

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2021

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ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2021

		2021	2020
	Note	\$	\$
Income			
Recurrent revenue			
Rates and levies	3 (a)	84,771,410	84,932,226
Sale of goods and major services		5,850,094	6,291,172
Fees and charges		4,439,823	4,531,822
Sales of contract and recoverable works		5,621,159	6,620,941
Grants, subsidies, contributions and donations	3 (b) (i)	9,953,603	7,601,557
Total recurrent revenue		110,636,089	109,977,718
Recurrent other income			
Rental and levies		1,560,443	1,395,230
Interest received		642,092	1,016,538
Other recurrent income		322,400	523,320
Total recurrent revenue		2,524,935	2,935,088
Total operating revenue		113,161,024	112,912,806
Capital revenue			
Grants, subsidies, contributions and donations	3 (b) (ii)	12,768,083	25,139,640
Capital income	4	3,624,361	431,566
Total capital revenue		16,392,444	25,571,206
Total income	2 (b)	129,553,468	138,484,012
Expenses			
Recurrent expenses			
Employee benefits	5	(39,783,131)	(40,301,239)
Materials and services	6	(41,578,486)	(44,600,717)
Finance costs	7	(2,308,192)	(1,469,068)
Depreciation and amortisation	8	(28,125,008)	(26,358,338)
Total operating expenses		(111,794,817)	(112,729,362)
Capital expenses			
Other capital expenses	9	(15,540,268)	(10,178,859)
Total expenses	2 (b)	(127,335,085)	(122,908,221)
Net result		2,218,383	15,575,791
Other comprehensive income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	20	(13,196,095)	(6,186,538)
Total other comprehensive income for the year		(13,196,095)	(6,186,538)
Total comprehensive income for the year		(10,977,712)	9,389,253

The above statement should be read in conjunction with the accompanying notes and information about these financial statements.

The above statement excludes transactions and balances of controlled entities. Refer to note 26 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2021

		2021	2020
	Note	\$	\$
Current assets			
Cash and cash equivalents	10	57,171,729	58,379,637
Receivables	11 (a)	9,507,231	10,834,628
Inventories	12 (a)	1,276,139	1,194,805
Contract assets	19 (a)	1,621,491	1,861,848
Other assets	14	4,061,680	4,190,599
Total current assets		73,638,270	76,461,517
Non-current assets			
Receivables	11 (b)	5,435,307	5,503,326
Inventories	12 (b)	18,949,628	15,254,624
Property, plant and equipment	15	1,091,431,191	1,095,784,301
Intangible assets		18,359	21,709
Total non-current assets		1,115,834,485	1,116,563,960
TOTAL ASSETS		1,189,472,755	1,193,025,477
Current liabilities			
Trade and other payables	16 (a)	15,231,253	10,480,130
Provisions	17 (a)	6,662,552	8,214,269
Borrowings	18 (a)	1,555,096	1,407,771
Contract liabilities	19 (b)	4,258,127	4,735,353
Construction Retentions		221,895	819,823
Total current liabilities		27,928,923	25,657,346
Non-current liabilities			
Trade and other payables	16 (b)	47,453	48,812
Provisions	17 (b)	13,722,201	8,125,194
Borrowings	18 (b)	23,651,122	22,733,508
Contract liabilities	19 (b)	180,041	2,175,456
Total non-current liabilities		37,600,817	33,082,970
TOTAL LIABILITIES		65,529,740	58,740,316
NET COMMUNITY ASSETS		1,123,943,015	1,134,285,161
Community equity			
Asset revaluation surplus	20	222,122,422	235,318,517
Retained surplus		861,715,081	855,418,757
Reserves		40,105,512	43,547,887
TOTAL COMMUNITY EQUITY		1,123,943,015	1,134,285,161

The above statement should be read in conjunction with the accompanying notes and information about these financial statements.

The above statement excludes balances of controlled entities. Refer to note 26 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2021

Note	Total		Retained surplus		Reserves		Asset revaluation surplus Note 20	
	2021	2020	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of the year	1,134,285,161	1,112,778,268	855,418,757	837,791,995	43,547,887	33,481,218	235,318,517	241,505,055
Error correction to opening balance	635,566	3,561,290	635,566	3,561,290	-	-	-	-
Adjustment on initial application of AASB 15 / AASB 1058	-	8,556,350	-	8,556,350	-	-	-	-
Restated opening balances	1,134,920,727	1,124,895,908	856,054,323	849,909,635	43,547,887	33,481,218	235,318,517	241,505,055
Net result	2,218,383	15,575,791	2,218,383	15,575,791	-	-	-	-
Other comprehensive income for the year								
Revaluations:	-	-	-	-	-	-	-	-
Property, plant & equipment	(13,196,095)	(6,186,538)	-	-	-	-	(13,196,095)	(6,186,538)
Total comprehensive income for the year	(10,977,712)	9,389,253	2,218,383	15,575,791	-	-	(13,196,095)	(6,186,538)
Transfers (to) from retained earnings and recurrent reserves	-	-	495,698	276,398	(495,698)	(276,398)	-	-
Transfers (to) from retained earnings and capital reserves	-	-	2,946,677	(10,343,067)	(2,946,677)	10,343,067	-	-
Balance at end of the year	1,123,943,015	1,134,285,161	861,715,081	855,418,757	40,105,512	43,547,887	222,122,422	235,318,517

The above statement should be read in conjunction with the accompanying notes and information about these financial statements.

The above statement excludes balances of controlled entities. Refer to note 26 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Cash Flows

For the year ended 30 June 2021

		2021	2020
	Note	\$	\$
Cash flows from operating activities			
Receipts			
Receipts from customers		104,427,612	103,861,922
Operating grants, subsidies and contributions		9,404,941	7,712,009
Interest received		658,316	1,033,390
Payments			
Payments to suppliers and employees		(81,593,754)	(92,612,404)
Interest expense		(1,071,021)	(1,175,976)
Net cash inflow (outflow) from operating activities	25	<u>31,826,094</u>	<u>18,818,941</u>
Cash flows from investing activities			
Commonwealth government grants		3,624,783	2,760,357
State government subsidies and grants		7,419,657	35,477,843
Capital contributions		40,021	878,209
Payments for property, plant and equipment		(42,954,869)	(50,931,299)
Payments for site rehabilitation		(4,099,689)	-
Payments for intangible assets		-	(5,702)
Net transfer (to) from cash investments		-	2,000,000
Proceeds from sale of property, plant and equipment		1,808,317	478,606
Repayment of loans from controlled entities		71,616	-
Net cash inflow (outflow) from investing activities		<u>(34,090,164)</u>	<u>(9,341,986)</u>
Cash flows from financing activities			
Proceeds from borrowings	18 (i)	2,500,000	-
Repayment of borrowings	18 (i)	(1,300,735)	(1,240,341)
Repayments made on leases	18 (ii)	(143,103)	(103,624)
Net cash inflow (outflow) from financing activities		<u>1,056,162</u>	<u>(1,343,965)</u>
Net increase (decrease) in cash and cash equivalents held		(1,207,908)	8,132,990
Cash and cash equivalents at beginning of the financial year		<u>58,379,637</u>	<u>50,246,647</u>
Cash and cash equivalents at end of the financial year	10	<u>57,171,729</u>	<u>58,379,637</u>

The above statement should be read in conjunction with the accompanying notes and information about these financial statements.

The above statement excludes balances of controlled entities. Refer to note 26 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2021

1 Information about these financial statements

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021 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 which are measured at fair value
- land 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.

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 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 New and revised Accounting Standards adopted during the year

The Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2020. None of the standards had a material impact on reported position, performance and cash flows.

1.5 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.

1.6 Currency

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2021

1 Information about these financial statements

1.7 Standards issued by the AASB not yet effective

The AASB has issued a number of Australian Accounting Standards and Interpretations which are not yet effective at 30 June 2021. Council has not elected to early adopt any of these standards and accordingly they will be applied from their future effective date. There are no such standards or interpretations expected to have a significant impact on Council's financial statements in the period of initial application.

1.8 Estimates and judgements

Council make a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

Valuation and depreciation of property, plant and equipment - note 15

Impairment of receivables - note 11 and 28

Provisions - note 17

Contingent liabilities - note 23

Revenue recognition - note 3

1.9 Rounding and comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1.

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

1.10 Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

1.11 Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic and found there were no material implications for the financial year ended 30 June 2021.

Council acknowledges that the COVID-19 restrictions have impacted some industries within the region and has initiated the following relief / stimulus measures:

- Moratorium on debt collection and interest on overdue rates effective July 2020 to December 2020 \$203,941.
- Temporary development assessment fee reductions for small and medium enterprises \$152,445.
- Provide Special Emergency Community grants to Community groups experiencing financial hardship \$82,378.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

2 Analysis of results by function

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

(a) Components of Council functions

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 objective 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, records management, organisational safety, procurement, stores, tenders and contracts. The objective of Corporate and Governance is to be open, accountable, transparent and deliver value for money outcomes. While Financial Services objective is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Engineering & Infrastructure

Engineering and Infrastructure provide the following functions; parks and recreation, corporate property management, engineering design and projects, roads and urban services. The objective of Engineering and Infrastructure is to provide essential transport, drainage, parks infrastructure, maintenance, construction, company housing and operational services to the community.

Planning, Environment & Community Services

Planning, Environment and Community Services provide the following functions; economic development and tourism, customer service, 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, commercial operations, community leasing, tenancy, local laws and environmental services. It also manages the land development business unit. The objective of Planning, Environment and Community Services is to facilitate the sustainable planning and development of the region through the above functions and provide safe and cost effective community facilities and venues while catering for the diverse needs of our communities.

Land Development

The land development area within Planning, Environment and Community Services manages Council's land held for development and sale with the objective of facilitating the optimal utilisation of these resources.

Plant, Fleet, Workshops & Depot

The fleet department within Engineering and Infrastructure manages Council's large plant and vehicles and the workshop operations within Council. This activity has the objective of providing support to Council to perform functions and provide services to the community.

Water

The water area within the Water and Waste Directorate manages Council's water treatment plants, pump stations, water pipeline network and water metering with the objective of supplying safe and reliable water to the community.

Wastewater

The wastewater area within the Water and Waste Directorate manages Council's sewerage treatment plants, pump stations, sewerage pipeline network, effluent treatment plants and effluent water pipeline network with the objective being the sustainable management of wastewater infrastructure.

Waste Management

The waste management department within Water and Waste Directorate manages Council's refuse collection facilities, including recycling activities and kerbside collection of waste with the objective of protecting and supporting the community and natural environment by sustainably managing refuse.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2021

2 Analysis of results by program

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

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			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2021 \$	2021 \$	2021 \$	2021 \$							
Office of the CEO	215,865	21	-	-	215,886	539,883	-	539,883	755,769	755,769	-
Corporate, Governance & Financial Services	3,310,179	58,082,605	2,485	9,490	61,404,759	(8,648,914)	(34,084)	(8,682,998)	52,743,870	52,721,761	84,031,780
Engineering & Infrastructure	4,860,820	6,124,648	10,475,382	30,531	21,491,381	(47,042,149)	(6,200,383)	(53,242,532)	(36,056,681)	(31,751,151)	697,351,310
Planning, Environment & Community Services	708,647	2,278,999	1,801,990	-	4,789,636	(20,791,464)	(1,044,370)	(21,835,834)	(17,803,818)	(17,046,198)	65,051,809
Land Development	-	-	-	-	-	2,659,491	-	2,659,491	2,659,491	2,659,491	18,949,628
Plant, Fleet, Workshops & Depot	204,698	(68,848)	-	1,113,170	1,249,020	43,141	(6,500)	36,641	178,991	1,285,661	17,169,130
Water	515,037	15,727,511	448,205	-	16,690,753	(18,748,545)	(520,701)	(19,269,246)	(2,505,997)	(2,578,493)	174,177,920
Wastewater	-	10,740,162	-	-	10,740,162	(9,595,317)	(42,228)	(9,637,545)	1,144,845	1,102,617	110,894,478
Waste Management	-	10,460,680	-	2,511,191	12,971,871	(10,210,943)	(7,692,002)	(17,902,945)	249,737	(4,931,074)	21,846,700
Total	9,815,246	103,345,778	12,728,062	3,664,382	129,553,468	(111,794,817)	(15,540,268)	(127,335,085)	1,366,207	2,218,383	1,189,472,755

For the year ended 30 June 2020

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			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2020 \$	2020 \$	2020 \$	2020 \$							
Office of the CEO	131,930	690	-	-	132,620	745,643	-	745,643	878,263	878,263	-
Corporate, Governance & Financial Services	3,367,135	58,150,802	22,365	-	61,540,302	(5,357,433)	(75,439)	(5,432,872)	56,160,504	56,107,430	87,832,530
Engineering & Infrastructure	3,244,670	7,013,073	21,142,344	668,251	32,068,338	(42,840,113)	(5,887,319)	(48,727,432)	(32,582,370)	(16,659,094)	692,842,201
Planning, Environment & Community Services	359,082	1,865,323	958,481	-	3,182,886	(22,447,989)	(1,091,682)	(23,539,671)	(20,223,584)	(20,356,785)	76,878,137
Land Development	-	-	-	-	-	(465,284)	-	(465,284)	(465,284)	(465,284)	15,254,624
Plant, Fleet, Workshops & Depot	244,216	(42,967)	-	543,243	744,492	(1,543,865)	-	(1,543,865)	(1,342,616)	(799,373)	17,074,095
Water	110,176	16,399,335	1,837,804	104,979	18,452,294	(18,906,089)	(567,349)	(19,473,438)	(2,396,578)	(1,021,144)	174,214,984
Wastewater	-	11,107,275	188,760	104,979	11,401,014	(11,596,612)	(394,810)	(11,991,422)	(489,337)	(590,408)	109,862,637
Waste Management	1,972	10,960,094	-	-	10,962,066	(10,317,620)	(2,162,260)	(12,479,880)	644,446	(1,517,814)	19,066,269
Total	7,459,181	105,453,625	24,149,754	1,421,452	138,484,012	(112,729,362)	(10,178,859)	(122,908,221)	183,444	15,575,791	1,193,025,477

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

3 Revenue

(a) Rates and levies

Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

	2021 \$	2020 \$
General rates	61,622,365	61,173,352
Disaster management levy	279,053	278,533
Water	10,454,227	10,483,683
Water consumption, rental and sundries	3,846,554	4,345,144
Wastewater	10,310,510	10,289,343
Wastewater trade waste	1,431	5,107
Garbage charges	4,752,458	4,759,851
Rates and utility charge revenue	91,266,598	91,335,013
Less: Discounts	(6,272,979)	(6,171,851)
Less: Pensioner remissions	(222,209)	(230,936)
Net rates and utility charges	84,771,410	84,932,226

(b) Grants, subsidies, contributions and donations

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include service delivery and community engagement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations for grants are assessed to ensure that the revenue recognition reflects the transfer of control. Within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally an input method based on either costs or time incurred as a percentage of total expected cost/time is deemed to be the most appropriate method to reflect the transfer of benefit.

Grant income under AASB 1058 other than capital grants

Assets arising from grants in the scope of AASB 1058 are recognised at the assets fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Where Council receive funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with total project costs incurred as a percentage of total budgeted project cost.

Donations and contributions

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

Donations and contributions are generally recognised on receipt of the asset since there are no enforceable performance obligations.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021 \$	2020 \$
Note		
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. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.		

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 generally within the scope of AASB 1058 since there is no enforceable performance obligation associated with them and therefore the infrastructure charges are recognised as revenue when received.

(i) Recurrent

General purpose grants	5,435,777	5,601,406
Commonwealth subsidies and grants	222,254	244,216
State government subsidies and grants	1,474,073	656,427
DRFA flood damage grants for operational repairs	2,683,142	957,132
Donations	8,806	7,515
Cash contributions	129,551	134,861
Total recurrent revenue	9,953,603	7,601,557

(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 cash contributions and non-cash contributions usually in the form of infrastructure assets received from developers.

(a) Monetary revenue designated for capital funding purposes:

Commonwealth government grants	3,624,783	2,760,357
State government subsidies and grants	4,382,482	20,372,506
DRFA flood damage grants for capitalised repairs	4,720,797	1,016,891
Cash contributions	40,021	878,209
	12,768,083	25,027,963

(b) Non-monetary revenue received:

Donations from third parties at fair value	-	111,677
	-	111,677

Total capital revenue

	12,768,083	25,139,640
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During the course of the financial year Council granted developer concessions inline with its pandemic response recovery plan.

(iii) Timing of revenue recognition for grants, subsidies, contributions and donations

Revenue recognised at a point in time

Grants and subsidies	5,950,870	6,262,981
Contributions	159,572	975,747
Donations	8,806	7,515
	6,119,248	7,246,243

Revenue recognised over time

Grants and subsidies	16,592,438	25,494,954
Contributions	10,000	-
	16,602,438	25,494,954

4 Capital income

Gain on disposal of non-current assets		1,113,170	431,566
Asset revaluation recovery of adjustment to rehabilitation provision	15	2,511,191	-
		3,624,361	431,566

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

		2021 \$	2020 \$
	Note		
5 Employee benefits			
Employee benefit expenses are recorded when the service has been provided by the employee.			
Total staff wages and salaries		30,998,404	30,702,524
Councillors' remuneration		733,837	719,199
Annual, sick and long service leave entitlements		5,397,896	6,037,259
Superannuation	24	3,976,039	4,028,661
		41,106,176	41,487,643
Other employee related expenses		803,786	770,715
		41,909,962	42,258,358
Less capitalised employee expenses		(2,126,831)	(1,957,119)
		39,783,131	40,301,239

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

Total Council employees at 30 June	Number	Number
Elected members	9	9
Administration staff	236	235
Depot and outdoors staff	177	176
Total full time equivalent employees	422	420

6 Materials and services

Expenses are recorded on an accruals basis as Council receives the goods or services.

Audit fees - Queensland Audit Office *	149,400	171,335
Professional fees	3,943,944	3,462,634
Donations paid	579,402	362,662
Electricity	2,947,167	3,270,924
Refuse collection	2,187,742	2,337,761
Plant and vehicle	1,307,428	1,434,233
Information, communications and technology	3,739,008	3,571,999
Contractors	2,181,967	609,162
Insurance	2,018,182	1,868,579
Employee related expenses	702,115	812,911
Equipment and tools	2,923,338	3,319,475
Repairs and maintenance	11,128,477	12,266,737
Waste levy	1,310,423	1,433,909
(Reversal of impairment)/impairment of inventory land value	(3,070,652)	29,498
Raw water purchases	3,392,928	2,637,093
Inventory / Stock issues	1,577,544	1,986,331
Other material and services	4,560,073	5,025,474
	41,578,486	44,600,717

* Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$149,400 (2020: \$171,335 paid).

7 Finance Costs

Finance costs charged by the Queensland Treasury Corporation	1,035,975	1,095,284
Less capitalised interest	(624,352)	-
Interest on leases	33,572	69,653
Other interest costs	142	8,621
Bank charges	185,881	174,397
Impairment of receivables and bad debts written-off	1,601,781	11,916
Refuse sites - unwinding of discount rate on provision	75,193	109,197
	2,308,192	1,469,068

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021 \$	2020 \$
8 Depreciation and amortisation		
(a) Depreciation of non-current assets		
Land and improvements	1,614,872	1,428,288
Buildings	2,918,493	2,128,637
Plant and equipment	3,631,069	3,582,365
Road, bridge and drainage	10,238,525	9,949,783
Water	5,301,002	4,954,074
Wastewater	3,272,773	2,942,600
Waste management	815,002	893,821
Aerodrome	198,527	262,906
	<u>27,990,263</u>	<u>26,142,474</u>
(b) Amortisation of right of use assets		
Land	131,395	131,834
	<u>131,395</u>	<u>131,834</u>
(c) Amortisation of intangible assets		
Computer software	3,350	84,030
	<u>3,350</u>	<u>84,030</u>
Total depreciation and amortisation	<u>28,125,008</u>	<u>26,358,338</u>

Note

9 Capital expenses			
Loss on write-off of capital assets	15	7,852,685	8,895,655
Revaluation down of property, plant and equipment	15	-	747,653
Movement in Refuse site provision	17	7,687,583	535,551
Total capital expenses		<u>15,540,268</u>	<u>10,178,859</u>

10 Cash and cash equivalents

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

Cash and deposits at call are held in the following banks: ANZ Bank, Queensland Country Bank and Queensland Treasury.

Cash at bank and on hand	530,014	666,802
Deposits at call	56,641,715	57,712,835
Balance per Statement of Financial Position	<u>57,171,729</u>	<u>58,379,637</u>

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:

Contract liabilities - revenue received in advance	4,438,168	6,910,809
Unspent loan monies	685,228	685,228
Unspent developer contributions	17,715,968	17,858,371
Total unspent external restricted cash held in reserves	<u>22,839,364</u>	<u>25,454,408</u>

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	34,332,365	32,925,229
Total cash held to contribute to identified funding commitments	<u>57,171,729</u>	<u>58,379,637</u>

Trust funds

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, 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 those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance, corporate funds for community donations and unclaimed monies (e.g. wages). 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 since Council has no control over the assets.

Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	2,429,993	833,528
Security deposits	11,463,348	6,989,747
	<u>13,893,341</u>	<u>7,823,275</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

11 Receivables

Receivables, loans and advances are amounts owed to Council at year end. They are recognised at the amount due at the time of sale or service delivery or advance. Settlement of receivables is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and all known bad debts were written off at 30 June 2021. If an amount is recovered in a subsequent period it is recognised as revenue.

Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts.

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.

		2021 \$	2020 \$
Note			
(a) Current			
Rateable revenue and utility charges		5,990,915	4,699,812
Less: Impairment provision		(1,662,025)	-
		4,328,890	4,699,812
Accrued interest		24,046	45,779
Other debtors		5,275,664	6,274,603
Less allowance for expected credit losses		(212,941)	(275,225)
Loans and advances to controlled entities	26	91,572	89,659
		9,507,231	10,834,628
(b) Non-current			
Loans and advances to controlled entities	26	5,435,307	5,503,326
		5,435,307	5,503,326

For the financial year ended 30 June 2021 interest was charged on outstanding rates at a rate of 8.53% per annum. No interest was charged on other debtors. There were no significant concentrations of credit risk for rates and utility charges, fees and other debtors receivable.

Movement in allowance for expected credit losses (trade and other receivables)			
Balance at beginning of the year		275,225	277,292
Impairment provision for rateable revenue and utility charges		1,662,025	-
Expected credit losses for other debtors		(62,284)	(2,067)
		1,874,966	275,225

An impairment provision has been made for a stalled residential subdivision. Council has assessed that these amounts are likely to be unrecoverable.

12 Inventories

Stores, raw materials and raw water on hand 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 except for land where the costs are allocated to the relevant parcel.

Inventories for internal use are valued at cost and 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. Inventory land held for re-sale is treated as non-current for the 2021 financial year as Council has no current plans to sell any land in the foreseeable future. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

(a) Current			
Inventories for internal use			
Quarry and road materials		-	184,512
Raw water on hand		461,111	294,413
Stores and materials		815,028	715,880
		1,276,139	1,194,805
Valued at cost, adjusted when applicable for any loss of service potential.			
(b) Non-current			
Land purchased for development and sale	13	18,949,628	15,254,624
		18,949,628	15,254,624

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021	2020
13 Land purchased for development and sale		
Balance at beginning of the year	15,254,624	15,284,122
Capitalised interest in year	624,352	-
(Reversal of impairment)/impairment of inventory land value *	3,070,652	(29,498)
Balance at end of the year	18,949,628	15,254,624
Classified as :		
Non-current	18,949,628	15,254,624
	18,949,628	15,254,624

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

* The Reversal of Impairment for inventory land is due to a valuation being undertaken for the land asset class.

14 Other assets		
GST recoverable	1,463,664	1,288,320
Water charges yet to be levied	1,440,293	1,896,540
Prepayments	1,157,723	1,005,739
	4,061,680	4,190,599

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 with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$5,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of consideration plus costs incidental to the acquisition. Direct labour, materials and an appropriate portion of overheads incurred in the acquisition or construction of assets are also included as capital costs.

Property, plant and equipment received in the form of contributions, for significantly less than fair value or as offsets to infrastructure charges are recognised as assets and revenue at fair value.

When Council raises a provision for the restoration of a Council-controlled site, such as a landfill site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of restoration costs are recognised against asset revaluation surplus.

Expenditure incurred in accordance with Disaster Recovery Funding 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.

15 (c) Depreciation

Assets are depreciated from the date of acquisition or when an asset is ready for use.

Land, work in progress, road formations and formation work associated with the construction of dams, levee banks and reservoirs are not depreciated.

Depreciation, where applicable, is calculated on a straight-line basis such that the cost of the asset less its residual value is recognised progressively over its estimated useful life to Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

The useful life of leasehold improvements is the shorter of the useful life of the asset or the remaining life of the lease.

Where assets have separately identifiable components, these components have separately assigned useful lives.

Depreciation methods, estimated useful lives and residual values 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.

15 (d) Impairment

Property, Plant and equipment held at cost 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 (e) Right-of-use assets

Council recognised right-of-use assets in respect of its leasing arrangements described in note 18.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

15 (f) Valuation

Council considers the carrying amount of its property, plant and equipment on an annual basis compared to fair value and makes adjustment where these are materially different. Every 3-5 years, Council performs a full comprehensive revaluation by engaging an external professionally qualified valuer.

In the intervening years, Council undertakes:

- A management valuation using internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets and an appropriate cost index for the region.
- A "desktop" valuation for land and improvements and buildings asset classes which 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.

Fair values are classified into three levels as follows:

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

There were no transfers between levels during the year.

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.

	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
Recurring fair value measurements	2021	2020	2021	2020	2021	2020
Property, plant and equipment	\$	\$	\$	\$	\$	\$
- Land and improvements	22,811,016	18,554,873	55,682,043	53,527,883	78,493,059	72,082,756
- Buildings	30,529,905	9,835,835	65,796,581	103,866,989	96,326,486	113,702,824
- Road, bridge and drainage			575,182,367	571,020,072	575,182,367	571,020,072
- Water			172,727,879	172,480,560	172,727,879	172,480,560
- Wastewater			107,524,953	108,192,803	107,524,953	108,192,803
- Waste management			21,155,398	18,605,913	21,155,398	18,605,913
- Aerodrome			8,398,097	8,835,058	8,398,097	8,835,058
	53,340,921	28,390,708	1,006,467,318	1,036,529,278	1,059,808,239	1,064,919,986

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2021

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

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index consideration	Other interim revaluation adjustment
Land and improvements (level 2)	Market Value	30-Jun-18	Assetic Pty Ltd	Gross market values were derived from sale prices of comparable properties as adjusted for differences in key attributes such as property size. Gross replacement cost unit rates (local projects/data if available, local knowledge and available data sources (Rawlinson's Construction Handbook 2018) and were verified with first principle calculation).	- Land: PDS Live's 3 year recent sales, Valuer General Qld, Queensland Market Monitor Report produced by Real Estate Institute of Queensland (REIQ) and professional judgement (12%) - Improvements: equal weighting applied to indexes Road and Bridge Index, the Engineering Design and Management Index and the Concrete Product Manufacturing Index (0.43%)	Nil
Land and improvements (level 3)	Current replacement cost	30-Jun-18	Assetic Pty Ltd	Accumulated depreciation determined by asset consumption rating scale, professional judgement, asset condition, legal and commercial obsolescence and physical inspection.		
Buildings (level 2)	Market Value	30-Jun-21	AssetVal	Gross market values (sale prices of similar properties in the locality, standard valuation principles and opinions and sentiment from local property agents). Gross replacement cost (valuer's choice of a dollar per square metre approach using Rawlinson's cost data and cost indices for different regions, recent construction data, consideration on building size, material, type and structure and professional judgement).	N/A	Nil
Buildings (level 3)	Current replacement cost	30-Jun-21	AssetVal	Accumulated depreciation was based physical deterioration, functional and economic obsolescence and physical inspection. Useful lives (IPWEA's Asset Management & Financial Management Guidelines - Practise Note 12, 2017 and Isaac Regional Council's Strategic Asset Management Plan).	N/A	Nil
Roads, bridges & drainage (level 3)	Current replacement cost	30-Jun-18	Assetic Pty Ltd	Gross replacement cost valuation unit rates (local projects/data if available, local knowledge and available data sources- Rawlinson's Construction Handbook 2018 and verified with first principle calculations). The unit rates used for this valuation also included an allowance for design, documentation, project management and Council overheads by applying a percentage increase to the calculated current replacement cost of the assets, where deemed applicable. Accumulated depreciation was determined by reference to the asset's assessed condition score and the asset's consumption rating scale. The consumption rating scales used 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, asset management and finance staff.	Roads and Bridges Construction index (ABS) (0.00%) Both current and cumulative change in value (since last revaluation date) as a result of indexation, was considered not material. Council considers materiality above 5%.	Nil
Water (level 3)	Current replacement cost	30-Jun-19	Cardno (Qld) Pty Ltd	Gross replacement cost unit rates (recent contract data, valuer's database, scheduled rates for construction, cost curves derived by the valuer, building price index tables, supplier's quotations, Rawlinson's Australian Construction Handbook). Asset measurement and age (Council's Geographic Information System (GIS) and periodic physical inspections).	Combining the Road and Bridge index, the Engineering Design & Management Index and the Concrete Product Manufacturing Index, each having equal weighting (0.43%). Both current and cumulative change in value (since last revaluation date) as a result of indexation, was considered not material. Council considers materiality above 5%.	Nil
Wastewater (level 3)	Current replacement cost	30-Jun-19	Cardno (Qld) Pty Ltd	Remaining service potential, physical obsolescence and overall condition score (physical inspection).	Combining the Road and Bridge index, the Engineering Design & Management Index and the Concrete Product Manufacturing Index, each having equal weighting (0.43%) Both current and cumulative change in value (since last revaluation date) as a result of indexation, was considered not material. Council considers materiality above 5%.	Nil

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2021

15 Property, plant and equipment

Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Wastewater	Waste management	Aerodrome	Works in progress	Right of use - Land	Total plant and equipment
	Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Cost	
	Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3			
	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$	2021 \$
	82,348,969	149,850,513	43,027,054	757,502,766	280,794,668	181,072,847	27,843,174	11,205,922	8,963,739	2,072,590	1,544,682,242
Basis of measurement											
Fair value category											
Asset values											
Opening gross value as at 1 July 2020	82,348,969	149,850,513	43,027,054	757,502,766	280,794,668	181,072,847	27,843,174	11,205,922	8,963,739	2,072,590	1,544,682,242
Minor correction to opening balance	-	1,581,700	-	-	-	-	-	-	-	53,952	1,635,652
Additions at cost	-	-	-	-	-	-	-	-	42,356,941	-	42,356,941
Internal transfers from work in progress	2,815,343	2,993,824	3,385,530	22,179,568	6,069,022	2,647,150	857,716	-	(40,948,153)	-	-
Disposals	-	(487,153)	(5,176,249)	-	-	-	-	-	-	-	(5,663,402)
Write-offs	(584,399)	(1,490,348)	(217,913)	(8,042,805)	(1,146,487)	(110,765)	(9,733)	(682,710)	-	-	(12,285,160)
Revaluation adjustment to other comprehensive income	3,142,623	12,070,915	-	(2,911,267)	-	-	-	-	-	-	12,302,271
Revaluation adjustment to capital loss	-	-	-	-	-	-	2,511,191	-	-	-	2,511,191
Internal transfers between asset classes	3,150,616	(3,239,653)	89,037	-	-	-	-	-	-	-	-
Adjustment to right of use assets due to re-measurement of lease liability	-	-	-	-	-	-	-	-	-	(45,175)	(45,175)
Closing gross value as at 30 June 2021	90,873,152	161,279,798	41,107,459	768,728,262	285,717,203	183,609,232	31,202,348	10,523,212	10,372,527	2,081,367	1,585,494,560
Accumulated depreciation and impairment											
Opening balance as at 1 July 2020	10,266,213	36,147,689	23,067,234	186,482,694	108,314,108	72,880,044	9,237,261	2,370,864	-	131,834	448,897,941
Minor correction to opening balance	(4)	946,142	-	(2)	-	(2)	-	-	-	-	946,134
Depreciation expense	1,614,872	2,918,493	3,631,069	10,238,525	5,301,002	3,272,773	815,002	198,527	-	131,395	28,121,658
Depreciation on disposals	-	(150,533)	(4,817,722)	-	-	-	-	-	-	-	(4,968,255)
Depreciation on write-offs	(134,608)	(438,052)	(211,413)	(2,504,491)	(625,786)	(68,536)	(5,313)	(444,276)	-	-	(4,432,475)
Revaluation adjustment to other comprehensive income	-	26,169,197	-	(670,831)	-	-	-	-	-	-	25,498,366
Internal transfers between asset classes	633,620	(639,624)	6,004	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2021	12,380,093	64,953,312	21,675,172	193,545,895	112,989,324	76,084,279	10,046,950	2,125,115	-	263,229	494,063,369
Total written down value as at 30 June 2021	78,493,059	96,326,486	19,432,287	575,182,367	172,727,879	107,524,953	21,155,398	8,398,097	10,372,527	1,818,138	1,091,431,191
Range of estimated useful life in years	5 - 200	5 - 120	5 - 20	5 - 300	15 - 200	15 - 200	5 - 100	5 - 200		10-60	
Addition of renewal assets	1,069,390	2,451,111	3,047,588	15,756,447	3,030,883	2,309,920	85,424	-	-	-	27,750,763
Addition of other assets	771,812	2,661,998	685,217	4,693,231	2,753,759	2,036,920	1,003,241	-	-	-	14,606,178
Total additions in this year	1,841,202	5,113,109	3,732,805	20,449,678	5,784,642	4,346,840	1,088,665	-	-	-	42,356,941

ISAAC REGIONAL COUNCIL
**Notes to the Financial Statements
For the year ended 30 June 2021**
15 Property, plant and equipment - prior year

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Wastewater	Waste management	Aerodrome	Works in progress	Right of use - Land	Total plant and equipment
		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Cost	
		Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3			
		2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$	2020 \$
Basis of measurement												
Fair value category												
Asset Values												
Opening gross value as at 1 July 2019		90,412,757	148,861,045	40,537,471	737,322,531	270,047,991	171,505,068	14,556,800	11,183,853	22,190,545	2,072,590	1,508,690,651
Minor correction to opening balance	27	(925,047)	-	32,444	3,687,298	1,351,287	-	668,629	-	-	-	4,814,611
Additions at cost		-	-	-	-	-	-	-	-	51,176,685	-	51,176,685
Contributed assets at valuation		-	-	111,677	-	-	-	-	-	-	-	111,677
Internal transfers from work in progress		3,950,005	2,616,891	3,998,906	29,527,508	10,810,404	10,269,497	3,201,336	28,944	(64,403,491)	-	-
Disposals		-	-	(1,419,612)	-	-	-	-	-	-	-	(1,419,612)
Write-offs	9	(1,004,298)	(1,414,738)	(233,832)	(6,832,533)	(1,430,383)	(853,718)	(1,676,997)	(6,875)	-	-	(13,453,374)
Revaluation adjustment to other comprehensive income	20	-	-	-	(6,285,091)	-	-	-	-	-	-	(6,285,091)
Revaluation adjustment to capital loss	9	-	-	-	-	-	-	1,046,695	-	-	-	1,046,695
Internal transfers between asset classes		(10,084,448)	(212,685)	-	83,053	15,369	152,000	10,046,711	-	-	-	-
Closing gross value as at 30 June 2020		82,348,969	149,850,513	43,027,054	757,502,766	280,794,668	181,072,847	27,843,174	11,205,922	8,963,739	2,072,590	1,544,682,242
Accumulated depreciation and impairment												
Opening balance as at 1 July 2019		14,328,084	34,533,963	21,015,834	177,775,373	103,852,153	70,396,352	1,591,888	2,111,161	-	-	425,604,808
Minor correction to opening balance	27	-	-	-	679,080	375,000	-	199,241	-	-	-	1,253,321
Depreciation expense	8	1,428,288	2,128,637	3,582,365	9,949,783	4,954,074	2,942,600	893,821	262,906	-	131,834	26,274,308
Depreciation on disposals		-	-	(1,372,572)	-	-	-	-	-	-	-	(1,372,572)
Depreciation on write-offs	9	(92,575)	(341,934)	(158,393)	(1,841,731)	(863,034)	(458,908)	(797,941)	(3,203)	-	-	(4,557,719)
Revaluation adjustment to other comprehensive income	20	-	-	-	(98,553)	-	-	-	-	-	-	(98,553)
Revaluation adjustment to capital loss	9	-	-	-	-	-	-	1,794,348	-	-	-	1,794,348
Internal transfers between asset classes		(5,397,584)	(172,977)	-	18,742	(4,085)	-	5,555,904	-	-	-	-
Accumulated depreciation as at 30 June 2020		10,266,213	36,147,689	23,067,234	186,482,694	108,314,108	72,880,044	9,237,261	2,370,864	-	131,834	448,897,941
Total written down value as at 30 June 2020		72,082,756	113,702,824	19,959,820	571,020,072	172,480,560	108,192,803	18,605,913	8,835,058	8,963,739	1,940,756	1,095,784,301
Range of estimated useful life in years		5 - 200	3-150	5 - 20	5 - 300	15 - 200	15 - 200	5 - 100	5 - 200		7 - 100	

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021 \$	2020 \$
16 Trade and other payables		
Creditors and accruals are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.		
(a) Current		
Accrued Expenses	347,079	295,290
Creditors	10,708,690	8,373,472
Rates received in advance	2,622,358	746,773
QTC interest accrued	41,891	43,223
Accrued wages and salaries	1,334,434	828,764
Other creditors	176,801	192,608
	<u>15,231,253</u>	<u>10,480,130</u>
(b) Non-current		
Creditors	47,453	48,812
	<u>47,453</u>	<u>48,812</u>

17 Provisions

Employee entitlements

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.

Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

Annual leave

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 provision.

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 provision is discounted using the Commonwealth Bond yield rates published on the Department of State Development, Infrastructure, Local Government and Planning website.

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 property 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. Due to 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. The interest yields attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. Management estimates that the sites will close progressively from 2022 to 2044 and that the restoration will occur progressively over the subsequent four years, with ongoing aftercare costs to 2073.

(a) Current		
Annual leave	4,025,756	3,924,161
Long service leave	2,636,796	2,690,108
Property restoration		
Refuse sites	-	1,600,000
	<u>6,662,552</u>	<u>8,214,269</u>
(b) Non-current		
Long service leave	1,744,539	1,410,619
Property restoration		
Refuse sites	11,977,662	6,714,575
	<u>13,722,201</u>	<u>8,125,194</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021 \$	2020 \$
Details of movements in provisions		
Refuse sites		
Balance at beginning of the year	8,314,575	7,669,827
Unwinding of discount due to passage of time	75,193	109,197
Increase (decrease) due to change in discount rate	15,784	305,478
Increase as a result of revision to expected restoration date	324,971	233,343
Amount expended in year	(4,099,689)	-
Increase (decrease) in estimate of future cost	7,346,828	(3,270)
Balance at end of the year	11,977,662	8,314,575

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 and post closure monitoring is \$15,233,303 and this is expected to be incurred from 2023 to 2073.

Cash funds committed to meet this liability at the reporting date are	2,250,449	3,544,827
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18 Borrowings

(a) Current

(i) Queensland Treasury Corporation	1,464,609	1,300,735
(ii) Lease liabilities	90,487	107,036
	1,555,096	1,407,771

(b) Non-current

(i) Queensland Treasury Corporation	21,906,969	20,871,578
(ii) Lease liabilities	1,744,153	1,861,930
	23,651,122	22,733,508

(i) Queensland Treasury Corporation

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 historically was capitalised to land held for resale (Refer to note 13). The 2019/20 financial year interest relating to land development was expensed due to decrease in valuation. For 2020/21 financial year interest relating to land development was capitalised.

Expected final repayment dates vary from December 2032 to June 2041.

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.

Movements in borrowings

Balance at beginning of the year	22,172,313	23,412,654
Loans raised	2,500,000	-
Principal repayments - cash movement	(1,300,735)	(1,240,341)
Balance at end of the year	23,371,578	22,172,313

The QTC loan market value at the reporting date was \$27,336,879 (2020: \$27,133,529).

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.

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	2,492,055	2,338,043
1 to 5 years	9,972,433	9,352,172
Over 5 years	18,010,416	18,022,480
Total contractual outflows	30,474,904	29,712,695
Carrying amount	23,371,578	22,172,313

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

2021	2020
\$	\$

(ii) Lease liabilities

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Refer to note 15 for Council's accounting policy on right-of-use assets.

Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortisation cost using the effective interest rate method. The lease liability is re-measured whenever there is a lease modification, or change in the estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the remeasurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Terms and conditions of leases

Council's leases relate to leases of land. Council has 56 land leases with the Department of Resources (DOR). The length of the leases vary between 10 and 60 years. Two of the leases have communication towers built on the land and the remaining have Council purpose built infrastructure.

The above leases contain renewal options which are reasonably certain to be exercised at Council's discretion. Two of the leases include a fixed annual increase and the others are subject to annual CPI increases.

Movements in lease liabilities

Balance at beginning of the year	1,968,966	2,072,590
Minor error adjustment to opening balance	53,952	-
Principal repayments	(143,103)	(103,624)
Adjustment to right of use assets due to re-measurement of lease liability	(45,175)	-
Balance at end of the year	1,834,640	1,968,966

Maturity analysis

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

Between 0 to 1 year	157,225	175,841
Between 1 to 2 years	159,677	178,455
Between 2 to 3 years	142,410	161,833
Between 3 to 4 years	143,834	163,452
Between 4 to 5 years	145,815	165,613
Over 5 years	1,697,513	2,082,352
Total contractual outflows	2,446,474	2,927,546
Lease liability recognised in the financial statements	1,834,640	1,968,966

(iii) Reconciliation of liabilities arising from finance activities

Loans

Balance at beginning of the year	22,172,313	23,412,654
Loan raised	2,500,000	-
Principal repayments	(1,300,735)	(1,240,341)
Balance at end of the year	23,371,578	22,172,313

Lease liabilities

Balance at beginning of the year	1,968,966	2,072,590
Cash flows during the period	(143,103)	(103,624)
Non cash flows changes in the period	8,777	-
Balance at end of the year	1,834,640	1,968,966

Council does not believe that any of the leases in place are individually material.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

		2021 \$	2020 \$
	Note		
19 Contract balances			
Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.			
When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.			
When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.			
(a) Contract assets			
Contracts for capital assets		1,076,450	1,861,848
Contracts for operating activities		545,041	-
Current		1,621,491	1,861,848
(b) Contract liabilities			
Funds received upfront to construct Council controlled assets		3,920,003	6,389,023
Deposits received in advance of services to be provided (obligation not yet satisfied)		518,165	521,786
		4,438,168	6,910,809
Current		4,258,127	4,735,353
Non-current		180,041	2,175,456
		4,438,168	6,910,809
Revenue recognised that was included in the contract liability balance at the beginning of the year			
Funds to construct Council controlled assets		4,389,023	1,335,485
Non-capital performance obligations		309,495	208,091
		4,698,518	1,543,576

Significant monies were received in advance in the prior financial year for DRFA works. These works were finalised in the current financial year, with the corresponding liability recognised as revenue.

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		235,318,517	241,505,055
Adjustments to the property, plant and equipment through revaluations	15	(13,196,095)	(6,186,538)
Balance at end of the year		222,122,422	235,318,517

(ii) Asset revaluation surplus analysis

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

Land and improvements	6,795,470	3,652,847
Buildings	13,962,886	28,061,169
Road, bridge and drainage	94,085,690	96,326,126
Water	76,731,071	76,731,071
Wastewater	30,547,305	30,547,304
	222,122,422	235,318,517

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

	2021 \$	2020 \$
21 Commitments for expenditure		
Contractual commitments		
Capital		
Capital commitment for the construction of the following assets contracted for at end of the financial year but not recognised as liabilities.		
Infrastructure	1,898,670	1,972,259
Other Assets	4,234,034	8,044,427
	<u>6,132,704</u>	<u>10,016,686</u>
These expenditures are payable		
Within one year	<u>6,132,704</u>	<u>10,016,686</u>

22 Events after balance date

There were no material adjusting events after the balance date.

23 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities.

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 pools contributions in respect to any year that a deficit arises.

As at 30 June 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

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

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

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

The Council's maximum exposure to the bank guarantee is	<u>675,092</u>	<u>666,175</u>
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Bank Guarantee

Under the terms of agreement for the supply of water to the Isaac Regional Council, the Council has provided a bank guarantee to the provider. The guarantee expires on 30 June 2025.

The Council's maximum exposure under the bank guarantee is	<u>1,500,000</u>	<u>1,500,000</u>
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Legal Matters

Council is subject to claims that arise as a result of the operations of Council. Council has not provided for any amounts to date in relation to these claims on the basis that it has been assessed as immaterial or that it cannot be reliably estimated at reporting date. Information in respect of individual claims has not been disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims.

Residential Subdivision

Council has recently received advice on how to address a stalled residential subdivision where early release of survey plans was granted, however, no bonds, guarantee or securities are held. To date, a large portion of the required infrastructure works have not been completed. Noting the complexity of legal implications and associated options available to Council, it is not possible for Council to quantify the financial implications at reporting date.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

		2021 \$	2020 \$
Note			
24 Superannuation			
Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the <i>Local Government Act 2009</i> .			
The scheme is a pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the Council level.			
Any amount by which the scheme is over or under funded may affect future contribution rate obligations, but has not been recognised as an asset or liability of the Council.			
Isaac Regional Council may be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to Council's obligations will only be made on the advice of an actuary.			
The last completed actuarial assessment of the scheme as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefit entitlements represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.			
No changes have been made to prescribed employer contributions which remain at 12% of employee assets for this financial year and it is noted that under current proposed Certified Agreement, there will be a change to the rate of contribution in 2022 financial year.			
The next triennial actuarial review is not due until 1 July 2021.			
The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:			
Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.			
Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.			
Superannuation contributions made to the Regional Defined Benefits Fund		24,396	34,326
Other superannuation contributions for employees		3,951,643	3,994,335
		<u>3,976,039</u>	<u>4,028,661</u>
25 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		2,218,383	15,575,791
Non-cash operating items			
Impairment of receivables and bad debts written-off		1,601,782	11,916
Depreciation and amortisation	8	28,125,008	26,358,338
Change in restoration provisions expensed to finance costs		75,193	109,197
Interest accrued on loan to controlled entities		(5,509)	(12,838)
Revaluation of inventory land expensed to materials and services		(3,070,652)	29,498
		<u>26,725,822</u>	<u>26,496,111</u>
Investing and development activities			
Capital grants, subsidies and contributions	3 (b) (ii)	(12,768,083)	(25,139,640)
Capital income	4	(3,624,361)	(431,566)
Capital expenses	9	15,540,268	10,178,859
		<u>(852,176)</u>	<u>(15,392,347)</u>
Financing activities			
Capitalised interest		(624,352)	-
		<u>(624,352)</u>	<u>-</u>
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(272,472)	(250,598)
(Increase) decrease in inventories (excluding land)		(81,334)	248,008
(Increase) decrease in other operating assets		128,919	(411,341)
(Increase) decrease in operating contract assets		(545,041)	58,200
Increase (decrease) in payables		4,749,763	(7,375,632)
Increase (decrease) in provisions		382,203	804,786
Increase (decrease) in other liabilities		-	(986,289)
Increase (decrease) in operating contract liabilities		(3,621)	52,252
		<u>4,358,417</u>	<u>(7,860,614)</u>
Net cash inflow from operating activities		<u>31,826,094</u>	<u>18,818,941</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

		2021 \$	2020 \$
26 Controlled entities that have not been consolidated	Note		
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. The audited special purpose financial statements for these controlled entities are published on Council's website and are prepared to meet requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> . The controlled entities are registered not-for-profit entities, meaning Council currently cannot receive any dividends or proceeds from sale on wind up of these entities.			
A summary of those entities, their net assets and results for the year ended 30 June 2021 follows:			
Controlled Entity	Ownership Interest		
Moranbah Early Learning Centre:	100%		
Revenue		3,059,875	2,699,809
Expenses		(2,379,592)	(2,430,565)
Profit / (loss)		680,283	269,244
Assets		1,215,712	548,989
Liabilities		922,587	972,147
The centre provides childcare facilities to the community.			
Moranbah Early Learning Centre liabilities include loans payable of \$647,861 to Isaac Regional Council which are recognised as receivables in these financial statements (refer to Note 11).			
Isaac Affordable Housing Trust:	100%		
Revenue		2,765,056	277,105
Expenses		(259,496)	(361,823)
Profit / (loss)		2,505,560	(84,718)
Assets		7,666,889	5,124,374
Liabilities		4,906,213	4,869,259
The housing trust provides affordable housing to the community.			
Isaac Affordable Housing Trust liabilities include loans payable of \$4,879,018 to Isaac Regional Council which are recognised as receivables in these financial statements (refer to Note 11).			
27 Minor correction for assets not previously recognised			
During the financial year Council became aware of some assets in property plant and equipment that were not previously recognised as well as some assets previously recognised that should not have been recognised.			
Summary details of assets not previously recognised are as follows			
Gross value of property, plant and equipment	15	1,581,700	5,739,658
Less accumulated depreciation	15	(946,134)	(1,253,321)
Gain from assets not previously recognised		635,566	4,486,337
Summary details of assets previously recognised incorrectly are as follows			
Gross value of property, plant and equipment	15	-	(925,047)
Loss on assets previously recognised incorrectly		-	(925,047)
Net result of recognised/derecognised assets		635,566	3,561,290

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

28 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.

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's audit committee oversees how management monitors compliance with the Council's risk management policies and procedures, and reviews the adequacy of the risk managements framework in relation to the risks faced by the Council. The Council audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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*.

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	2021 \$	2020 \$
Financial assets			
Cash at bank and on hand	10	530,014	666,802
Cash investments held with - QTC	10	55,234,857	54,797,998
Cash investments held with other approved deposit taking institutions	10	1,406,858	2,914,837
Financial receivables			
Receivables - rates and utility charges	11	4,328,890	4,699,812
Receivables from controlled entities	11	5,526,879	5,592,985
Receivables - other	11	5,299,709	6,320,382
Other credit exposure			
Guarantees	23	2,175,092	2,166,175
Total		<u>74,502,299</u>	<u>77,158,991</u>

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.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

28 Financial instruments - continued

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. The local economy depends largely on agriculture and mining and due to this Council is exposed to risk associated with the often cyclical nature of these sectors.

The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

At 30 June 2021 the exposure to credit risk (prior to any allowance for expected credit losses) for trade receivables by type of counterparty was as follows:

	2021	2020
	\$	\$
Rates & utility debtors	5,990,915	4,699,812
Other Debtors	1,328,566	1,823,413
Government debtors	3,971,143	4,496,969
Water Levies	1,440,293	1,896,540
Controlled entities	5,526,879	5,592,985
	18,257,796	18,509,719

Expected credit loss assessment as at 30 June 2020 and 30 June 2021

Historically, loss rates observed in respect of rate and utility debtors (due to Council empowerment to sell property to recover debt as described above) has not been significant. However, in the current year, an allowance has been made for expected credit losses against rating receivables in relation to a stalled Residential Subdivision. This is not expected to occur in subsequent years.

The loss allowance for expected credit losses on loans receivable from controlled entities is determined in accordance with the general approach under AASB 9, which requires the loss allowance to be measured at an amount equal to 12-month expected credit losses, unless the credit risk on these loans has increased significantly since initial recognition. No credit losses are expected on these loans receivable within the next twelve months, based on the maturity dates of the loans. Management has determined that the credit risk on these loans has not increased significantly since initial recognition.

Council uses an allowance matrix to measure the expected credit losses on other receivables from individual customers, which comprise a very large number of small balances. Council considers that the risk profile of all subcategories or "other debtors" above is similar, and accordingly assesses the allowance for expected credit losses for these receivables on a collective basis.

As the historical loss rate observed in respect of Government debtors is nil, they have been removed from the other receivables balance when applying the allowance matrix, no allowance is made for expected credit losses against this class of receivable.

Loss rates are calculated based on Council's actual credit loss experience over the past fourteen years and reflect the probability of a receivable progressing through successive stages of delinquency to write-off. Council considers debtors with an outstanding balance greater than 90 days to be in default. Loss rates are adjusted to reflect Council's expectation of future economic conditions, relative to those which prevailed over the period for which historical loss rates were determined. In determining the adjustment required to historical loss rates, Council considers macroeconomic indicators including: unemployment rate, interest rate, coal price volatility and global coal demand, population and household income statistics, and general indicators of mining activity (e.g. predicted mining projects).

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2021

2021						
Details	Not passed due date	Passed due 1-30 days	Passed due 31-60 days	Passed due 61-90 days	Passed 90 days	Lifetime expected credit loss
Balance outstanding	1,046,563	48,308	17,423	2,066	214,206	
Expected credit loss	0.19%	0.49%	2.60%	28.53%	97.89%	
Expected credit loss allowance	1,984	237	453	589	209,678	212,941

2020						
Details	Not passed due date	Passed due 1-30 days	Passed due 31-60 days	Passed due 61-90 days	Passed 90 days	Lifetime expected credit loss
Balance outstanding	1,374,374	75,198	9,644	108,062	256,135	
Expected credit loss	0.23%	0.52%	1.98%	26.39%	94.88%	
Expected credit loss allowance	3,111	387	190	28,519	243,018	275,225

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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

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.

Exposure to liquidity risk

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC (see note 18 for contractual maturity disclosures).

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.

There is no reasonable possible change in interest rate that would cause a material impact to profit or equity.

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2021

29 Transactions with related parties

(a) Controlled entities

Isaac Regional Council has two controlled entities. These controlled entities are not consolidated as their size and nature means that they are not material to Council's operations. All details of these entities are disclosed in note 26.

The following transactions occurred with the controlled entities:

Controlled entity	Expenses paid	
	2021	2020
	\$	\$
Isaac Affordable Housing Trust	12,091	13,200
Moranbah Early Learning Centre	-	222
	<u>12,091</u>	<u>13,422</u>

Isaac Regional Council paid for expenses on behalf of Isaac Affordable Trust and Moranbah Early Learning Centre. These expenses are to be reimbursed. There are existing loans from Isaac Regional Council to both of these controlled entities (note 26) with interest being accrued on a monthly basis on both loans. The IAHT loan interest is charged at the Mortgagee's (Isaac Regional Council) banker to its customers. The MELC loan interest is charged at the lowest Queensland Treasury Corporation Borrowing Rate as at 31 March each year.

For the period 1 July 2017 to 30 June 2021, a \$1 peppercorn lease exists between Isaac Regional Council and MELC for the property that the MELC is conducted from.

(b) Key Management Personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and all of Council's Executive Leadership Team.

Transactions with KMP, in the form of compensation paid, comprises:

Nature of Compensation	2021	2020
	\$	\$
Short-term employee benefits	2,287,046	2,513,523
Long-term benefits	35,069	22,725
Post-employment benefits	196,136	199,478
	<u>2,518,251</u>	<u>2,735,726</u>

Detailed remuneration disclosures for KMP are provided in Council's annual report.

(c) Other related parties

Other related parties include the close family members of KMP and any entities controlled, or jointly controlled, by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between Council and other related parties are disclosed below:

	2021	2020
	\$	\$
Employee expenses for close family members of key management personnel (wages and superannuation)	97,978	87,455
Purchase of materials and services from entities controlled by key management personnel	53,027	41,668
Sponsorship paid to Isaac Regional Charity Trust	-	10,000
	<u>151,005</u>	<u>139,123</u>

(i) 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.

(ii) Materials and Services purchased from entities controlled by key management personnel were at arms length and in the normal course of Council's operations.

(d) Outstanding balances

There were no outstanding balances at the end of the reporting period in relation to receivables and payables transactions with related parties.

(e) 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. Some examples include:

- Payment of rates
- Using the Council's public swimming pool after paying the normal fee
- Dog registration
- Borrowing books from a Council library

Council has not included these types of transaction in its disclosure, where they are made on the same terms and conditions available to the general public.

ISAAC REGIONAL COUNCIL

FINANCIAL STATEMENTS

For the year ended 30 June 2021


MANAGEMENT CERTIFICATE

For the year ended 30 June 2021

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

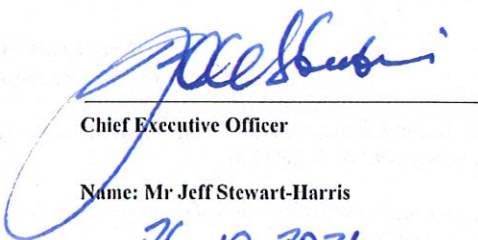
- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 30, present a true 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: 26 / 10 / 2021



Chief Executive Officer

Name: Mr Jeff Stewart-Harris

Date: 26 / 10 / 2021

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 2021, 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 2021, 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 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Isaac Regional Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement, long-term financial sustainability statement and annual report.

The councillors are responsible for the other information.

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 councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 of the council.

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 2021:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Local Government Act 2009*, any other Act and the Local Government Regulation 2012. The applicable requirements include those for keeping financial records that correctly record and explain the council's transactions and account balances to enable the preparation of a true and fair financial report.



Michael Claydon
as delegate of the Auditor-General

28 October 2021

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement For the year ended 30 June 2021

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 infrastructure assets (renewals) divided by depreciation expense on infrastructure assets.
- (iii) **Net financial liabilities ratio**
Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2021 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	1.21%	103.90%	-7.17%

Note 1 - Information about these financial statements

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 2021.

Certificate of Accuracy For the year ended 30 June 2021

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: 26 / 10 / 21



Chief Executive Officer

Name: Mr Jeff Stewart-Harris

Date: 26 / 10 / 2021

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 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2021 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Isaac Regional Council's annual report for the year ended 30 June 2021 was the general purpose financial statements, long-term financial sustainability statement and annual report.

The councillors are responsible for the other information.

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 councillors for the current-year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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.



Michael Claydon
as delegate of the Auditor-General

28 October 2021

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Long-Term Financial Sustainability Statement Prepared as at 30 June 2021

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 infrastructure assets (renewals) divided by depreciation expense on infrastructure assets.

(iii) Net financial liabilities ratio

Total liabilities less current assets divided by total operating revenue.

Council's performance at 30 June 2021 against key financial ratios:

Target

Actuals at 30 June 2021

Projected for the years ended

30 June 2022
30 June 2023
30 June 2024
30 June 2025
30 June 2026
30 June 2027
30 June 2028
30 June 2029
30 June 2030

Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
between 0% and 10%	greater than 90%	not greater than 60%
1.21%	103.90%	-7.17%
1.20%	93.50%	-2.88%
1.66%	104.83%	-0.18%
1.79%	104.80%	-2.79%
1.90%	104.39%	-5.45%
2.02%	102.76%	-8.16%
2.13%	102.71%	-10.93%
2.27%	102.67%	-13.77%
2.40%	102.62%	-16.69%
2.55%	102.58%	-19.68%

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 2021

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

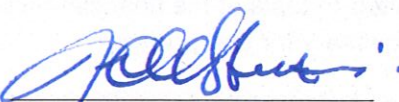
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Mayor

Name: Cr Anne Baker

Date: 26 / 10 / 21



Chief Executive Officer

Name: Mr Jeff Stewart-Harris

Date: 26 / 10 / 2021