

# ISAAC REGIONAL COUNCIL

## Financial Statements

For the year ended 30 June 2017

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**ISAAC REGIONAL COUNCIL**

**Statement of Comprehensive Income**

**For the year ended 30 June 2017**

|  |        | 2017                    | 2016                     |
|--|--------|-------------------------|--------------------------|
|  | Note   | \$                      | \$                       |
| <b>Income</b>  |        |                         |                          |
| <b>Recurrent revenue</b>                                 |        |                         |                          |
| Rates and levies   | 3      | 77,274,412              | 75,896,668               |
| Sale of goods and major services                         |        | 3,735,352               | 3,998,245                |
| Fees and charges   |        | 3,066,553               | 3,136,448                |
| Rental and levies  |        | 935,946                 | 881,866                  |
| Interest received  |        | 2,796,721               | 3,044,649                |
| Sales of contract and recoverable works                  |        | 4,446,982               | 3,180,621                |
| Other recurrent income                                   |        | 143,771                 | 172,565                  |
| Grants, subsidies, contributions and donations           | 4 (i)  | 8,663,474               | 6,011,941                |
| <b>Total operating revenue</b>                           |        | <u>101,063,211</u>      | <u>96,323,003</u>        |
| <b>Capital revenue</b>                                   |        |                         |                          |
| Grants, subsidies, contributions and donations           | 4 (ii) | 15,974,976              | 15,653,309               |
|  |        | <u>15,974,976</u>       | <u>15,653,309</u>        |
| <b>Total revenue</b>                                     |        | <u>117,038,187</u>      | <u>111,976,312</u>       |
| <b>Capital income</b>                                    |        | <u>70,711</u>           | <u>924,928</u>           |
| <b>Total income</b>                                      | 2 (b)  | <u>117,108,898</u>      | <u>112,901,240</u>       |
| <b>Expenses</b>  |        |                         |                          |
| <b>Recurrent expenses</b>                                |        |                         |                          |
| Employee benefits  | 5      | (34,216,759)            | (31,578,958)             |
| Materials and services                                   | 6      | (38,503,097)            | (34,656,475)             |
| Finance costs  |        | (1,652,034)             | (1,360,096)              |
| Depreciation and amortisation                            | 7      | (22,414,678)            | (21,764,174)             |
| <b>Total operating expenses</b>                          |        | <u>(96,786,568)</u>     | <u>(89,359,703)</u>      |
| <b>Capital expenses</b>                                  |        |                         |                          |
| Other capital expenses                                   | 8      | (11,102,572)            | (15,419,050)             |
| <b>Total expenses</b>                                    | 2 (b)  | <u>(107,889,140)</u>    | <u>(104,778,753)</u>     |
| <b>Net result</b>  |        | <u>9,219,758</u>        | <u>8,122,487</u>         |
| <b>Other comprehensive income</b>                        |        |                         |                          |
| <b>Items that will not be reclassified to net result</b> |        |                         |                          |
| Increase / (decrease) in asset revaluation surplus       | 20     | (9,933,427)             | 12,952,063               |
| <b>Total other comprehensive income for the year</b>     |        | <u>(9,933,427)</u>      | <u>12,952,063</u>        |
| <b>Total comprehensive income for the year</b>           |        | <u><u>(713,669)</u></u> | <u><u>21,074,550</u></u> |

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

**ISAAC REGIONAL COUNCIL**

**Statement of Financial Position**

**As at 30 June 2017**

|                                      | Note   | 2017<br>\$           | 2016<br>\$           |
|--------------------------------------|--------|----------------------|----------------------|
| <b>Current assets</b>                |        |                      |                      |
| Cash and cash equivalents            | 10     | 79,410,078           | 62,560,903           |
| Cash investments                     | 10     | -                    | 30,000,000           |
| Trade and other receivables          | 11 (a) | 12,043,371           | 9,701,788            |
| Inventories                          | 12     | 17,015,514           | 18,147,233           |
| <b>Total current assets</b>          |        | <b>108,468,963</b>   | <b>120,409,924</b>   |
| <b>Non-current assets</b>            |        |                      |                      |
| Trade and other receivables          | 11 (b) | 5,385,435            | 5,315,265            |
| Investment properties                | 14     | -                    | 11,850,161           |
| Property, plant and equipment        | 15     | 1,067,601,374        | 1,055,913,907        |
| Intangible assets                    |        | 339,336              | 31,169               |
| <b>Total non-current assets</b>      |        | <b>1,073,326,145</b> | <b>1,073,110,502</b> |
| <b>TOTAL ASSETS</b>                  |        | <b>1,181,795,107</b> | <b>1,193,520,426</b> |
| <b>Current liabilities</b>           |        |                      |                      |
| Trade and other payables             | 17     | 11,746,925           | 10,648,347           |
| Provisions                           | 18     | 1,995,178            | 2,096,474            |
| Borrowings                           | 19     | 1,127,878            | 1,644,137            |
| Other                                |        | 121,595              | 180,690              |
| <b>Total current liabilities</b>     |        | <b>14,991,576</b>    | <b>14,569,648</b>    |
| <b>Non-current liabilities</b>       |        |                      |                      |
| Trade and other payables             | 17     | 52,894               | 54,253               |
| Provisions                           | 18     | 7,570,970            | 14,386,499           |
| Borrowings                           | 19     | 24,595,419           | 35,181,277           |
| <b>Total non-current liabilities</b> |        | <b>32,219,283</b>    | <b>49,622,029</b>    |
| <b>TOTAL LIABILITIES</b>             |        | <b>47,210,859</b>    | <b>64,191,677</b>    |
| <b>NET COMMUNITY ASSETS</b>          |        | <b>1,134,584,249</b> | <b>1,129,328,749</b> |
| <b>Community equity</b>              |        |                      |                      |
| Asset revaluation surplus            | 20     | 340,154,882          | 350,088,309          |
| Retained surplus (deficiency)        | 21     | 722,180,736          | 690,615,271          |
| Reserves                             | 22     | 72,248,630           | 88,625,169           |
| <b>TOTAL COMMUNITY EQUITY</b>        |        | <b>1,134,584,249</b> | <b>1,129,328,749</b> |

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

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity  
For the year ended 30 June 2017

|  | Note | Total         |               | Retained surplus<br>(deficit) |             | Reserves     |             | Asset revaluation surplus |              |
|--|------|---------------|---------------|-------------------------------|-------------|--------------|-------------|---------------------------|--------------|
|  |      | 2017          | 2016          | 2017                          | 2016        | 2017         | 2016        | 2017                      | 2016         |
|  |      | \$            | \$            | \$                            | \$          | \$           | \$          | \$                        | \$           |
| <b>Balance at beginning of the year</b>                      |      | 1,129,328,749 | 1,107,604,430 | 690,615,271                   | 675,407,815 | 88,625,169   | 95,060,368  | 350,088,309               | 337,136,246  |
| Corrections to opening balances                              |      | 5,969,169     | 649,769       | 5,969,169                     | 649,769     |              |             | -                         |              |
| Restated opening balances                                    |      | 1,135,297,918 | 1,108,254,199 | 696,584,440                   | 676,057,584 | 88,625,169   | 95,060,368  | 350,088,309               | 337,136,246  |
| Net result   |      | 9,219,758     | 8,122,487     | 9,219,758                     | 8,122,487   | -            | -           | -                         | -            |
| Other comprehensive income for the year                      |      |               |               |                               |             |              |             |                           |              |
| Revaluations   |      |               |               |                               |             |              |             |                           |              |
| Property, plant & equipment                                  | 15   | (16,311,911)  | 23,584,928    |                               |             |              |             | (16,311,911)              | 23,584,928   |
| Change in value of future rehabilitation costs               |      | 6,378,484     | (10,632,865)  |                               |             |              |             | 6,378,484                 | (10,632,865) |
| <b>Total comprehensive income for the year</b>               |      | (713,669)     | 21,074,550    | 9,219,758                     | 8,122,487   | -            | -           | (9,933,427)               | 12,952,063   |
| Transfers (to) from retained earnings and recurrent reserves | 21   | -             | -             | -                             | (130,659)   | -            | 130,659     | -                         | -            |
| Transfers (to) from retained earnings and capital reserves   | 21   | -             | -             | 16,376,538                    | 6,565,859   | (16,376,538) | (6,565,859) | -                         | -            |
| <b>Balance at end of the year</b>                            |      | 1,134,584,249 | 1,129,328,749 | 722,180,736                   | 690,615,271 | 72,248,630   | 88,625,169  | 340,154,882               | 350,088,309  |

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

**ISAAC REGIONAL COUNCIL**

**Statement of Cash Flows**

**For the year ended 30 June 2017**

|  | Note | 2017<br>\$               | 2016<br>\$               |
|--|------|--------------------------|--------------------------|
| <b>Cash flows from operating activities</b>                      |      |                          |                          |
| <b>Receipts</b>  |      |                          |                          |
| Receipts from customers  |      | 86,867,096               | 92,931,266               |
| Operating grants, subsidies and contributions                    |      | 8,663,474                | 6,011,941                |
| Interest received  |      | 3,223,748                | 3,515,152                |
| <b>Payments</b>  |      |                          |                          |
| Payments to suppliers and employees                              |      | (70,920,487)             | (72,856,929)             |
| Interest expense   |      | (1,879,246)              | (1,875,236)              |
| <b>Net cash inflow (outflow) from operating activities</b>       | 26   | <u>25,954,585</u>        | <u>27,726,194</u>        |
| <b>Cash flows from investing activities</b>                      |      |                          |                          |
| Commonwealth government grants                                   |      | 4,259,421                | 4,540,854                |
| State government subsidies and grants                            |      | 11,495,635               | 7,355,354                |
| Capital contributions  |      | 106,201                  | 3,055,132                |
| Payments for property, plant and equipment                       |      | (42,055,179)             | (47,014,260)             |
| Payments for intangible assets                                   |      | (316,402)                | -                        |
| Payments for investment property                                 |      | -                        | (132,927)                |
| Net transfer (to) from cash investments                          | 10   | 30,000,000               | 19,258,224               |
| Proceeds from sale of property, plant and equipment              |      | 617,468                  | 1,464,874                |
| Net movement in loans to controlled entities & associates        |      | (128,420)                | 58,576                   |
| <b>Net cash inflow (outflow) from investing activities</b>       |      | <u>3,978,724</u>         | <u>(11,414,173)</u>      |
| <b>Cash flows from financing activities</b>                      |      |                          |                          |
| Repayment of borrowings  | 19   | (13,084,134)             | (1,497,355)              |
| <b>Net cash inflow (outflow) from financing activities</b>       |      | <u>(13,084,134)</u>      | <u>(1,497,355)</u>       |
| <b>Net increase (decrease) in cash and cash equivalents held</b> |      | <u>16,849,175</u>        | <u>14,814,666</u>        |
| Cash and cash equivalents at beginning of the financial year     |      | 62,560,903               | 47,746,237               |
| <b>Cash and cash equivalents at end of the financial year</b>    | 10   | <u><b>79,410,078</b></u> | <u><b>62,560,903</b></u> |

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

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#### 1 Significant accounting policies

##### 1. 1 Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

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

##### Recurrent/capital classification

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

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

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

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

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

##### 1. 2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period.

Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS.

The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

##### 1. 3 Constitution

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

##### 1. 4 Date of authorisation

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

##### 1. 5 Currency

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

##### 1. 6 Adoption of new and revised Accounting Standards

This year Council has applied *AASB 124 Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 30.

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards are not expected to have a material impact upon Council's future financial statements.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|      |  |  |
|------|--|--|
| 1    | <b>Significant accounting policies</b>   |  |
|      | <b>Standard and impact</b>   | Effective for annual report periods beginning on or after: |
|      | <b>AASB 9 Financial Instruments</b>  | 1 Jan 2018   |
|      | This replaces <i>AASB 139 Financial Instruments</i> : Recognition and Measurement, and will change the classification, measurement and disclosures of financial assets.  |  |
|      | <b>AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</b>   | 1 Jan 2019   |
|      | AASB 15 will replace <i>AASB 118 Revenue</i> , <i>AASB 111 Construction Contracts</i> and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace <i>AASB 1004 Contributions</i> . Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. |  |
|      | Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.  |  |
|      | <b>AASB 16 Leases</b>  | 1 Jan 2019   |
|      | Council has some leases that are not on its balance sheet. These will need to be included on the balance sheet when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term.   |  |
|      | <b>AASB 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15</b>   | 1 Jan 2019   |
|      | <b>AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities</b>   | 1 Jan 2017   |
|      | <b>AASB 2016-7 Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities</b>   | 1 Jan 2017   |
|      | <b>AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities</b>  | 1 Jan 2019   |
|      | <b>AASB 2017-1 Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments</b>  | 1 Jan 2018   |
|      | <b>AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-16 Cycle</b>   | 1 Jan 2017   |
| 1. 7 | <b>Estimates and judgements</b>  |  |
|      | Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to council's assets or liabilities relate to:   |  |
|      | Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:  |  |
|      | Investment Property - note 14  |  |
|      | Valuation and depreciation of property, plant and equipment - note 16  |  |
|      | Annual leave liability - note 17   |  |
|      | Provisions - note 18   |  |
| 1. 8 | <b>Rounding and comparatives</b>   |  |
|      | The financial statements have been rounded to the nearest \$1.   |  |
|      | Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.   |  |
| 1. 9 | <b>Taxation</b>  |  |
|      | Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.  |  |
|      | The Council pays payroll tax to the Queensland Government on certain activities.   |  |

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

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

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

##### Office of the CEO

The Office of the Chief Executive Officer is responsible for the organisational leadership, administration and strategic management of the organisation. This is undertaken in conjunction with the Isaac Regional Councillors, with the goal of providing open and transparent governance.

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

##### Corporate, Governance & Financial Services

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

##### Engineering & Infrastructure

Engineering and Infrastructure provide the following functions; land care and open spaces, resource recovery, engineering design and projects, roads and urban services. It also manages the business unit of resource recovery.

##### Planning, Environment & Community Services

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

##### Business Activities

###### Water

The water department within newly formed Water & Wastewater Directorate manages Council's water treatment plants, pump stations, water pipeline network and water metering.

###### Sewerage

The sewerage department within newly formed Water & Wastewater Directorate manages Council's sewerage treatment plants, pump stations, sewerage pipeline network, effluent treatment plants and effluent water pipeline network.

###### Resource Recovery

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

###### Land Development

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

###### Plant, Fleet, Workshops & Depot

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



ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2017

2 Analysis of results by program

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

|  | Gross program income |            |                 |                 |             |              | Total income | Gross program expenses |               | Total expenses | Operating surplus/(deficit) from recurrent operations | Net result for year | Assets |
|--|----------------------|------------|-----------------|-----------------|-------------|--------------|--------------|------------------------|---------------|----------------|---|---------------------|--------|
|  | Recurrent revenue    |            | Capital revenue |                 |             |              |              |                        |               |                |   |                     |        |
|  | Grants               | Other      | Grants          | Capital revenue |             | Capital      |              |                        |               |                |   |                     |        |
|  |                      |            |                 | 2017            | 2017        |              |              | 2017                   | 2017          |                |   |                     |        |
| Programs                                   | 2017 \$              | 2017 \$    | 2017 \$         | 2017 \$         | 2017 \$     | 2017 \$      | 2017 \$      | 2017 \$                | 2017 \$       | 2017 \$        | 2017 \$   | 2017 \$             |        |
| Office of the CEO                          | 116,000              | 68,965     | -               | -               | 184,965     | 2,016,220    | -            | -                      | 2,016,220     | 2,201,185      | 2,201,185   | -                   |        |
| Corporate, Governance & Financial Services | 4,715,499            | 55,407,818 | -               | -               | 60,123,317  | (3,299,735)  | -            | -                      | (3,299,735)   | 56,823,582     | 56,823,582  | 97,271,480          |        |
| Engineering & Infrastructure               | 3,124,822            | 4,184,400  | 13,430,026      | 159,490         | 20,898,738  | (31,567,438) | (7,262,457)  | -                      | (38,829,895)  | (24,258,216)   | (17,931,157)  | 631,993,318         |        |
| Planning, Environment & Community Services | 460,907              | 3,496,604  | -               | 33,690          | 3,991,201   | (27,048,704) | 631,048      | -                      | (26,417,656)  | (23,091,193)   | (22,426,455)  | 129,293,534         |        |
| Water                                      |                      | 10,942,657 | 1,609,030       | 13,370          | 12,565,057  | (14,875,901) | (1,705,856)  | -                      | (16,581,757)  | (3,933,244)    | (4,016,700)   | 148,354,756         |        |
| Sewerage                                   |                      | 10,167,555 | -               | 13,370          | 10,180,925  | (10,992,525) | (1,319,301)  | -                      | (12,311,826)  | (824,970)      | (2,130,901)   | 127,233,943         |        |
| Resource Recovery                          |                      | 8,174,474  | 716,000         | -               | 8,890,474   | (8,172,792)  | (1,446,005)  | -                      | (9,618,797)   | 1,682          | (728,323)   | 11,811,346          |        |
| Land Development                           |                      |            | -               | -               | -           | (2,052,772)  | -            | -                      | (2,052,772)   | (2,052,772)    | (2,052,772)   | 15,320,671          |        |
| Plant, Fleet, Workshops & Depot            | 195,754              | 7,756      | -               | 70,711          | 274,221     | (792,921)    | (1)          | -                      | (792,922)     | (589,411)      | (518,701)   | 20,516,060          |        |
| Total                                      | 8,612,982            | 92,450,229 | 15,755,056      | 290,631         | 117,108,898 | (96,786,568) | (11,102,572) | -                      | (107,889,140) | 4,276,643      | 9,219,758   | 1,181,795,107       |        |

For the year ended 30 June 2016

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

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|   | Note | 2017<br>\$  | 2016<br>\$  |
|---|------|-------------|-------------|
| <b>3 Revenue</b>  |      |             |             |
| Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.  |      |             |             |
| <b>(a) Rates and levies</b>   |      |             |             |
| Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period. |      |             |             |
| General rates   |      | 57,814,627  | 56,645,719  |
| Separate rates  |      | -           | -           |
| Disaster management levy  |      | 132,465     | 131,226     |
| Water   |      | 10,653,569  | 10,848,418  |
| Water consumption, rental and sundries  |      | 6,030       | 4,125       |
| Sewerage  |      | 9,888,103   | 9,446,083   |
| Sewerage trade waste  |      | 6,595       | 3,458       |
| Garbage charges   |      | 4,630,819   | 4,505,030   |
| Rates and utility charge revenue  |      | 83,132,208  | 81,584,059  |
| Less: Discounts   |      | (5,621,310) | (5,462,041) |
| Less: Pensioner remissions  |      | (236,486)   | (225,350)   |
| Net rates and utility charges   |      | 77,274,412  | 75,896,668  |

### 4 Grants, subsidies, contributions and donations

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

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

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

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

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

#### (i) Recurrent

|                                       |           |           |
|---------------------------------------|-----------|-----------|
| General purpose grants                | 7,458,090 | 5,001,640 |
| Commonwealth subsidies and grants     | 195,754   | 172,021   |
| State government subsidies and grants | 959,138   | 709,719   |
| Donations                             | 16,374    | 65,254    |
| Contributions                         | 34,118    | 63,307    |
| Total recurrent revenue               | 8,663,474 | 6,011,941 |

#### (ii) Capital

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

##### (a) Monetary revenue designated for capital funding purposes

|   |            |            |
|---|------------|------------|
| Commonwealth government grants                    | 4,259,421  | 4,540,854  |
| State government subsidies and grants             | 4,777,530  | 22,785     |
| NDRRA flood damage grants for capitalised repairs | 6,718,105  | 7,332,569  |
| Contributions                                     | 219,920    | 3,055,132  |
|   | 15,974,976 | 14,951,340 |

##### (b) Non-monetary revenue received -

|  |   |         |
|--|---|---------|
| Developer contributions of physical assets at fair value | - | 701,969 |
|  | - | 701,969 |

|                       |            |            |
|-----------------------|------------|------------|
| Total capital revenue | 15,974,976 | 15,653,309 |
|-----------------------|------------|------------|

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|  | Note | 2017<br>\$         | 2016<br>\$         |
|--|------|--------------------|--------------------|
| <b>5 Employee benefits</b>                       |      |                    |                    |
| Total staff wages and salaries                   |      | 29,239,319         | 27,434,723         |
| Councillors' remuneration                        |      | 642,089            | 682,566            |
| Annual, sick and long service leave entitlements |      | 4,690,410          | 4,409,222          |
| Superannuation                                   | 25   | 3,339,948          | 3,113,547          |
|  |      | <u>37,911,766</u>  | <u>35,640,058</u>  |
| Other employee related expenses                  |      | 852,726            | 1,042,350          |
|  |      | <u>38,764,492</u>  | <u>36,682,408</u>  |
| Less capitalised employee expenses               |      | <u>(4,547,733)</u> | <u>(5,103,450)</u> |
|  |      | <u>34,216,759</u>  | <u>31,578,958</u>  |

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

|                                      |            |            |
|--------------------------------------|------------|------------|
| Total Council employees at 30 June   | 2017       | 2016       |
| Elected members                      | 9          | 9          |
| Administration staff                 | 210        | 205        |
| Depot and outdoors staff             | 187        | 182        |
| Total full time equivalent employees | <u>406</u> | <u>396</u> |

|  |                   |                   |
|--|-------------------|-------------------|
| <b>6 Materials and services</b>                        | \$                | \$                |
| Audit Fees (Internal & External)                       | 288,746           | 248,193           |
| Professional fees including legal fees                 | 5,291,356         | 5,946,616         |
| Donations paid   | 473,817           | 778,022           |
| Electricity  | 3,225,406         | 2,707,168         |
| Refuse collection                                      | 2,428,448         | 2,314,650         |
| Plant and vehicle expenses                             | 1,387,244         | 1,431,887         |
| IT and telecommunications                              | 2,555,165         | 2,041,176         |
| Contractors  | 1,592,023         | 639,157           |
| Insurance  | 1,285,411         | 1,355,820         |
| Rentals - Operating leases                             | 7,765             | 352,703           |
| Revaluation of land for sale (classified as inventory) | 1,054,857         | 912,903           |
| Other material and services                            | 18,654,462        | 15,928,180        |
| Cost of inventory land reclassified                    | 258,397           | -                 |
|  | <u>38,503,097</u> | <u>34,656,475</u> |

|   |                   |                   |
|---|-------------------|-------------------|
| <b>7 Depreciation and amortisation</b>      |                   |                   |
| (a) Depreciation of non-current assets      |                   |                   |
| Land and improvements                       | 1,930,274         | 1,120,228         |
| Buildings                                   | 1,895,462         | 2,203,229         |
| Plant and equipment                         | 3,404,816         | 3,363,699         |
| Road, bridge and drainage                   | 8,786,538         | 8,732,635         |
| Water                                       | 3,102,757         | 3,078,730         |
| Sewerage                                    | 3,002,342         | 2,972,308         |
| Waste management                            | 100,835           | 78,736            |
| Aerodrome                                   | 183,419           | 199,495           |
|   | <u>22,406,443</u> | <u>21,749,060</u> |
| (b) Amortisation of other intangible assets |                   |                   |
| Computer software                           | 8,235             | 15,114            |
|   | <u>8,235</u>      | <u>15,114</u>     |
| Total depreciation and amortisation         | <u>22,414,678</u> | <u>21,764,174</u> |

|   |   |    |                   |                   |
|---|---|----|-------------------|-------------------|
| 8 | Capital expenses                                  |    |                   |                   |
|   | Loss on write-off of capital assets               | 9  | 8,983,432         | 15,419,050        |
|   | Revaluation down of property, plant and equipment | 15 | 137,123           | -                 |
|   | Loss on market value adjustment to long term debt | 19 | 1,982,017         | -                 |
|   | Total capital expenses                            |    | <u>11,102,572</u> | <u>15,419,050</u> |

|   |                                     |           |                  |                   |
|---|-------------------------------------|-----------|------------------|-------------------|
| 9 | Loss on write-off of capital assets |           |                  |                   |
|   | Land and improvements               | 2,072,293 | 111,818          |                   |
|   | Buildings                           | 329,143   | 2,854,951        |                   |
|   | Plant and equipment                 | 1         | 65,221           |                   |
|   | Road, bridge and drainage           | 4,483,636 | 12,145,427       |                   |
|   | Water                               | 1,705,856 | 158,998          |                   |
|   | Sewerage                            | 43,812    | 82,635           |                   |
|   | Waste management                    | 348,691   | -                |                   |
|   |                                     | 8         | <u>8,983,432</u> | <u>15,419,050</u> |

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|   | Note        | 2017<br>\$ | 2016<br>\$ |
|---|-------------|------------|------------|
| <b>10 Cash and cash equivalents</b>   |             |            |            |
| Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.   |             |            |            |
| Cash at bank and on hand  |             | 508,969    | 626,263    |
| Deposits at call  |             | 76,901,109 | 3,071,608  |
| Term deposits   |             | 2,000,000  | 58,863,032 |
| Total cash and cash equivalents per statement of cash flows   |             | 79,410,078 | 62,560,903 |
| Cash investments  |             | -          | 30,000,000 |
| Total cash assets   |             | 79,410,078 | 92,560,903 |
| Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include externally imposed expenditure restrictions.   |             |            |            |
| Unspent loan monies   | 22 (a) (i)  | 702,044    | 4,905,467  |
| Unspent government grants and subsidies   | 22 (a) (ii) | 9,021,206  | 2,408,983  |
| Unspent developer contributions   | 22 (a) (ii) | 25,869,457 | 38,592,303 |
| Total unspent external restricted cash held in reserves   |             | 35,592,708 | 45,906,753 |
| Council has resolved to set aside revenue to provide funding for specific future projects that will be required to meet delivery of essential services and meet day to day operational requirements.  |             |            |            |
| Funds set aside by council to meet specific future funding requirements   |             | 43,178,407 | 46,654,150 |
| Total cash held to contribute to identified funding commitments   |             | 78,771,115 | 92,560,903 |
| Cash and deposits at call are held in the following banks: ANZ Bank, Queensland Country Credit Union, National Australia Bank and Queensland Treasury.  |             |            |            |
| <b>Trust funds</b>  |             |            |            |
| In accordance with the <i>Local Government Act 2009</i> and <i>Local Government Regulation 2012</i> , a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include security deposits lodged to guarantee performance and unclaimed monies. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements. |             |            |            |
| <b>Trust funds held for outside parties</b>   |             |            |            |
| Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities   |             | 33,930     | 33,980     |
| Security deposits   |             | 290,246    | 414,646    |
|   |             | 324,176    | 448,626    |
| <b>11 Trade and other receivables</b>   |             |            |            |
| Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.  |             |            |            |
| Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.  |             |            |            |
| Because Council is empowered under the provisions of the <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.  |             |            |            |
| Loans and advances are recognised in the same way as other receivables. Terms are as per written agreement with interest charged at negotiated rates. Security is held over assets if applicable.   |             |            |            |
| <b>(a) Current</b>  |             |            |            |
| Rateable revenue and utility charges  |             | 3,711,206  | 4,038,070  |
| Accrued interest  |             | 188,716    | 615,743    |
| GST recoverable   |             | 1,349,054  | 1,504,270  |
| Other debtors   |             | 6,317,123  | 3,051,637  |
| Less impairment provision   |             | (277,176)  | (242,186)  |
|   |             | 11,288,923 | 8,967,534  |
| Prepayments   |             | 754,448    | 734,254    |
|   |             | 12,043,371 | 9,701,788  |
| <b>(b) Non-current</b>  |             |            |            |
| Deferred debtors  |             | 9,000      | 67,250     |
| Loans and advances to controlled entities and associates  |             | 5,376,435  | 5,248,015  |
|   |             | 5,385,435  | 5,315,265  |

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|  | Note | 2017<br>\$         | 2016<br>\$        |
|--|------|--------------------|-------------------|
| Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable.   |      |                    |                   |
| All loans and advances relate to loans made to various community bodies. These loans arise from time to time and are subject to negotiated interest rates.   |      |                    |                   |
| Movement in accumulated impairment losses (trade and other receivables)  |      |                    |                   |
| Balance at beginning of the year   |      | 242,186            | 350,705           |
| Impairment adjustment in year  |      | 34,990             | (108,519)         |
| Balance at end of the year   |      | <u>277,176</u>     | <u>242,186</u>    |
| Ageing of past due receivables (excluding prepayments) and the amount of any impairment is disclosed in the following table.   |      |                    |                   |
| Not past due   |      | 8,464,985          | 10,415,116        |
| Past due - 31 to 60 days   |      | 88,233             | 51,468            |
| - 61 to 90 days  |      | 16,064             | 2,252             |
| - Over 90 days   |      | 8,980,462          | 4,056,149         |
| Less impaired  |      | <u>(277,176)</u>   | <u>(242,186)</u>  |
| Total  |      | <u>17,272,568</u>  | <u>14,282,799</u> |
| <b>12 Inventories</b>  |      |                    |                   |
| Stores and raw materials held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.  |      |                    |                   |
| Inventories held for distribution (internal use) are:  |      |                    |                   |
| - goods to be supplied at no or nominal charge, and  |      |                    |                   |
| - goods to be used for the provision for services at no or nominal charge.   |      |                    |                   |
| These goods are valued at cost, adjusted when applicable, for any loss of service potential.   |      |                    |                   |
| Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale. |      |                    |                   |
| Inventories for internal use-  |      |                    |                   |
| Quarry and road materials  |      | 617,015            | 1,046,342         |
| Raw water on hand  |      | 353,229            | 474,477           |
| Stores and materials   |      | <u>727,255</u>     | <u>767,904</u>    |
|  |      | <u>1,697,499</u>   | <u>2,288,723</u>  |
| Valued at cost, adjusted when applicable for any loss of service potential.  |      |                    |                   |
| Land purchased for development and sale  | 13   | <u>15,318,015</u>  | <u>15,858,510</u> |
| Total inventories  |      | <u>17,015,514</u>  | <u>18,147,233</u> |
| <b>13 Land purchased for development and sale</b>  |      |                    |                   |
| Balance at beginning of the year   |      | 15,858,510         | 15,831,306        |
| Transferred from other asset category  |      | (144,000)          | 180,000           |
| Development costs  |      | 158,865            | -                 |
| Capitalised interest in year   |      | 757,894            | 760,107           |
| Cost of inventory land reclassified  |      | (258,397)          | -                 |
| Net realisable valuation adjustment required in period   |      | <u>(1,054,857)</u> | <u>(912,903)</u>  |
| Balance at end of the year   |      | <u>15,318,015</u>  | <u>15,858,510</u> |

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|   | Note | 2017<br>\$   | 2016<br>\$ |
|---|------|--------------|------------|
| <b>14 Investment properties</b>   |      |              |            |
| Investment property is property held for the primary purpose of earning rentals and/or capital appreciation. This includes land held by Council for a currently undetermined future use.  |      |              |            |
| Investment property is measured using the fair value model. This means all investment property is initially recognised at cost (including transaction costs) and then subsequently revalued annually at the balance date by a registered valuer. Where investment property is acquired at no or nominal cost it is recognised at fair value.  |      |              |            |
| Property that is being constructed or developed for future use as investment property is classified as investment property. Investment property under construction is measured at fair value, unless fair value cannot be reliably determined for an individual property (in which case the property concerned is measured based on the cost model and depreciated over its useful life until fair value can be reliably determined). |      |              |            |
| <b>Property held for rental income and capital growth</b>   |      |              |            |
| Gross value at the beginning of the year  |      | 11,850,161   | 11,651,377 |
| Transferred to other asset category   |      | (11,850,161) | -          |
| Acquisitions  |      | -            | 132,927    |
| Revaluation adjustment to income statement  |      | -            | 65,857     |
| Balance at end of the year  |      | -            | 11,850,161 |
| Net carrying value at end of the financial year   |      | -            | 11,850,161 |

Investment property does not include community housing.

### 15 Property, plant and equipment

#### 15 (a) Recognition

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

Network assets are an aggregate of interrelated assets that perform a specific service which, individually are likely to be below the capitalisation threshold levels, but collectively are above the capitalisation threshold for their class. Networked assets include monitoring equipment and water meters.

#### 15 (b) Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value by Council valuation where that value exceeds the recognition thresholds for the respective asset class. Fair value is the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

#### 15 (c) Capital and operating expenditure

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

Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

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#### 15 (d) Valuation

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

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3-5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

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

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

Further information on the fair value measurement is contained in note 16.

#### 15 (e) Capital work in progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

Investment property under construction is classified as investment property.

#### 15 (f) Depreciation

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

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to the Council or the unexpired period of the lease, whichever is the shorter.

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

#### 15 (g) Impairment

Plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

#### 15 (h) Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Isaac Regional Council currently does not have any such land holdings.

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2017

15 Property, plant and equipment

|  | Note | Basis of measurement  |                    |                     |                           |                    |                    |                    |                    |                   |               |
|--|------|-----------------------|--------------------|---------------------|---------------------------|--------------------|--------------------|--------------------|--------------------|-------------------|---------------|
|  |      | Land and improvements | Buildings          | Plant and equipment | Road, bridge and drainage | Water              | Sewerage           | Waste management   | Aerodrome          | Works in progress | Total         |
|  |      | Fair Value 2017 \$    | Fair Value 2017 \$ | Cost 2017 \$        | Fair Value 2017 \$        | Fair Value 2017 \$ | Fair Value 2017 \$ | Fair Value 2017 \$ | Fair Value 2017 \$ | Cost 2017 \$      | 2017 \$       |
| <b>Asset Values</b>  |      |                       |                    |                     |                           |                    |                    |                    |                    |                   |               |
| Opening gross value as at 1 July 2016                                  |      | 96,126,866            | 140,850,462        | 36,059,600          | 599,056,713               | 187,084,219        | 165,536,340        | 2,444,425          | 9,873,530          | 12,795,275        | 1,249,827,430 |
| Minor correction to opening balance                                    |      | -                     | 3,777,351          | 9,995               | -                         | -                  | -                  | 1,903,833          | 277,990            | -                 | 5,969,169     |
| Additions at cost  | 28   | -                     | -                  | -                   | -                         | -                  | -                  | -                  | -                  | 42,426,205        | 42,426,205    |
| Contributed assets at valuation  |      | -                     | -                  | -                   | -                         | -                  | -                  | -                  | -                  | -                 | -             |
| Internal transfers from work in progress                               |      | 4,554,476             | 3,297,356          | 4,910,199           | 19,378,390                | 6,681,354          | 2,205,390          | 281,192            | 64,217             | (41,688,976)      | (316,402)     |
| Disposals  |      | -                     | -                  | (1,919,958)         | -                         | -                  | -                  | -                  | -                  | -                 | (1,919,958)   |
| Write-offs   | 8    | (4,140,189)           | (350,779)          | (2,716)             | (4,903,709)               | (2,767,507)        | (43,812)           | (539,031)          | -                  | -                 | (12,747,743)  |
| Revaluation adjustment to other comprehensive income, (refer the ARS*) | 20   | (4,048,251)           | (1,620,309)        | -                   | -                         | -                  | -                  | (223,813)          | -                  | -                 | (5,892,373)   |
| Revaluation adjustment to capital income                               | 8    | -                     | -                  | -                   | -                         | -                  | -                  | (653,129)          | 623,800            | -                 | (29,329)      |
| Internal transfers between asset classes                               |      | 1,875,494             | 3,407,428          | (649,173)           | 199,806                   | 3,402,622          | 1,806,634          | 1,607,034          | 344,316            | -                 | 11,994,161    |
| Transfer to investment properties                                      |      | -                     | -                  | -                   | -                         | -                  | -                  | -                  | -                  | -                 | -             |
| Recognition/change of future rehabilitation costs                      | 14   | -                     | -                  | -                   | -                         | -                  | -                  | -                  | -                  | -                 | -             |
| Closing gross value as at 30 June 2017                                 |      | 94,368,396            | 149,361,509        | 38,407,947          | 613,731,200               | 194,400,688        | 169,504,552        | 4,820,511          | 11,183,853         | 13,532,504        | 1,289,311,160 |

Accumulated depreciation and impairment

|  |    |             |            |             |            |             |            |           |           |   |             |
|--|----|-------------|------------|-------------|------------|-------------|------------|-----------|-----------|---|-------------|
| Opening balance as at 1 July 2016                                      | 7  | 13,508,826  | 18,444,731 | 16,180,958  | 56,734,238 | 46,952,818  | 39,918,026 | 453,549   | 1,720,377 | - | 193,913,523 |
| Depreciation provided in year  |    | 1,930,274   | 1,895,462  | 3,404,816   | 8,786,538  | 3,102,757   | 3,002,342  | 100,835   | 183,419   | - | 22,406,443  |
| Depreciation on disposals  |    | -           | -          | (1,373,201) | -          | -           | -          | -         | -         | - | (1,373,201) |
| Depreciation on write-offs   | 8  | (2,067,896) | (21,636)   | (2,715)     | (420,073)  | (1,061,651) | -          | (190,340) | -         | - | (3,764,311) |
| Revaluation adjustment to other comprehensive income, (refer the ARS*) | 20 | (838,579)   | 11,258,117 | -           | -          | -           | -          | -         | -         | - | 10,419,538  |
| Revaluation adjustment to capital income                               | 8  | -           | -          | -           | -          | -           | -          | 444,185   | (336,391) | - | 107,794     |
| Internal transfers between asset classes                               |    | 180,692     | (730,351)  | (288,451)   | 1,170      | 528,610     | 205,938    | 84,476    | 17,916    | - | -           |
| Accumulated depreciation as at 30 June 2017                            |    | 12,713,317  | 30,846,323 | 17,921,407  | 65,101,873 | 49,522,534  | 43,126,306 | 892,705   | 1,585,321 | - | 221,709,787 |

Total written down value as at 30 June 2017

|   |  |         |         |        |         |         |         |         |         |            |               |
|---|--|---------|---------|--------|---------|---------|---------|---------|---------|------------|---------------|
| Range of estimated useful life in years |  | 5 - 200 | 3 - 150 | 5 - 20 | 5 - 200 | 5 - 200 | 5 - 200 | 5 - 100 | 5 - 200 | 13,532,504 | 1,067,601,374 |
| Addition of renewal assets              |  | -       | -       | -      | -       | -       | -       | -       | -       | 23,022,826 | 23,022,826    |
| Addition of other assets                |  | -       | -       | -      | -       | -       | -       | -       | -       | 19,086,977 | 19,086,977    |
| Total additions in year                 |  | -       | -       | -      | -       | -       | -       | -       | -       | 42,109,803 | 42,109,803    |

\* ARS denotes - Asset Revaluation Surplus



ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2017

15 Property, plant and equipment - prior year

|  |            | Note | Land and improvements | Buildings   | Plant and equipment | Road, bridge and drainage | Water       | Sewerage   | Waste management | Aerodrome  | Works in progress | Total         |
|--|------------|------|-----------------------|-------------|---------------------|---------------------------|-------------|------------|------------------|------------|-------------------|---------------|
|  | Fair Value |      | Fair Value            | Cost        | Fair Value          | Fair Value                | Fair Value  | Fair Value | Fair Value       | Fair Value | Cost              | 2016          |
|  | 2016       |      | 2016                  | 2016        | 2016                | 2016                      | 2016        | 2016       | 2016             | 2016       | 2016              | 2016          |
|  | \$         |      | \$                    | \$          | \$                  | \$                        | \$          | \$         | \$               | \$         | \$                | \$            |
| Basis of measurement   |            |      |                       |             |                     |                           |             |            |                  |            |                   |               |
| <b>Asset Values</b>  |            |      |                       |             |                     |                           |             |            |                  |            |                   |               |
| Opening gross value as at 1 July 2015                                  | 91,238,512 |      | 136,294,306           | 34,909,741  | 589,488,805         | 163,137,475               | 181,326,707 | 467,366    | 1,822,535        | 9,786,595  | 16,135,673        | 1,224,160,350 |
| Minor correction to opening balance                                    | -          |      | 26,021                | -           | 156,382             | -                         | -           | -          | -                | -          | -                 | 649,769       |
| Additions at cost  | -          |      | -                     | -           | -                   | -                         | -           | -          | -                | -          | -                 | 47,160,383    |
| Contributed assets at valuation  | -          |      | -                     | -           | -                   | 701,969                   | -           | -          | -                | -          | -                 | 701,969       |
| Internal transfers from work in progress                               | 3,373,273  |      | 5,961,604             | 4,781,033   | 30,843,841          | 1,179,333                 | 3,478,089   | -          | 617,754          | -          | (50,367,854)      | 701,969       |
| Disposals  | -          |      | -                     | (3,550,993) | -                   | -                         | -           | -          | -                | -          | -                 | (3,550,993)   |
| Write-offs   | (126,547)  |      | (4,154,463)           | (80,181)    | (12,333,908)        | (100,713)                 | (317,640)   | (100,713)  | -                | -          | -                 | (17,113,452)  |
| Revaluation adjustment to other comprehensive income. (refer the ARS*) | 280,723    |      | 2,655,773             | -           | (9,755,603)         | 839,977                   | 2,632,413   | -          | 4,136            | -          | -                 | (3,342,581)   |
| Revaluation adjustment to capital income                               | -          |      | -                     | -           | -                   | -                         | -           | -          | -                | 86,935     | -                 | 86,935        |
| Internal transfers between asset classes                               | (180,000)  |      | 67,221                | -           | (44,773)            | 12,902                    | (35,350)    | -          | -                | -          | (132,927)         | (180,000)     |
| Transfer to investment properties                                      | 1,520,905  |      | -                     | -           | -                   | -                         | -           | -          | -                | -          | -                 | 1,520,905     |
| Recognition/change of future rehabilitation costs                      | -          |      | -                     | -           | -                   | -                         | -           | -          | -                | -          | -                 | -             |
| Closing gross value as at 30 June 2016                                 | 96,126,866 |      | 140,850,462           | 36,059,600  | 599,056,713         | 165,536,340               | 187,084,219 | 2,444,425  | 9,873,530        | 12,795,275 | 1,249,827,430     | 1,249,827,430 |

Accumulated depreciation and impairment

|  |            |  |             |             |              |             |             |         |           |  |  |              |
|--|------------|--|-------------|-------------|--------------|-------------|-------------|---------|-----------|--|--|--------------|
| Opening balance as at 1 July 2015                                      | 10,152,213 |  | 19,622,650  | 15,557,091  | 67,516,128   | 41,260,080  | 46,542,592  | 376,625 | 1,654,265 |  |  | 202,681,644  |
| Depreciation provided in year  | 1,120,228  |  | 2,203,229   | 3,363,699   | 8,732,635    | 2,972,308   | 3,078,730   | 78,736  | 199,495   |  |  | 21,749,060   |
| Depreciation on disposals  | -          |  | -           | (2,724,872) | -            | -           | -           | -       | -         |  |  | (2,724,872)  |
| Depreciation on write-offs   | (14,729)   |  | (1,299,512) | (14,960)    | (188,481)    | (18,078)    | (158,642)   | -       | -         |  |  | (1,694,402)  |
| Revaluation adjustment to other comprehensive income. (refer the ARS*) | 1,288,129  |  | (2,087,915) | -           | (19,321,798) | (4,294,563) | (2,509,550) | (1,812) | -         |  |  | (26,927,509) |
| Revaluation adjustment to capital income                               | -          |  | -           | -           | -            | -           | -           | -       | (133,383) |  |  | (133,383)    |
| Internal transfers between asset classes                               | -          |  | 6,279       | -           | (4,246)      | (1,721)     | (312)       | -       | -         |  |  | -            |
| Recognition of open balance on rehabilitation costs                    | 962,985    |  | -           | -           | -            | -           | -           | -       | -         |  |  | 962,985      |
| Accumulated depreciation as at 30 June 2016                            | 13,508,826 |  | 18,444,731  | 16,180,958  | 56,734,238   | 39,918,026  | 46,952,818  | 453,549 | 1,720,377 |  |  | 193,913,523  |

Total written down value as at 30 June 2016

|  |            |  |             |            |             |             |             |           |           |  |  |               |
|--|------------|--|-------------|------------|-------------|-------------|-------------|-----------|-----------|--|--|---------------|
|  | 82,618,040 |  | 122,405,731 | 19,878,642 | 542,322,475 | 125,618,314 | 140,131,401 | 1,990,876 | 8,153,153 |  |  | 1,055,913,907 |
|--|------------|--|-------------|------------|-------------|-------------|-------------|-----------|-----------|--|--|---------------|

Range of estimated useful life in years

|  |         |  |         |        |         |         |         |         |         |  |  |  |
|--|---------|--|---------|--------|---------|---------|---------|---------|---------|--|--|--|
|  | 5 - 200 |  | 3 - 150 | 5 - 20 | 5 - 200 | 5 - 200 | 5 - 200 | 5 - 100 | 5 - 200 |  |  |  |
|--|---------|--|---------|--------|---------|---------|---------|---------|---------|--|--|--|

\* ARS denotes - Asset Revaluation Surplus

## 16 Fair value measurements

## (i) Recognised fair value measurements

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

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 19 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

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

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

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

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

|   | Note | Level 2<br>(Significant other observable inputs) |            | Level 3<br>(Significant unobservable inputs) |             | Total         |               |
|---|------|--|------------|--|-------------|---------------|---------------|
|   |      | 2017   | 2016       | 2017   | 2016        | 2017          | 2016          |
|   |      | \$   | \$         | \$   | \$          | \$            | \$            |
| <b>Recurring fair value measurements</b>                              |      |  |            |  |             |               |               |
| Property, plant and equipment   | 15   |  |            |  |             |               |               |
| - Land and improvements   |      | 36,066,635                                       | 40,606,000 | 45,588,444                                   | 42,012,040  | 81,655,079    | 82,618,040    |
| - Buildings   |      | 9,201,000  | 9,501,000  | 109,314,186                                  | 112,504,731 | 118,515,186   | 122,405,731   |
| Movements in different buildings levels are disclosed in (iii) below. |      |  |            |  |             |               |               |
| - Road, bridge and drainage   |      |  |            | 548,629,327                                  | 542,322,475 | 548,629,327   | 542,322,475   |
| - Water   |      |  |            | 144,878,154                                  | 140,131,401 | 144,878,154   | 140,131,401   |
| - Sewerage  |      |  |            | 126,378,246                                  | 125,618,314 | 126,378,246   | 125,618,314   |
| - Waste management  |      |  |            | 3,927,806                                    | 1,990,876   | 3,927,806     | 1,990,876     |
| - Aerodrome   |      |  |            | 9,598,532                                    | 8,153,153   | 9,598,532     | 8,153,153     |
|   |      | 45,267,635                                       | 50,107,000 | 988,314,695                                  | 973,132,990 | 1,033,582,330 | 1,023,239,990 |

There was no transfers between levels 1 and 2 during the year.

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

## 16 Fair value measurements

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

Council adopted *AASB 13 Fair Value Measurement* for the first time during the 2014 financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets  
Property, plant and equipment**Land and improvements, buildings and other structures**

As at 30 June 2017 a revaluation was undertaken of Council's buildings and other structures assets by Assetic Pty Ltd. Land & improvements were last valued as at 30 June 2016 by APV Valuers and Asset Management (desktop valuation).

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

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

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

**(2) Long term rental yields in potentially volatile market**

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

**(3) Relationship between asset consumption rating scale and the level of consumed service potential**

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

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

**Valuation techniques used to derive fair values****(i) Recurring fair value measurements**

The following methods are used to determine the fair value measurements:

**Land****Level 2 valuation inputs**

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

**Buildings and investment properties****Level 2 valuation inputs**

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

**Level 3 valuation inputs**

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

16 Fair value measurements

**Roads, bridge and drainage**

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

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

**Asset Condition**

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

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

The revaluation undertaken as at 30 June 2016 relies heavily on the 30 June 2014 valuation.

**Relationship between asset consumption rating scale and the level of consumed service potential**

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

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

**Valuation techniques used to derive fair values**

**(i) Recurring fair value measurements**

The following methods are used to determine the fair value measurements:

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

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

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

**(ii) Non-recurring fair value measurements**

No assets were valued as a non-recurring valuation.

**Water and sewerage infrastructure**

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

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

**Asset Condition**

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

**16 Fair value measurements****Relationship between asset consumption rating scale and the level of consumed service potential**

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

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

**Valuation techniques used to derive fair values****(i) Recurring fair value measurements**

The following methods are used to determine the fair value measurements:

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

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

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

**(ii) Non-recurring fair value measurements**

No assets were valued as a non-recurring valuation.

**Waste management**

The majority of waste management assets have not been valued for several years. A comprehensive valuation was undertaken at 30 June 2017 by Assetic Pty Ltd.

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

**Asset Condition**

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

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

**Relationship between asset consumption rating scale and the level of consumed service potential**

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

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

**Valuation techniques used to derive fair values****(i) Recurring fair value measurements**

The following methods are used to determine the fair value measurements:

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

16 Fair value measurements

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

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

(ii) Non-recurring fair value measurements

No assets were valued as a non-recurring valuation.

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

There have been no material transfers between level 2 or 3 measurements during the year.

(iv) Valuation processes

Council approves the valuation policies and the valuation procedures are reviewed and approved by the Asset Management Group which consists of key stakeholders including the Chief Executive Officer. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is set out in note 15(d). Non-recurring fair value measurements are made at the point of reclassification by a registered valuer and revalued if necessary.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|   | Note | 2017<br>\$        | 2016<br>\$        |
|---|------|-------------------|-------------------|
| <b>17 Trade and other payables</b>  |      |                   |                   |
| Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.  |      |                   |                   |
| Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs. |      |                   |                   |
| As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.   |      |                   |                   |
| <b>Current</b>  |      |                   |                   |
| Accruals  |      | 6,339,752         | 6,022,553         |
| Creditors   |      | 896,408           | 967,811           |
| QTC interest accrued  |      | 50,143            | -                 |
| Employee related accruals   |      | 734,660           | 551,148           |
| Annual leave  |      | 3,556,556         | 3,087,243         |
| Other entitlements  |      | 169,406           | 19,592            |
|   |      | <u>11,746,925</u> | <u>10,648,347</u> |
| <b>Non-current</b>  |      |                   |                   |
| Creditors for operational expenses  |      | 52,894            | 54,253            |
|   |      | <u>52,894</u>     | <u>54,253</u>     |

### 18 Provisions

#### Long Service Leave

The provision for long service leave represents 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 liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

#### Property restoration

A provision is made for the cost of restoring refuse sites where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump 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 dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the site's will close progressively from 2017 to 2040 and that the restoration will occur progressively over the subsequent four years.

All refuse sites are on council controlled land.

|                       |  |                  |                   |
|-----------------------|--|------------------|-------------------|
| <b>Current</b>        |  |                  |                   |
| Long service leave    |  | 1,185,178        | 626,909           |
| Property restoration: |  |                  |                   |
| Refuse sites          |  | 810,000          | 1,469,565         |
|                       |  | <u>1,995,178</u> | <u>2,096,474</u>  |
| <b>Non-Current</b>    |  |                  |                   |
| Long service leave    |  | 2,131,269        | 2,512,867         |
| Property restoration  |  |                  |                   |
| Refuse sites          |  | 5,439,701        | 11,873,632        |
|                       |  | <u>7,570,970</u> | <u>14,386,499</u> |

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|  | Note | 2017<br>\$  | 2016<br>\$ |
|--|------|-------------|------------|
| <b>Details of movements in provisions</b>  |      |             |            |
| <b>Long service leave</b>  |      |             |            |
| Balance at beginning of the year   |      | 3,139,776   | 2,643,659  |
| Amount provided for in the year  |      | 647,938     | 627,710    |
| Amount paid in the year  |      | (471,267)   | (131,593)  |
| Balance at end of the year   |      | 3,316,447   | 3,139,776  |
| Current portion  |      | 1,185,178   | 626,909    |
| Non-current portion  |      | 2,131,269   | 2,512,867  |
|  |      | 3,316,447   | 3,139,776  |
| <b>Refuse sites</b>  |      |             |            |
| Balance at beginning of the year   |      | 13,343,197  | 2,587,667  |
| Increase due to change in time   |      | 273,317     | 84,244     |
| Increase (decrease) due to change in discount rate   |      | (586,309)   | 519,785    |
| Increase due to recognition of a new site  |      | -           | 9,792,339  |
| Amount expended in year  |      | (988,329)   | (519,499)  |
| Increase (decrease) in estimate of future cost   |      | (5,792,175) | 878,661    |
| Balance at end of the year   |      | 6,249,701   | 13,343,197 |
| Current portion  |      | 810,000     | 1,469,565  |
| Non-current portion  |      | 5,439,701   | 11,873,632 |
|  |      | 6,249,701   | 13,343,197 |
| This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life. |      |             |            |
| The projected cost of remediation is \$9,534,146 and this is expected to be incurred from 2017 to 2040.  |      |             |            |
| Cash funds committed to meet this liability at the reporting date are  |      |             |            |
|  |      | 2,166,047   | 2,171,991  |

#### 19 Borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.

All borrowings are in \$A denominated amounts and carried at amortised cost. Interest is expensed as it accrues except interest relating to land development which is capitalised to land held for resale. (Refer to note 12).

Expected final repayment dates vary from January 2028 to March 2033.

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.

Principal and interest repayments are made quarterly in arrears.

#### Borrowings at balance date are

|   |  |              |             |
|---|--|--------------|-------------|
| <b>Queensland Treasury Corporation</b>        |  |              |             |
| Balance at beginning of the year              |  | 36,825,414   | 38,322,769  |
| Principal repayments                          |  | (13,084,134) | (1,497,355) |
| Adjustment arising from early payout of loans |  | 1,982,017    | -           |
| Balance at end of the year                    |  | 25,723,297   | 36,825,414  |
| Classified as                                 |  |              |             |
| Current                                       |  | 1,127,878    | 1,644,137   |
| Non-current                                   |  | 24,595,419   | 35,181,277  |
|   |  | 25,723,297   | 36,825,414  |

The QTC loan market value at the reporting date was \$28,436,836

This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.



# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|  | Note | 2017<br>\$        | 2016<br>\$        |
|--|------|-------------------|-------------------|
| The following sets out the liquidity risk in relation to the above borrowings and represents the remaining contractual cash flows (principal and interest) at the end of the reporting period. |      |                   |                   |
| 0 to 1 year  |      | 2,338,043         | 3,450,134         |
| 1 to 5 years   |      | 9,352,172         | 13,800,535        |
| Over 5 years   |      | 25,036,609        | 36,733,233        |
| Total contractual outflows   |      | <u>36,726,824</u> | <u>53,983,902</u> |
| Carrying amount  |      | <u>25,723,297</u> | <u>36,825,414</u> |

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

### 20 Asset revaluation surplus

The asset revaluation surplus comprises adjustments relating to changes in value of property, plant and equipment that do not result from the use of those assets. Net incremental changes in the carrying value of classes of non-current assets since their initial recognition are accumulated in the asset revaluation surplus. Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

#### (i) Movements in the asset revaluation surplus

|   |    |                    |                    |
|---|----|--------------------|--------------------|
| Balance at beginning of the year  |    | 350,088,309        | 337,136,246        |
| Adjustments to the property, plant and equipment through revaluations     | 15 |                    |                    |
| Land and improvements   |    | (3,209,672)        | (1,007,406)        |
| Buildings   |    | (12,878,426)       | 4,743,688          |
| Road, bridge and drainage   |    | -                  | 9,566,195          |
| Water   |    | -                  | 5,141,963          |
| Sewerage  |    | -                  | 5,134,540          |
| Waste management  |    | (223,813)          | 5,948              |
| Adjustment to land and improvements arising from change in rehabilitation |    | 6,378,484          | (10,632,865)       |
| Balance at end of the year  |    | <u>340,154,882</u> | <u>350,088,309</u> |

#### (ii) Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus is comprised of the following asset categories

|                           |                    |                    |
|---------------------------|--------------------|--------------------|
| Land and improvements     | 18,037,845         | 14,869,033         |
| Buildings                 | 28,061,169         | 40,939,595         |
| Road, bridge and drainage | 163,918,333        | 163,918,333        |
| Water                     | 72,516,679         | 72,516,679         |
| Sewerage                  | 57,620,857         | 57,620,857         |
| Waste management          | -                  | 223,813            |
|                           | <u>340,154,882</u> | <u>350,088,309</u> |

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|   | Note | 2017<br>\$         | 2016<br>\$         |
|---|------|--------------------|--------------------|
| <b>21 Retained surplus</b>  |      |                    |                    |
| <b>Movement in retained surplus</b>   |      |                    |                    |
| Balance at beginning of the year  |      | 690,615,271        | 675,407,815        |
| Error correction to opening balance   |      | 5,969,169          | 649,769            |
| Net result  |      | 9,219,758          | 8,122,487          |
|   |      | <u>705,804,198</u> | <u>684,180,071</u> |
| Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended  |      |                    |                    |
| Constrained grants and subsidy contributions reserve  |      | 10,828,159         | 4,104,847          |
| Constrained NDRRA grants reserve  |      | (4,717,536)        | (34,942)           |
| Grants, subsidies and contributions reimbursed reserve  |      | (143,081)          | (2,206,197)        |
| Unspent loan fund reserve   |      | 4,203,423          | 761,922            |
| Buildings reserve   |      | 743,713            | 1,401,196          |
| Plant and equipment reserve   |      | 528,977            | (1,192,868)        |
| Roads infrastructure reserve  |      | 131,366            | 730,195            |
| Water reserve   |      | 176,356            | 43,110             |
| Sewerage reserve  |      | (2,300,000)        | -                  |
| Other infrastructure reserve  |      | 1,314,966          | (713,821)          |
| Carry over capital reserve  |      | 5,412,893          | 2,730,115          |
| Mines capital projects reserve  |      | 197,303            | 942,302            |
|   |      | <u>16,376,538</u>  | <u>6,565,859</u>   |
| Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended  |      |                    |                    |
| Mines operating projects reserve  |      | -                  | (130,659)          |
|   |      | <u>-</u>           | <u>(130,659)</u>   |
| Balance at end of the year  |      | <u>722,180,736</u> | <u>690,615,271</u> |
| <b>22 Reserves</b>  |      |                    |                    |
| <b>(a) Restricted capital reserves</b>  |      |                    |                    |
| <b>(i) Unspent loan cash reserve</b>  |      |                    |                    |
| This cash forms part of council's capital value as the balance represents loan cash drawn down but unspent at balance date. The cash is restricted to specific project funding.   |      |                    |                    |
| Balance at beginning of the year  |      | 4,905,467          | 5,667,389          |
| Loan cash expended in year  |      | (4,203,423)        | (761,922)          |
| Balance at end of the year  |      | <u>702,044</u>     | <u>4,905,467</u>   |
| <b>(ii)(a) Constrained grants and subsidy contributions reserve</b>   |      |                    |                    |
| The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received in respect of capital works where the required capital works have not yet been carried out. |      |                    |                    |
| Balance at beginning of the year  |      | 40,966,344         | 45,071,191         |
| Transfer from retained earnings non reciprocal grants, subsidies and contributions received and allocated to specific capital projects  |      | 9,113,790          | 4,925,784          |
| Transfer to retained earnings funds expended  |      | (19,941,949)       | (9,030,631)        |
| Balance at end of the year  |      | <u>30,138,185</u>  | <u>40,966,344</u>  |

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2017

|  | Note | 2017<br>\$  | 2016<br>\$  |
|--|------|-------------|-------------|
| <b>(ii)(b) Constrained NDRRA grants reserve</b>  |      |             |             |
| The amounts reported in this reserve at balance date correspond to the amount of cash (reported within cash and cash equivalents) which has been received to specifically fund infrastructure asset replacements that were damaged through recent floods but had not yet expended. |      |             |             |
| Balance at beginning of the year   |      | 34,942      | -           |
| Transfer from retained earnings for future expenditure   |      | 6,718,105   | 7,332,569   |
| Transfer to retained earnings funds expended   |      | (2,000,569) | (7,297,627) |
| Balance at end of the year   |      | 4,752,478   | 34,942      |
| Total restricted capital reserves  |      | 35,592,708  | 45,906,753  |

### (b) Other reserves

#### (1) Summary of capital reserves held for funding future projects

Council only includes reserve balances, in these financial statements, that are considered material in providing useful information to the reader. The total of all reserves and restricted cash held by council is reported in note 10.

|   |            |            |
|---|------------|------------|
| (i) Grants, subsidies and contributions reimbursed reserve                                | 143,081    | -          |
| (ii) Buildings reserve  | 1,355,082  | 2,098,795  |
| Established to provide funding for future housing and building projects.                  |            |            |
| (iii) Plant and equipment reserve   | 1,886,679  | 2,415,656  |
| Established to provide funding for new plant and equipment costs.                         |            |            |
| (iv) Roads infrastructure reserve   | 1,329,701  | 1,461,067  |
| Established to provide funding for future road projects.                                  |            |            |
| (v) Water reserve   | 1,973,911  | 2,150,267  |
| Established to provide funding for future water projects.                                 |            |            |
| (vi) Sewerage reserve   | 7,023,347  | 4,723,347  |
| Established to provide funding for future sewerage projects.                              |            |            |
| (vii) Other infrastructure reserve  | 10,199,503 | 11,514,469 |
| Established to provide funding for future projects associated with infrastructure assets. |            |            |
| (viii) Carry over capital reserve   | 10,290,813 | 15,703,706 |
| Established to provide funding for carry over capital projects.                           |            |            |
| (ix) Mines capital projects reserve   | 1,531,953  | 1,729,256  |
| Established to provide funding for specific capital projects funded from special charges. |            |            |
|   | 35,734,071 | 41,796,563 |

#### (2) Summary of recurrent reserves held for funding future projects

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

Certain reserves may be subject to restrictions which may result in refunding unspent contributions to the contributor.

|  |         |         |
|--|---------|---------|
| (i) Planning & environmental enforcement - operational reserve | 373,379 | 373,379 |
| (ii) Mines operating projects reserve                          | 548,473 | 548,473 |
|  | 921,852 | 921,852 |

|                      |            |            |
|----------------------|------------|------------|
| Total other reserves | 36,655,923 | 42,718,415 |
| Total reserves       | 72,248,630 | 88,625,169 |

### 23 Commitments for expenditure

#### Operating leases

Minimum lease payments in relation to non-cancellable operating leases

|  |           |           |
|--|-----------|-----------|
| Within one year                              | 452,161   | 456,842   |
| Later than 1 year but not later than 5 years | 1,251,628 | 1,400,087 |
| Later than 5 years                           | 5,467,393 | 5,771,095 |
|  | 7,171,182 | 7,628,024 |

Lease payments are generally fixed, but with inflation clauses on which future rentals are determined.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|   | Note | 2017<br>\$        | 2016<br>\$       |
|---|------|-------------------|------------------|
| <b>Contractual commitments</b>  |      |                   |                  |
| Contractual commitments at end of financial year but not recognised in the financial statements                                       |      |                   |                  |
| Management of Council pools and recreational dams - \$254,641 - per year  |      | 839,994           | 1,067,924        |
| Town Maintenance Contracts - \$314,780 - per year   |      | 79,342            | 394,122          |
| Library Lease - \$53,064 - per year   |      | 73,302            | 23,518           |
| Recreation Reserve - \$125,400 - per year   |      | 136,050           | 261,450          |
| Communication contracts - \$638,195 - per year  |      | 1,317,125         | 364,527          |
| Waste Management Collection \$1,527,631   |      | 664,101           | 2,191,732        |
|   |      | <u>3,109,914</u>  | <u>4,303,273</u> |
| <b>Capital commitments</b>  |      |                   |                  |
| Commitment for the construction of the following assets contracted for at end of the financial year but not recognised as liabilities |      |                   |                  |
| Infrastructure  |      | 2,435,196         | 1,507,176        |
| Other Assets  |      | 10,964,413        | 2,326,975        |
|   |      | <u>13,399,609</u> | <u>3,834,151</u> |
| These expenditures are payable  |      |                   |                  |
| Within one year   |      | <u>13,399,609</u> | <u>3,834,151</u> |

#### 24 Contingent liabilities

##### Local government workcare

The Isaac Regional Council is a member of the Queensland local government workers compensation self-insurance scheme, Local Government Workcare.

Under this scheme the Council has provided a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities.

Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

|   |                |                |
|---|----------------|----------------|
| The Council's maximum exposure to the bank guarantee is | <u>718,479</u> | <u>821,112</u> |
|---|----------------|----------------|

##### Local Government Mutual

The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit

As at 30 June 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

#### 25 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard *AASB119 Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and

The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

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

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

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

Under the *Local Government Act 2009* the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Isaac Regional Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

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

The amount of superannuation contributions paid by Isaac Regional Council to the scheme in this year for the benefit of employees was.

|           |           |
|-----------|-----------|
| 3,339,948 | 3,113,547 |
|-----------|-----------|

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

|  |   |                    |                    |
|--|---|--------------------|--------------------|
| Net result   |   | 9,219,758          | 8,122,487          |
| Non-cash operating items   |   |                    |                    |
| Impairment of receivables and bad debts written-off              |   | 45,754             | 11,870             |
| Depreciation and amortisation                                    | 7 | 22,414,678         | 21,764,174         |
| Change in restoration provisions expensed to finance costs       |   | 273,317            | 84,244             |
| Revaluation of inventory land expensed to materials and services |   | 1,054,857          | 912,903            |
|  |   | <u>23,788,606</u>  | <u>22,773,191</u>  |
| Investing and development activities                             |   |                    |                    |
| Capital grants, subsidies and contributions                      | 4 | (15,974,976)       | (15,653,309)       |
| Capital income   |   | (70,711)           | (924,928)          |
| Capital expenses   | 8 | 11,102,572         | 15,419,050         |
| Payment for land for sale and development costs in the year      |   | (158,865)          | -                  |
|  |   | <u>(5,101,980)</u> | <u>(1,159,187)</u> |
|  |   | -                  | -                  |
| Capitalised interest   |   | (757,894)          | (760,107)          |
|  |   | <u>(757,894)</u>   | <u>(760,107)</u>   |
| Changes in operating assets and liabilities                      |   |                    |                    |
| (Increase) decrease in receivables                               |   | (2,308,893)        | (1,926,793)        |
| (Increase) decrease in inventories (excluding land)              |   | 591,224            | (464,079)          |
| Increase (decrease) in payables                                  |   | 1,335,422          | 1,164,064          |
| Increase (decrease) in provisions                                |   | (811,658)          | (23,382)           |
|  |   | <u>(1,193,905)</u> | <u>(1,250,190)</u> |
| Net cash inflow from operating activities                        |   | <u>25,954,585</u>  | <u>27,726,194</u>  |

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

|  | Note                      | 2017<br>\$  | 2016<br>\$  |
|--|---------------------------|-------------|-------------|
| <b>27 Controlled entities that have not been consolidated</b>  |                           |             |             |
| Isaac Regional Council has a number of controlled entities that are not consolidated because their size and nature means that they are not material to Council's operations.   |                           |             |             |
| A summary of those entities, their net assets and results for the year ended 30 June 2017 follows:   |                           |             |             |
| <b>Controlled Entity</b>   | <b>Ownership Interest</b> |             |             |
| Moranbah Early Learning Centre   | 100%                      |             |             |
| Revenue  |                           | 1,658,830   | 1,871,561   |
| Expenses   |                           | (1,901,665) | (1,796,281) |
| Profit / (loss)  |                           | (242,835)   | 75,280      |
| Assets   |                           | 267,470     | 467,638     |
| Liabilities  |                           | 894,977     | 852,310     |
| The centre provides a childcare facility for the community.  |                           |             |             |
| Isaac Affordable Housing Trust   | 100%                      |             |             |
| Revenue  |                           | 287,593     | 1,771,392   |
| Expenses   |                           | (443,439)   | (1,674,808) |
| Profit / (loss)  |                           | (155,846)   | 96,584      |
| Assets   |                           | 10,112,317  | 10,152,937  |
| Liabilities  |                           | 4,669,876   | 4,554,649   |
| The housing trust provides affordable housing to the community.  |                           |             |             |
| <b>28 Minor correction for assets not previously recognised</b>  |                           |             |             |
| During the financial year Council became aware of some assets in property plant and equipment that were not previously recognised as well as some assets previously recognised that should not have been recognised. |                           |             |             |
| The asset classes affected are disclosed in note 15 as indicated.  |                           |             |             |
| Summary details of assets not previously recognised are as follows   |                           |             |             |
| Gross value of property, plant and equipment   |                           | 8,376,741   | 649,769     |
| Accumulated depreciation   |                           | (2,407,572) | -           |
| Gain from assets not previously recognised   |                           | 5,969,169   | 649,769     |

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

#### 29 Financial instruments and financial risk management

Isaac Regional Council has exposure to the following risks arising from financial instruments

- credit risk
- liquidity risk
- market risk

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

#### Financial risk management

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

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

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

The Council does not enter into derivatives.

#### Credit risk

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

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

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

Details of collateral held as security relating to the financial assets of Council is detailed at note 20.

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

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

|   | Note | 2017<br>\$        | 2016<br>\$         |
|---|------|-------------------|--------------------|
| <b>Financial assets</b>   |      |                   |                    |
| Cash at bank and on hand  | 10   | 508,969           | 626,263            |
| Cash investments held with - QTC                                      | 10   | 71,990,112        | 14,863,032         |
| Cash investments held with other approved deposit taking institutions | 10   | 6,910,997         | 77,071,608         |
| Receivables - rates   | 11   | 3,711,206         | 4,038,070          |
| Receivables - other   | 11   | 12,963,152        | 10,244,729         |
| <b>Other credit exposure</b>  |      |                   |                    |
| Guarantee   | 24   | 718,479           | 821,112            |
| <b>Total</b>  |      | <b>96,802,915</b> | <b>107,664,814</b> |

#### Cash and cash equivalents

Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

#### Other financial assets

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

#### Trade and other receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults. In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk. By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the area is largely agricultural/mining, there is also a concentration in the agricultural/mining sector.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

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#### 29 Financial instruments and financial risk management

##### Liquidity risk

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

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

##### Market risk

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

##### Interest rate risk

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

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

##### Fair Value

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

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



## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2017

2017

#### 30 Transactions with related parties

##### (a) Subsidiaries

The group consists of Isaac Regional Council and its wholly owned entities. Details of subsidiaries are disclosed in Note 27.

The following transactions occurred with subsidiaries.

During the year, Isaac Regional Council provided a Community Grant to the Isaac Regional Charity Fund with a total value of \$10,000.

Isaac Regional Council paid for expenses on behalf of Isaac Affordable Housing Trust and Moranbah Early Learning Centre to the value of \$3,991. This is to be reimbursed to Isaac Regional Council during the 2017/18 financial year.

There are existing loans from Isaac Regional Council to both Moranbah Early Learning Centre and Isaac Affordable Housing Trust. Interest is accrued monthly on the loan at a rate equal to the lowest Queensland Treasury Corporation Cash Fund investment rate for the financial year.

##### (b) Key management personnel compensation

KMP include the Mayor, councillors, Council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2016/17 comprises:

| Transaction Type               | \$        |
|--------------------------------|-----------|
| Short-term employment benefits | 1,886,883 |
| Post- employment benefits      | 188,665   |
| Long-term benefits             | 109,286   |
| Termination benefits           | 334,619   |
| Total                          | 2,519,453 |

##### (c) Transactions with other related parties

| Transaction Type   | \$     |
|--|--------|
| Employee expenses for close family members of key management personnel *   | 85,469 |
| Purchase of materials and service from entities owned or controlled by key management personnel **                   | 69,150 |
| Purchase of materials and services from key management personnel or close family members of key management personnel | -      |

\* All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

\*\* In addition to the payment of services, Council provided a motor vehicle and accommodation to the value of \$19,347 for the period, services provided by key management personnel.

##### (d) Outstanding Balances

| Transaction Type   | \$ |
|--|----|
| Monies owed to Council by close family members of Key Management Personnel not yet due | -  |
| Overdue monies owed to Council by Key Management Personnel                             | -  |
| Overdue monies owed to Council by close family members of Key Management Personnel     | -  |

##### (e) Loans, Guarantees or Bonds to/from related parties

Council is prohibited by the *Local Government Act 2009* from making loans or guarantees to related parties. No loans or guarantees have been made.

##### (f) Commitments to/from other related parties

Council has no commitments to/from other related parties.

##### (g) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of Council live and operate within the Isaac Regional Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties and have not been included in these disclosures.

- Payment of Rates
- Using the Councils public swimming pool after paying the normal fee
- Dog registration

## ISAAC REGIONAL COUNCIL

### FINANCIAL STATEMENTS

For the year ended 30 June 2017

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### MANAGEMENT CERTIFICATE

For the year ended 30 June 2017

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

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

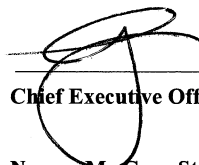
- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 33, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor

Name: Cr Anne Baker

Date: 9 / 10 / 17



Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 9 / 10 / 17

## **INDEPENDENT AUDITOR'S REPORT**

To the Councillors of Isaac Regional Council

### **Report on the Audit of the Financial Report**

#### **Opinion**

I have audited the financial report of Isaac Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### **Basis for opinion**

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

#### **Other information**

Other information comprises the information included in Isaac Regional Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the Current Year Financial Sustainability Statement and Long-Term Financial Sustainability Statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the Current Year Financial Sustainability Statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

#### **Responsibilities of the council 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 the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations.

### **Auditor's responsibilities for the audit of the financial report**

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Report on other legal and regulatory requirements**

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

  
D A STOLZ  
as Delegate of the Auditor-General



Queensland Audit Office  
Brisbane

## ISAAC REGIONAL COUNCIL

### Current-year Financial Sustainability Statement For the year ended 30 June 2017

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#### Measures of Financial Sustainability

(i) **Operating surplus ratio**

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

(ii) **Asset sustainability ratio**

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

(iii) **Net financial liabilities ratio**

Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2017 against key financial ratios

|        | Operating surplus ratio | Asset sustainability ratio | Net financial liabilities ratio |
|--------|-------------------------|----------------------------|---------------------------------|
| Target | between 0% and 10%      | greater than 90%           | not greater than 60%            |
| Actual | 4.23%                   | 151.71%                    | -60.61%                         |


#### Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2017.

#### Certificate of Accuracy For the year ended 30 June 2017

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

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

  
\_\_\_\_\_  
Mayor

Name: Cr Anne Baker

Date: 9 / 10 / 17

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

Name: Mr Gary Stevenson PSM

Date: 9 / 10 / 17

## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Isaac Regional Council

### Report on the Current-Year Financial Sustainability Statement

#### Opinion

I have audited the accompanying current year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2017 has been accurately calculated.

#### Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

#### Emphasis of matter – basis of accounting

I draw attention 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. My opinion is not modified in respect of this matter.

#### Other information

Other information comprises the information included in Isaac Regional Council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information was the General Purpose Financial Report and Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government regulation 2012, I have expressed a separate opinion on the General Purpose Financial Report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information; I am required to report that fact. I have nothing to report in this regard.

### **Responsibilities of the council 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 responsibilities for the audit of the current year financial sustainability statement**

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

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.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

  
D A STOLZ  
as Delegate of the Auditor-General



Queensland Audit Office  
Brisbane

## ISAAC REGIONAL COUNCIL

### Long-Term Financial Sustainability Statement Prepared as at 30 June 2017

#### Measures of Financial Sustainability

(i) **Operating surplus ratio**

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

(ii) **Asset sustainability ratio**

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

(iii) **Net financial liabilities ratio**

Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2017 against key financial ratios

#### Target

Actuals at 30 June 2017

Projected for the years ended

30 June 2018

30 June 2019

30 June 2020

30 June 2021

30 June 2022

30 June 2023

30 June 2024

30 June 2025

30 June 2026

| Operating surplus ratio | Asset sustainability ratio | Net financial liabilities ratio |
|-------------------------|----------------------------|---------------------------------|
| between 0% and 10%      | greater than 90%           | not greater than 60%            |
| 4.23%                   | 151.71%                    | -60.61%                         |
| 1.55%                   | 410.23%                    | -28.80%                         |
| 1.22%                   | 98.07%                     | -22.60%                         |
| 0.57%                   | 87.67%                     | -23.10%                         |
| 1.13%                   | 83.31%                     | -24.57%                         |
| 1.22%                   | 89.69%                     | -26.09%                         |
| 1.35%                   | 90.64%                     | -28.57%                         |
| 1.51%                   | 89.56%                     | -31.40%                         |
| 1.65%                   | 91.42%                     | -34.24%                         |
| 1.79%                   | 88.71%                     | -37.50%                         |

#### 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 2017

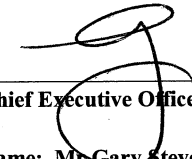
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation).

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

  
\_\_\_\_\_  
Mayor

Name: Cr Anne Baker

Date: 9 / 10 / 17

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

Name: Mr Gary Stevenson PSM

Date: 9 / 10 / 17