2019-2023	23,840	(34,639)	35,180	24,381
2024 -	192,550	(193,016)	(70,132)	(70,598)

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 28 Superannuation

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 *AASB119 Employee Benefits*. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

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

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

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

The audited general purpose financial report of the scheme as at 30 June 2013 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

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.

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Townsville City Council made 4.86% of the total contributions to the plan for the 2014 financial year.

	2014	2013
	\$000	\$000
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	13,354	12,699

Note 29 Trust funds

	2014	2013
	\$000	\$000
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	2,616	2,061
Townsville City Council Mayor's Christmas Tree Appeal	25	22
	2,641	2,083

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

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 30 National Competition Policy

Definitions of activities

Before the end of each financial year, the Minister must decide for the financial year, the expenditure amounts (the "threshold amounts") for identifying a "significant business activity" that should be a type 1 or 2 business activity.

Each local government may elect to apply a Code of Competitive Conduct (CCC) to any other identified business activities. However, for any with current expenditure of \$300,000 or more, the local government must decide, by resolution each year, whether to apply the CCC to that activity.

A significant business activity where the threshold expenditure has been set by the Minister for the 2014 financial year is as follows:

Type 1	(a)	for water and sewerage combined activities - \$42.64 million
	(b)	for other activities - \$25.54 million
Type 2	(a)	for water and sewerage combined activities - \$12.77 million
	(b)	for other activities - \$8.55 million

Council has resolved to commercialise the following activities which fall into the expenditure guidelines above:

Type 1 -	Water and Sewerage Services (Townsville Water)
Type 2 -	Cleansing Services (Townsville Waste)

Type 3 - "business activities" to which the code of competitive conduct is applied are:
 Performing Arts
 Off Street Parking

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

The following activity statements are for activities subject to the competitive code of conduct:

Functions	Revenue for services provided to 30th June 2014:		Community Service Obligations	Total Revenue	Less: Expenses	Operating Surplus / (Deficit)	Net Capital Income	Less: Tax Equivalent Expense	Net result for the year
	Council	External							
	2014 \$000	2014 \$000		2014 \$000	2014 \$000	2014 \$000	2014 \$000	2014 \$000	2014 \$000
Townsville Water	17,690	170,894	3,148	185,436	124,051	61,385	28,317	18,863	70,839
Townsville Waste	2,228	29,634	614	31,248	21,688	9,560	1,027	2,773	7,814
Performing Arts	-	1,588	-	1,588	8,140	(6,552)	-	-	(6,552)
Off Street Parking	-	283	-	283	358	(75)	-	-	(75)
Total	19,918	202,399	3,762	218,555	154,237	64,318	29,344	21,636	72,026

Community service obligations (CSO)

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

The information detailed in this note is limited to those activities that are considered to have significant dealings or the potential for significant dealings with the private sector.

Activities	CSO Description	2014
Type 1 and 2 activities		\$000
Townsville Water	Concessions & Other Community Services	3,148
Townsville Waste	Concessions & Other Community Services	614

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Note 31 Fair Value Measurements**(1) Recognised fair value measurements**

This section explains the judgements and estimates.

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

Property, plant and equipment

- Land
- Buildings
- Dams and Weirs
- Fixed Plant
- Transport network
- Pipe Networks
- Landfills
- Land Improvements
- Cultural and Heritage

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)

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 Statement of Comprehensive Income 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). A long term debt from College of Nations (YWAM) to Council, associated with the sale and lease of Lots 4 and 5 RP116804, is carried at the amount of the debt less a discount applied at the implicit rate derived from the interest payable (QTC 30 day deposit rate +.01%) in the lease and debt agreement. This debt is unsecured.

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

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

The table presents 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 (Significant other observable inputs) \$000	Level 3 (Significant unobservable inputs) \$000	Total \$000
Recurring fair value measurements				
- Land	12	\$335,403	-	\$335,403
- Land Improvements	12	-	\$71,510	\$71,510
- Buildings				
- Market Value Buildings	12	\$27,491	-	\$27,491
- Buildings - special purpose or on reserve land	12	-	\$131,109	\$131,109
- Dams and Weirs	12	-	\$409,027	\$409,027
- Fixed Plant	12	-	\$431,347	\$431,347
- Transport network	12	-	\$1,449,269	\$1,449,269
- Pipe Networks	12	-	\$1,275,568	\$1,275,568
- Landfills	12	-	\$8,554	\$8,554
- Other assets (Cultural and Heritage)	12	-	\$8,251	\$8,251
Non-recurring fair value measurements				
Land held for sale	9	-	-	-
		\$362,894	\$3,784,635	\$4,147,529

TOWNSVILLE CITY COUNCIL

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

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.

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:

(2) Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Discount rate	3-4.8%	Higher the discount rate, the lower the fair value.
Capitalisation rate	4-8.5%	Higher the capitalisation rate and expected vacancy rate, the lower the fair value.
Expected vacancy rate	6-22%	Higher the vacancy rate, the lower the fair value.
Rental growth rate	-1% to +4%	Higher the rental growth rate, the higher the fair value.
Condition rating (remaining useful life)	1-5	Higher the condition rating, the lower the fair value.
Residual value	\$0 - \$222m	Higher the residual value the higher the fair value.

(3) Land - (level 2)

Land fair values were determined by independent valuer, Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) no.1632), with an effective date of 28 February 2014. 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. Land was valued for its highest and best use, notwithstanding that this may differ from its current use.

Land classified as held for sale during the reporting period was measured at the lower of its carrying amount and fair value less cost to sell at the time of reclassification. The fair value of the land was determined using the sales comparison approach described in the preceding paragraph. Council owns multiple land sites which are not currently used for administrative, community or particular purposes. This land may be sold or exchanged from time to time as Council determines, however these parcels are not exclusively held for sale and are recorded within the Land asset class. There was no land held specifically for sale as at 30 June, 2014.

(4) Buildings - (level 2 and 3)

The fair value of buildings were determined by independent valuers.

Knight Frank (Craig Stack FAPI MDIA Registered Valuer (Qld) no.1632) valued level 2 buildings, which are those where an equivalent market value was the appropriate valuation technique. For these buildings the most significant inputs were estimated net rental per square metre and the associated capitalisation rate, valued at the highest and best use. Other inputs into this valuation approach were the sales prices of comparable properties after adjusting for differences in key attributes such as property size. Where a market can be identified, the net current 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. For this exercise Council applied comparable land values from this revaluation for equivalent land only valuations. One building, the Thuringowa Civic Centre, was valued at adjusted market rates, notwithstanding that is placed on Reserve land, as there is a possibility that a portion of the building may be sublet in future years.

All other buildings were deemed of specialist nature with no active market or were placed on reserve land; valued at current replacement value less obsolescence by Michael Puntill from AECOM (RPEQ No.11865), effective as at 28 February 2014. The comparative basis is a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values were derived by AECOM using their professional judgement, appropriate benchmarks, industry standard cost guides such as Rawlinson's (Australian Construction Handbook) plus their proprietary databases such as Townsville tender price index. For specialist usage buildings, by definition, there is no depth of market and the net current value of a building asset is the gross current value less straight line accumulated depreciation to reflect the consumed or expired service potential of the asset. The weighted average cost of construction used to calculate the gross current value of Council's buildings and structures, including pools, lagoons, other specialist structures while excluding car parks and small structures under 50 sqm, is \$2,483/sqm.

In determining the level of accumulated depreciation the assets are 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. For this financial year, no residual amounts were applied to buildings.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The valuation's sensitivity to these inputs is summarised below.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Condition rating (remaining useful life)	1-5	Higher the condition rating, the lower the fair value.
Residual value	\$0	No buildings have residual values

Infrastructure assets - (level 3)

Infrastructure assets comprise fixed plant, pipe networks, dams and weirs, land improvements and the transport network asset classes.

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. Technical obsolescence was also included as a discount factor with the differing service potential between a modern replacement asset and the asset in situ being a determinant in assigning value. Where valuation is based on visual external inspection and where that inspection cannot reasonably determine the interior condition of the asset (which may require NDT or invasive inspection techniques and not be cost justified), the date of installation of the asset is a factor in determining remaining life.

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.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" top down 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. Elements of original cost that may not be included in CRC include stamp duty, capitalised interest, buy outs of leases or other legislative or legal impediments to access the site where the asset is constructed. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

(5) Transport network - calculation of current replacement cost - (Level 3)**Roads****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 roads are managed in sections, generally assigned as intersection to intersection, but varying to meet engineering requirements. All road sections are then componentised into formation, pavement, surface, kerbs and footpaths (where applicable). Pathways, road furniture, lights and car parks are not segmented. Council assumes that environmental factors such as soil type, climate and topography are consistent across each section Council also assumes a section is designed and constructed to the same standard and uses a consistent amount of labour and materials.

CRC for road sections is calculated by reference to asset linear and area specifications, then applying rates based road profiles established by the Roads and Transport Alliance Valuation Project, a joint initiative by LGAQ and the Queensland Government, of which both Council and the valuer are members. These rates are then modified by taking into account costs that apply to Council such as equipment hire and usage rates, variations in employee wage rates, contractor cost indices and the local environment. Generally Townsville ground conditions are described as wet and reactive, which lessens the economic life and can increase the cost of road construction. The cost difference is less once the road formation has been constructed. Road condition is based on laser camera road surface cracking indexes, used also to extrapolate the condition of the underlying pavement. A factor is applied to the resulting condition matrix to allow for the time the road has been in use - this factor is on a Council wide basis and not based on individual road usage. Residual values are applied to pavement and spray seal surfaces. These residuals are attached to individual road rates for each road profile and vary according to road hierarchy, surface composition and iterations of reuse of road material. A roads condition can vary markedly if an adverse weather event occurs, causing moisture to enter the pavement structure and thus reduce the service potential of the road section component to varying degrees. CRC for other transport network components is serviced from extracts from these rates or management estimates based on current construction costs - these elements reflect a small portion of overall transport network value.

The last full valuation of road infrastructure was undertaken effective 28 February 2014, determined by independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). This was a review of rates. Laser camera cracking surveys are performed at intervals of 3-5 years and was last performed in 2012.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives. Depreciation is calculated on a straight line basis, reflecting the utility to users of the service potential over the life of the road. Usage is determined by a mix of date constructed and a condition matrix based on laser camera derived cracking scores. Estimated useful lives and residual values are disclosed in Note 12.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014**Bridges****Current replacement cost**

A full valuation of bridges assets was undertaken in 2012. Each bridge is assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads. Valuation in this financial year is based on management estimates of the 2012 rates adjusted for current construction costs, Roads Alliance rates and index data.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibited different useful lives. Depreciation is calculated on a straight line basis, reflecting the utility to users of the service potential over the life of the road. Usage is determined by a mix of date constructed and a condition matrix based on laser camera derived cracking scores. Estimated useful lives and residual values are disclosed in Note 12.

(6) Pipe Networks - water, wastewater and stormwater - (Level 3)**Current replacement cost**

Pipe network assets are split into over 400,000 individual components of varying length and function. Generally for pipes below 100mm in size, fittings are included in the pipe revaluation rates but fittings, valves and flow meters are listed separately for larger pipe sizes. Culverts in the stormwater system are generally characterised as bridges if that is their function. Key valuation data are usage, material, depth, length and size. Secondary factors include ground conditions, construction cost indexes such as Rawlinson's, and local contractor cost data. Generally a standardised rate is used reflecting brownfield replacement, i.e. access may be subject to restrictions on timing and methodology. Many elements of wastewater and stormwater pipes may be relined at the end of their useful life, extending the economic life to a high percentage of the original life. Pipes that may be relined have a residual value, rolled over to a new asset when the pipe is relined. Water pipes are not relined nor subject to CCTV inspections. CCTV inspection data currently does not cover a statistically significant portion of the pipe network each year, thus this condition data is not applied to remaining life for the network.

The valuation process was performed as follows:

Stormwater pipe network assets were revalued at their depreciated replacement cost based on independent valuations performed by Lemmah Pty Ltd (Graham John Jordan RPEQ No.3305). The process incorporates a review of unit rates for stormwater drainage with the valuer referring to the rates applied by other Councils utilising a 'first principles' model approach, consultant model rates and consultant greenfield contract rates.

Water and Wastewater pipe network assets were revalued at their depreciated replacement cost based on assessments performed by Northern Water Management Pty Ltd (J Ballard RPEQ No.6854). The process incorporates the determination of unit rates by reference to data contained in Rawlinson's Australian Construction Handbook plus an assessment of Council's internal and external costings.

Estimated useful lives and residual values are disclosed in Note 12. The remaining useful life was calculated on an age of installation basis.

(7) Landfills - (Level 3)**Current replacement cost**

Waste landfill cell fair values were determined by Council engineers effective 30 June 2014. New landfill cells are recorded at cost for recently completed cells, then have an index applied for subsequent periods. The principal element of landfill costs is the restoration cost provision at the end of the cells economic life. Long lived cells which are in the restoration phase do not have a cell construction cost applied to them. Periodically new site plans are prepared which may be able to utilise an existing cell for an extended period of time. In such cases only the incremental landfill cell cost is recorded at fair value.

Accumulated depreciation

Accumulated depreciation was determined through assessment of the remaining life for each landfill cell, allocated on a straight line basis. In the event of a cyclone that uses an exceptional amount of the cell capacity, an adjustment to remaining life is made.

(8) Fixed Plant, Dams and Weirs - comprising treatment plants and pump stations plus some coastal assets - (Level 3)**Current replacement cost**

All assets, including treatment plants, dams, weirs and pump stations and excluding pipelines were valued as at 28 February 2014 at their respective depreciated replacement cost determined by independent valuations performed by Michael Puntilli from AECOM (RPEQ No.11865). Where a market value existed, this was used to determine fair value. These valuations were applied at 30 June 2014 as it was determined there had been no material change in values in the intervening period.

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Council has a range of water and wastewater treatment plants, plus a significant number of water, wastewater and stormwater pump stations. There are other structures such as tide gates. This year, all fixed plant assets have been physically inspected by the valuer AECOM and their condition determined on a 1-5 scale by external inspection. Photos and GPS data were recorded for each asset. Valuations were determined on a top down, greenfield model for all the assets in this class. In some cases recent construction data (e.g. Mt St John Wastewater Treatment Plant, Northern Water Treatment Plant) and Bill of Material costs were used as prime data to inform the valuation, including specialised indexes such as AECOM's proprietary tender price index for Townsville. In other cases, such as Douglas Water Treatment plant, comparative construction costs for similar plants in southern parts of Australia were used as reference costs. Adjustments were made for local costs and conditions. Discounts were applied to modern plant replacements to allow for differentials in service potential to the in situ plant as appropriate. Dam construction was based on original plans converted to current construction costs.

AECOM's cost models were derived from the following sources:

- » AECOM database
- » Schedule rates for construction of asset or similar assets
- » Cost curves derived by AECOM
- » Building Price Index tables
- » Recent contract and tender data
- » Rawlinson's Rates for building and construction, and
- » Suppliers' quotations

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).

Valuation unit rates (replacement costs) of equipment were increased to allow for construction and installation, project overheads including survey, environmental and investigation costs, engineering design, planning and project management, and permit and license requirements.

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection and an assessment to determine remaining useful life. Assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below:

Condition rating and description	Description explanation	Remaining useful life %
1. As new/ excellent	Asset "as new"	95% of useful life
2. 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. Fair	Asset is reliable and operates as intended, but its appearance and structural integrity are questionable.	50% of useful life
4. Poor	Asset still operates, but does not meet intended duty or does not appear sound.	25% of useful life
5. Unserviceable	Asset is not functioning/ needs immediate attention.	0% of useful life

(9) Land Improvements - (Level 3)

Land improvements were valued at current replacement value less obsolescence by Michael Puntill from AECOM (RPEQ No.11865), effective as at 28 February 2014. The comparative basis is a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values were derived by AECOM using their professional judgement, appropriate benchmarks, industry standard cost guides such as Rawlinson's (Australian Construction Handbook) plus their proprietary databases such as Townsville tender price index.

(10) All infrastructure – Sensitivity of valuation to unobservable inputs - (Level 3)

The method used to value Council's infrastructure 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:

TOWNSVILLE CITY COUNCIL
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of Labour hours	required number of construction hours	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 (useful life)	1 – 5 as specified above	The higher the condition rating, the lower the fair value.
Remaining useful life	5-100 years	The longer the remaining useful life, the higher the fair value.
Length of time in service	0-100 years	The longer the period in service, the lower the fair value
Residual value	\$0 - \$222m (by component)	The higher the residual value the higher the fair value.

(11) Other Assets (Cultural and Heritage) - (Level 3)

This asset group comprises art works held in galleries, public art, and heritage listed buildings and structures with appropriate conservation plans. Art works in galleries are generally donated and, as a public gallery, may never be disposed of unless damaged or destroyed by natural disasters. These are subject to regular inspections and valuations. The process was formerly a cyclical inspection but has now changed to a full valuation at periodical times, currently scheduled for 2015. Heritage listed buildings and structures were transferred across to this class as at 30 June 2014, at the valuation figure of 28 February 2014. From 2015, where the conservation plan is in place, it is planned to cease depreciation of these assets as their condition will always meet heritage requirements for the foreseeable future.

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

The changes in level 3 assets with recurring fair value measurements are detailed in Note 12 (property, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

(13) Valuation processes

Council's valuation policies and procedures are set by the Executive Leadership Team, comprising the CEO and all the Directors of Council, via the medium of an Asset Accounting Administrative Directive. This is reviewed annually taking into consideration all relevant information. Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is set out in Note 1. Non-recurring fair value measurements are made at the point of reclassification by either a registered valuer or an appropriate management estimate.

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Townsville City Council

Report on the Financial Report

I have audited the accompanying financial report of Townsville City 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 ended 30 June 2014, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Townsville City 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.



B MACRAE FCPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

TOWNSVILLE CITY COUNCIL
CURRENT YEAR FINANCIAL SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Measures of Financial sustainability

Council's performance at 30 June 2014 against key financial ratios and targets:

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
How the measure is calculated	Net result (excluding capital items) divided by total operating revenue (excluding capital)	Capital expenditure on the replacement of assets (renewals) divided by depreciation	Total liabilities less current assets divided by total operating revenue (excluding capital items)
Target	Between 0% and 10%	greater than 90%	not greater than 60%
Actual	2%	88%	79%

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 Council's audited general purpose financial statements for the year ended 30 June 2014.

* Operating surplus ratio has been calculated from the Statement of Comprehensive Income, with details on capital revenue and capital expenditure to be excluded derived from note 2 and 3 respectively. Workings as follows:

[Net result \$28,975,000 - Capital Grants, subsidies, contributions and donations \$54,479,000 (note 2) - Capital Contribution of assets \$46,691,000 (note 2) + Capital Expenses \$78,270,000 (note 3)] / Revenue \$381,960,000

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

Dated this

24th day of OCTOBER 2014

Chief Executive Officer

Dated this

26th day of October 2014

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Townsville City 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 Townsville City 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 Townsville City 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.



B MACRAE FCPA
as Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

TOWNSVILLE CITY COUNCIL
LONG TERM FINANCIAL SUSTAINABILITY STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

Measures of Financial sustainability	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
How the measure is calculated	Net result divided by total operating revenue	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	Total liabilities less current assets divided by total operating revenue
Target	Between 0% and 10%	greater than 90%	not greater than 60%
30-Jun-14	2%	88%	79%
30-Jun-15	1%	82%	75%
30-Jun-16	0%	83%	80%
30-Jun-17	1%	81%	77%
30-Jun-18	1%	76%	88%
30-Jun-19	0%	71%	96%
30-Jun-20	0%	72%	87%
30-Jun-21	1%	73%	78%
30-Jun-22	2%	73%	74%
30-Jun-23	2%	74%	61%

Projected for the years ended

Financial Management Strategy

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

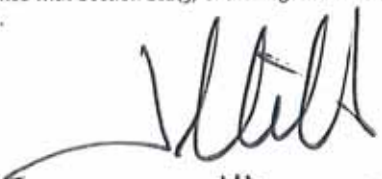
CERTIFICATE OF ACCURACY FOR THE LONG TERM FINANCIAL SUSTAINABILITY STATEMENT PREPARED AS AT 30 JUNE 2014

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

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

Mayor

Dated this


 24th day of OCTOBER 2014

Chief Executive Officer

Dated this


 24th day of October 2014