ISAAC REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2018

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Addendum to the financial statements

ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Income			
Recurrent revenue			
Rates and levies	3	79,966,478	77,274,412
Sale of goods and major services		4,105,496	3,735,352
Fees and charges		3,181,856	3,066,553
Rental and levies		1,034,263	935,946
Interest received		2,224,587	2,796,721
Sales of contract and recoverable works		4,024,605	4,446,982
Other recurrent income		611,027	143,771
Grants, subsidies, contributions and donations	4 (i)	6,428,369	8,663,474
Total operating revenue		101,576,681	101,063,211
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	36,110,356	15,974,976
		36,110,356	15,974,976
Total revenue		137,687,037	117,038,187
Capital income		159,971	70,711
Total income	2 (b)	137,847,008	117,108,898
Expenses			
Recurrent expenses			
Employee benefits	5	(36,308,366)	(34,216,759)
Materials and services	6	(40,505,693)	(38,503,097)
Finance costs		(867,808)	(1,652,034)
Depreciation and amortisation	7	(23,271,907)	(22,414,678)
Total operating expenses		(100,953,774)	(96,786,568)
Capital expenses			
Other capital expenses	8	(8,951,216)	(11,102,572)
Total expenses	2 (b)	**(109,904,990)**	**(107,889,140)**
Net result		**27,942,018**	**9,219,758**
Other comprehensive income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	19	(20,009,241)	(9,933,427)
Total other comprehensive income for the year		(20,009,241)	(9,933,427)
Total comprehensive income for the year		**7,932,777**	**(713,669)**

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

ISAAC REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2018

	Note	2018 $	2017 $
Current assets			
Cash and cash equivalents	9	50,186,097	79,410,079
Cash investments	13	32,000,000	-
Trade and other receivables	10 (a)	10,004,948	12,043,371
Inventories	11	16,949,532	17,015,514
Total current assets		109,140,577	108,468,964
Non-current assets			
Trade and other receivables	10 (b)	5,500,414	5,385,435
Property, plant and equipment	14	1,086,523,954	1,067,601,374
Intangible assets		245,954	339,336
Total non-current assets		1,092,270,322	1,073,326,145
TOTAL ASSETS		1,201,410,899	1,181,795,109
Current liabilities			
Trade and other payables	16	15,036,972	11,746,925
Provisions	17	2,688,498	3,242,592
Borrowings	18	1,182,765	1,127,878
Other		279,108	121,595
Total current liabilities		19,187,343	16,238,990
Non-current liabilities			
Trade and other payables	16	51,534	52,894
Provisions	17	7,381,592	6,323,557
Borrowings	18	23,412,655	24,595,419
Total non-current liabilities		30,845,781	30,971,870
TOTAL LIABILITIES		50,033,124	47,210,860
NET COMMUNITY ASSETS		**1,151,377,775**	**1,134,584,249**
Community equity			
Asset revaluation surplus	19	320,145,641	340,154,882
Retained surplus		764,161,658	722,180,736
Reserves		67,070,476	72,248,631
TOTAL COMMUNITY EQUITY		**1,151,377,775**	**1,134,584,249**

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

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2018

	Note	Total		Retained surplus		Reserves		Asset revaluation surplus Note 19	
		2018 $	2017 $	2018 $	2017 $	2018 $	2017 $	2018 $	2017 $
Balance at beginning of the year		1,134,584,249	1,129,328,749	722,180,736	690,615,271	72,248,631	88,625,169	340,154,882	350,088,309
Corrections to opening balances	25	8,860,749	5,969,169	8,860,749	5,969,169			-	
Restated opening balances		1,143,444,998	1,135,297,918	731,041,485	696,584,440	72,248,631	88,625,169	340,154,882	350,088,309
Net result		27,942,018	9,219,758	27,942,018	9,219,758	-	-	-	-
Other comprehensive income for the year									
Revaluations:									
Property, plant & equipment	14	(19,899,538)	(16,311,911)	-	-	-	-	(19,899,538)	(16,311,911)
Change in value of future rehabilitation costs		(109,703)	6,378,484	-	-	-	-	(109,703)	6,378,484
Total comprehensive income for the year		7,932,777	(713,669)	27,942,018	9,219,758	-	-	(20,009,241)	(9,933,427)
Transfers (to) from retained earnings and recurrent reserves		-	-	(2,639,841)	-	2,639,841	-	-	-
Transfers (to) from retained earnings and capital reserves		-	-	7,817,996	16,376,538	(7,817,996)	(16,376,538)	-	-
Balance at end of the year		1,151,377,775	1,134,584,249	764,161,658	722,180,736	67,070,476	72,248,631	320,145,641	340,154,882

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

ISAAC REGIONAL COUNCIL

Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $	2017 $
Cash flows from operating activities			
Receipts			
Receipts from customers		104,622,054	86,867,096
Operating grants, subsidies and contributions		6,428,369	8,663,474
Interest received		1,812,578	3,095,328
Payments			
Payments to suppliers and employees		(82,141,956)	(70,920,486)
Interest expense		(1,207,968)	(1,879,246)
Net cash inflow (outflow) from operating activities	23	29,513,077	25,826,166
Cash flows from investing activities			
Commonwealth government grants		3,173,851	4,259,421
State government subsidies and grants		31,874,655	11,495,635
Capital contributions		1,032,487	106,201
Payments for property, plant and equipment		(62,080,036)	(42,055,179)
Payments for intangible assets		(42,858)	(316,402)
Net transfer (to) from cash investments		(32,000,000)	30,000,000
Proceeds from sale of property, plant and equipment		432,719	617,468
Net cash inflow (outflow) from investing activities		(57,609,182)	4,107,144
Cash flows from financing activities			
Repayment of borrowings	18	(1,127,877)	(13,084,134)
Net cash inflow (outflow) from financing activities		(1,127,877)	(13,084,134)
Net increase (decrease) in cash and cash equivalents held		(29,223,982)	16,849,176
Cash and cash equivalents at beginning of the financial year		79,410,079	62,560,903
Cash and cash equivalents at end of the financial year	9	**50,186,097**	**79,410,079**

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

1 Significant accounting policies

1. 1 Basis of preparation

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in compliance with the requirements of the Local Government Act 2009 and the Local Government Regulation 2012. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

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

Recurrent/capital classification

'Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income. Capital revenue includes grants, subsidies and contributions received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

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

- disposal and write-off of non-current assets
- discount rate and valuation adjustments to restoration provisions
- revaluations and impairments of investment property and property, plant and equipment
- revaluation of QTC loan arising from a loan restructure or early loan redemption

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

1. 2 Statement of compliance

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

1. 3 Constitution

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

1. 4 Date of authorisation

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

1. 5 Currency

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

1 Significant accounting policies continued

1.6 Adoption of new and revised Accounting Standards

This year Council has applied AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107 for the first time. As a result Council has disclosed more information to explain changes in liabilities arising from financing activities ('debt reconciliation'). This information is presented in note 18.

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

Standard and impact	Date Council will apply the standard
AASB 9 Financial Instruments	**01-Jul-18**
This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.	
AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities	**01-Jul-19**
AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council receives rates in advance of the rating period. Under currently applicable standards, such funds are recorded as revenue in the period they are received. Under the new standards, these amounts will be recognised as revenue in the year that the rating period they relate to occurs. At 30 June Council had received $585,404 of rates in advance. Assuming consistency in operations over the next 12 months and applying the budgeted increase in rates of 2% over the next two financial years, the expected impact on Council's revenue in the period of initial application of the new standards would be a decrease in rates revenue of $597,112, being the expected prepaid rates received as at 30 June 2020 (end of the first period subsequent to initial application).	
AASB 16 Leases	**01-Jan-19**
AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Right-of-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition: • right-of-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis; and • lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made. As disclosed in note 20, Council has a number of operating leases in place. Council has estimated that, based on leasing arrangements which existed at 30 June 2018, on initial application of AASB 16 Council will recognise a right-of-use asset with a value of $4,564,973 and a lease liability for the same amount. Further, in the initial year of application it is estimated that Council's net result will decrease by $64,802 on that which would otherwise be recognised under the currently operable standards, consisting of an increase in depreciation expenditure of $220,492, increase in interest expense of $156,852, and decrease in rent expense of $312,542.	

1 Significant accounting policies continued

1. 7 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to Council's assets or liabilities relate to:

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

Valuation and depreciation of property, plant and equipment - notes 14 and 15
Impairment of receivables - note 10
Annual leave liability - note 16
Provisions - note 17

1. 8 Rounding and comparatives

The financial statements have been rounded to the nearest $1. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1. 9 Taxation

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

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

2 Components of council functions

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

Office of the CEO

The Office of the Chief Executive Officer is responsible for the organisational leadership, administration and strategic management of the organisation. This is undertaken in conjunction with the Isaac Regional Councillors, with the 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, community leasing, 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, waste management, engineering design and projects, roads and urban services. It also manages the business unit of waste management. The objective of Engineering and Infrastructure is to provide essential transport, drainage, parks infrastructure, maintenance, construction and operational services to the community.

2. (a) Components of council functions continued

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

Water
The water area within the newly formed Water & Wastewater 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.

Sewerage
The sewerage area within the newly formed Water &Wastewater 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 managment of sewerage infrastructure.

Waste Management
The waste management department within Engineering & Infrastructure 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.

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.

2 Components of council functions continued

(b) Analysis of results by program

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

For the year ended 30 June 2018:

	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							
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Programs	$	$	$	$	$	$	$	$	$	$	$
Office of the CEO	144,253	122,985	-	-	267,238	1,052,664	-	1,052,664	1,319,902	1,319,902	-
Corporate, Governance & Financial Services	3,104,933	55,699,475	-	-	58,804,408	(6,164,192)	-	(6,164,192)	52,640,216	52,640,216	97,362,299
Engineering & Infrastructure	2,153,842	3,989,624	23,648,000	1,055,521	30,846,987	(34,635,059)	(8,047,591)	(42,682,650)	(28,491,593)	(11,835,663)	634,547,800
Planning, Environment & Community Services	657,409	3,444,555	115,000	-	4,216,964	(26,871,400)	(494,693)	(27,366,093)	(22,769,436)	(23,149,129)	124,228,819
Water	-	13,176,802	7,400,000	6,330	20,583,132	(13,411,709)	(248,257)	(13,659,966)	(234,907)	6,923,166	163,791,261
Sewerage	-	10,260,877	1,021,505	-	11,282,382	(9,450,269)	(160,675)	(9,610,944)	810,608	1,671,438	127,083,513
Waste Management	-	8,586,211	2,864,000	-	11,450,211	(8,648,347)	-	(8,648,347)	(62,136)	2,801,864	18,413,237
Land Development	-	-	-	-	-	(1,213,519)	-	(1,213,519)	(1,213,519)	(1,213,519)	15,271,859
Plant, Fleet, Workshops & Depot	231,559	4,156	-	159,971	395,686	(1,611,943)	-	(1,611,943)	(1,376,228)	(1,216,257)	20,712,111
Total	6,291,996	95,284,685	35,048,505	1,221,822	137,847,008	(100,953,774)	(8,951,216)	(109,904,990)	622,907	27,942,018	1,201,410,899

For the year ended 30 June 2017:

	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							
	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
Programs	$	$	$	$	$	$	$	$	$	$	$
Office of the CEO	116,000	68,965	-	-	184,965	2,016,220	-	2,016,220	2,201,185	2,201,185	-
Corporate, Governance & Financial Services	4,715,499	55,407,818	-	-	60,123,317	(3,299,735)	-	(3,299,735)	56,823,582	56,823,582	97,271,481
Engineering & Infrastructure	3,124,822	4,184,400	13,430,026	159,490	20,898,738	(31,567,438)	(7,262,458)	(38,829,896)	(24,258,216)	(17,931,158)	631,993,318
Planning, Environment & Community Services	460,907	3,496,604	-	33,690	3,991,201	(27,048,704)	631,048	(26,417,656)	(23,091,193)	(22,426,455)	129,293,534
Water	-	10,942,657	1,609,030	13,370	12,565,057	(14,875,901)	(1,705,856)	(16,581,757)	(3,933,244)	(4,016,700)	148,354,756
Sewerage	-	10,167,555	-	13,370	10,180,925	(10,992,525)	(1,319,301)	(12,311,826)	(824,970)	(2,130,901)	127,233,943
Waste Management	-	8,174,474	716,000	-	8,890,474	(8,172,792)	(1,446,005)	(9,618,797)	1,682	(728,323)	11,811,346
Land Development	-	-	-	-	-	(2,052,772)	-	(2,052,772)	(2,052,772)	(2,052,772)	15,320,671
Plant, Fleet, Workshops & Depot	195,754	7,756	-	70,711	274,221	(792,921)	-	(792,921)	(589,411)	(518,700)	20,516,060
Total	8,612,982	92,450,229	15,755,056	290,631	117,108,898	(96,786,568)	(11,102,572)	(107,889,140)	4,276,643	9,219,758	1,181,795,109

	Note	2018 $	2017 $

3 Revenue

Revenue is recognised at the fair value of consideration received or receivable, on the basis it meets the recognition criteria set out below.

(a) Rates and levies

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

	2018 $	2017 $
General rates	58,454,480	57,814,627
Disaster management levy	218,587	132,465
Water	10,574,597	10,653,569
Water consumption, rental and sundries	2,026,111	6,030
Sewerage	9,938,795	9,888,103
Sewerage trade waste	3,182	6,595
Garbage charges	4,649,425	4,630,819
Rates and utility charge revenue	85,865,177	83,132,208
Less: Discounts	(5,663,081)	(5,621,310)
Less: Pensioner remissions	(235,618)	(236,486)
Net rates and utility charges	79,966,478	77,274,412

4 Grants, subsidies, contributions and donations

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Grant funds received are typically restricted for use in achieving the stated purpose of the grant. The amount of grant funds subject to such restrictions which remain unspent at balance date is disclosed in note 9.

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

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

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

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

(i) Recurrent

	2018 $	2017 $
General purpose grants	5,178,788	7,458,090
Commonwealth subsidies and grants	231,560	195,754
State government subsidies and grants	881,647	959,138
Donations	1,253	16,374
Cash contributions	135,121	34,118
Total recurrent revenue	6,428,369	8,663,474

(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.

	2018 $	2017 $
Monetary revenue designated for capital purposes		
Commonwealth government grants	3,173,851	4,259,421
State government subsidies and grants	14,883,006	4,777,530
NDRRA flood damage grants for capitalised repairs	16,991,650	6,718,105
Cash contributions	1,061,849	219,920
Total capital revenue	36,110,356	15,974,976

		Note	2018 $	2017 $
5	**Employee benefits**			
	Total staff wages and salaries		28,503,366	29,239,319
	Councillors' remuneration		659,120	642,089
	Annual, sick and long service leave entitlements		4,889,662	4,690,410
	Superannuation	22	3,524,828	3,339,948
			37,576,976	37,911,766
	Other employee related expenses		811,344	852,726
			38,388,320	38,764,492
	Less capitalised employee expenses		(2,079,954)	(4,547,733)
			36,308,366	34,216,759

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

Total Council employees at 30 June	2018	2017
Elected members	9	9
Administration staff	229	210
Depot and outdoors staff	185	187
Total full time equivalent employees	423	406

		$	$
6	**Materials and services**		
	Audit fees - Queensland Audit Office	175,000	183,008
	Contractors	1,438,276	1,592,023
	Donations paid	499,430	473,817
	Electricity	3,263,307	3,225,408
	Equipment and tools	3,811,242	2,813,274
	Information, communications and technology	3,908,780	2,555,166
	Insurance	1,696,998	1,285,411
	Other employee expenses	770,726	773,245
	Plant and vehicle expenses	1,374,242	1,394,690
	Professional fees	3,124,229	5,397,093
	Rates and charges	1,515,635	1,208,831
	Refuse collection	2,555,093	2,428,448
	Repairs and maintenance	8,166,917	7,659,696
	Impairment of land for sale (classified as inventory)	728,615	1,054,857
	Other material and services	7,477,203	6,199,733
	Cost of inventory land reclassified	-	258,397
		40,505,693	38,503,097

7	**Depreciation and amortisation**		
	(a) Depreciation of non-current assets		
	Land and improvements	1,680,828	1,930,274
	Buildings	2,057,560	1,895,462
	Plant and equipment	3,449,318	3,404,816
	Road, bridge and drainage	9,171,855	8,786,538
	Water	3,273,610	3,102,757
	Sewerage	3,031,354	3,002,342
	Waste management	208,222	100,835
	Aerodrome	262,920	183,419
		23,135,667	22,406,443
	(b) Amortisation of other intangible assets		
	Computer software	136,240	8,235
		136,240	8,235
	Total depreciation and amortisation	23,271,907	22,414,678

		Note	2018 $	2017 $
8	**Capital expenses**			
	Loss on write-off of capital assets	14	8,951,216	8,983,432
	Revaluation down of property, plant and equipment	14	-	137,123
	Loss on market value adjustment to long term debt	18	-	1,982,017
	Total capital expenses		8,951,216	11,102,572

9 Cash and cash equivalents

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

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

	Note	2018 $	2017 $
Cash at bank and on hand		385,784	508,970
Deposits at call		49,800,313	76,901,109
Term deposits		-	2,000,000
Total cash and cash equivalents per statement of cash flows		50,186,097	79,410,079
Cash investments	13	32,000,000	-
Total cash assets		82,186,097	79,410,079

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:

	2018 $	2017 $
Unspent loan monies	696,766	702,045
Unspent government grants and subsidies	11,195,771	9,021,206
Unspent developer contributions	21,125,324	25,869,457
Total unspent external restricted cash held in reserves	33,017,861	35,592,708

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.

	2018 $	2017 $
Funds set aside by council to meet specific future funding requirements	47,431,115	43,178,408
Total cash held to contribute to identified funding commitments	80,448,976	78,771,116

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 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.

Trust funds held for outside parties

	2018 $	2017 $
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	32,308	33,930
Security deposits	345,626	290,246
	377,934	324,176

	Note	2018 $	2017 $

10 Trade and other receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts, Council does not impair rate receivables.

Loans and advances are recognised in the same way as other receivables. Terms are as per written agreement with interest charged at negotiated rates. Security is held over assets if applicable.

	2018 $	2017 $
(a) Current		
Rateable revenue and utility charges	3,926,951	3,711,206
Water charges yet to be levied	1,084,753	-
Accrued interest	480,146	188,716
GST recoverable	1,428,021	1,349,054
Other debtors	2,605,365	6,317,123
Less impairment provision	(242,769)	(277,176)
	9,282,467	11,288,923
Prepayments	722,481	754,448
	10,004,948	12,043,371
(b) Non-current		
Deferred debtors	3,400	9,000
Loans and advances to controlled entities and associates	5,497,014	5,376,435
	5,500,414	5,385,435

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

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

Movement in accumulated impairment losses (trade and other receivables)	2018 $	2017 $
Balance at beginning of the year	277,176	242,186
Impairment adjustment in year	(34,407)	34,990
Balance at end of the year	242,769	277,176

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

		2018 $	2017 $
Not past due		11,069,710	7,866,775
Past due:	31 to 60 days - not considered impaired	75,070	88,233
	61 to 90 days - not considered impaired	311,440	16,064
	Over 90 days - not considered impaired	3,326,661	8,703,286
	Over 90 days - considered impaired	242,769	277,176
Total		15,025,650	16,951,534

	Note	2018 $	2017 $

11 Inventories

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

Inventories 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. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

	Note	2018 $	2017 $
Inventories for internal use:			
Quarry and road materials		617,015	617,015
Raw water on hand		332,747	353,229
Stores and materials		727,910	727,255
		1,677,672	1,697,499
Valued at cost, adjusted when applicable for any loss of service potential.			
Work in progress - land development		7,934	-
Land purchased for development and sale	12	15,263,926	15,318,015
Total inventories		16,949,532	17,015,514

12 Land purchased for development and sale

	2018 $	2017 $
Balance at beginning of the year	15,318,015	15,858,510
Transferred from other asset category	(54,089)	(144,000)
Development costs	-	158,865
Capitalised interest in year	728,615	757,894
Less cost of developed land sold	-	(258,397)
Valuation adjustment as at 30 June 2018	(728,615)	(1,054,857)
Balance at end of the year	15,263,926	15,318,015

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

13 Cash investments

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

	2018 $	2017 $
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted	32,000,000	-
	32,000,000	-

Term deposits at fixed interest rates are held with Westpac, Bank Of Queensland and Bendigo Adelaide. Maturity ranges from 5 to 11 months and bear interest rates from 5.95% to 6.50%.

14 Property, plant and equipment

(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.

(b) Acquisition of assets

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

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

(c) Capital and operating expenditure

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

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

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

(d) Valuation

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

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

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

(d) Valuation continued

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

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

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

Further information on the fair value measurement is contained in note 15.

(e) Capital work in progress

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

(f) Depreciation

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

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

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

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

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

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

(g) Impairment

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

(h) Land under roads

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

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

14 Property, plant and equipment

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Fair value category		Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3		
		2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
Asset values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2017		94,368,396	149,361,509	38,407,947	613,731,200	194,400,688	169,504,552	4,820,511	11,183,853	13,532,504	1,289,311,160
Minor correction to opening balance	25	1,343,000	-	-	9,841,346	-	-	-	-	-	11,184,346
Additions at cost		-	-	-	-	-	-	-	-	62,309,769	62,309,769
Internal transfers from work in progress		4,341,892	964,253	3,122,668	27,209,825	12,390,308	2,082,282	9,295,943	-	(59,450,029)	(42,858)
Disposals		-	-	(1,338,930)	-	-	-	-	-	-	(1,338,930)
Write-offs	8	(958,263)	(612,151)	-	(9,433,711)	(424,678)	(207,941)	-	-	-	(11,636,744)
Revaluation adjustment to other comprehensive income	19	(14,761,886)	-	-	93,576,085	-	-	-	-	-	78,814,199
Revaluation adjustment to capital loss		-	-	-	-	-	-	-	-	-	-
Internal transfers between asset classes		2,224,089	(2,170,001)	-	15,502	-	(15,501)	-	-	-	54,089
Closing gross value as at 30 June 2018		86,557,228	147,543,610	40,191,685	734,940,247	206,366,318	171,363,392	14,116,454	11,183,853	16,392,244	1,428,655,031
Accumulated depreciation and impairment											
Opening balance as at 1 July 2017		12,713,317	30,846,323	17,921,407	65,101,873	49,522,534	43,126,306	892,705	1,585,321	-	221,709,786
Minor correction to opening balance	25	-	-	-	2,323,597	-	-	-	-	-	2,323,597
Depreciation provided in year	7	1,680,828	2,057,560	3,449,318	9,171,855	3,273,610	3,031,354	208,222	262,920	-	23,135,667
Depreciation on disposals		-	-	(1,066,182)	-	-	-	-	-	-	(1,066,182)
Depreciation on write-offs	8	(145,172)	(117,458)	-	(2,199,211)	(176,421)	(47,266)	-	-	-	(2,685,528)
Revaluation adjustment to other comprehensive income	19	(1,582,310)	-	-	100,296,047	-	-	-	-	-	98,713,737
Revaluation adjustment to capital loss		-	-	-	-	-	-	-	-	-	-
Internal transfers between asset classes		-	-	-	665	-	(665)	-	-	-	-
Accumulated depreciation as at 30 June 2018		12,666,663	32,786,425	20,304,543	174,694,826	52,619,723	46,109,729	1,100,927	1,848,241	-	342,131,077
Total written down value as at 30 June 2018		73,890,565	114,757,185	19,887,142	560,245,421	153,746,595	125,253,663	13,015,527	9,335,612	16,392,244	1,086,523,954
Range of estimated useful life in years		5 - 200	3 - 150	5 - 20	5 - 200	5 - 200	5 - 200	5 - 100	5 - 200		
Addition of renewal assets		3,626,328	1,678,303	2,818,025	22,835,963	6,651,204	3,233,254	6,974,611	-	-	47,817,688
Addition of other assets		242,941	417,988	517,625	981,128	12,002,974	45,139	284,286	-	-	14,492,081
Total additions in year		3,869,269	2,096,291	3,335,650	23,817,091	18,654,178	3,278,393	7,258,897	-	-	62,309,769

Notes to the Financial Statements
For the year ended 30 June 2018

14 Property, plant and equipment - prior year

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Sewerage	Waste management	Aerodrome	Works in progress	Total
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	
Fair value catergory		Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3		
		2017	2017	2017	2017	2017	2017	2017	2017	2017	2017
Asset Values		$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2016		96,126,866	140,850,462	36,059,600	599,056,713	187,084,219	165,536,340	2,444,425	9,873,530	12,795,275	1,249,827,430
Minor correction to opening balance	25	-	3,777,351	9,995	-	-	-	1,903,833	277,990	-	5,969,169
Additions at cost		-	-	-	-	-	-	-	-	42,109,803	42,109,803
Internal transfers from work in progress		4,554,476	3,297,356	4,910,199	19,378,390	6,681,354	2,205,390	281,192	64,217	(41,372,574)	-
Disposals		-	-	(1,919,958)	-	-	-	-	-	-	(1,919,958)
Write-offs	8	(4,140,189)	(350,779)	(2,716)	(4,903,709)	(2,767,507)	(43,812)	(539,031)	-	-	(12,747,743)
Revaluation adjustment to other comprehensive income	19	(4,048,251)	(1,620,309)	-	-	-	-	(223,813)	-	-	(5,892,373)
Revaluation adjustment to capital loss	8	-	-	-	-	-	-	(653,129)	623,800	-	(29,329)
Internal transfers between asset classes		1,875,494	3,407,428	(649,173)	199,806	3,402,622	1,806,634	1,607,034	344,316	-	11,994,161
Closing gross value as at 30 June 2017		94,368,396	149,361,509	38,407,947	613,731,200	194,400,688	169,504,552	4,820,511	11,183,853	13,532,504	1,289,311,160
Accumulated depreciation and impairment											
Opening balance as at 1 July 2016		13,508,826	18,444,731	16,180,958	56,734,238	46,952,818	39,918,026	453,549	1,720,377	-	193,913,523
Depreciation provided in year	7	1,930,274	1,895,462	3,404,816	8,786,538	3,102,757	3,002,342	100,835	183,419	-	22,406,443
Depreciation on disposals		-	-	(1,373,201)	-	-	-	-	-	-	(1,373,201)
Depreciation on write-offs	8	(2,067,896)	(21,636)	(2,715)	(420,073)	(1,061,651)	-	(190,340)	-	-	(3,764,311)
Revaluation adjustment to other comprehensive income	19	(838,579)	11,258,117	-	-	-	-	-	-	-	10,419,538
Revaluation adjustment to capital loss	8	-	-	-	-	-	-	444,185	(336,391)	-	107,794
Internal transfers between asset classes		180,692	(730,351)	(288,451)	1,170	528,610	205,938	84,476	17,916	-	-
		-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2017		12,713,317	30,846,323	17,921,407	65,101,873	49,522,534	43,126,306	892,705	1,585,321	-	221,709,786
Total written down value as at 30 June 2017		81,655,079	118,515,186	20,486,540	548,629,327	144,878,154	126,378,246	3,927,806	9,598,532	13,532,504	1,067,601,374
Range of estimated useful life in years		5 - 200	3 - 150	5 - 20	5 - 200	5 - 200	5 - 200	5 - 100	5 - 200		

15 Fair value measurements

(i) Recognised fair value measurements

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

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

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

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.
Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 18 are provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

In accordance with AASB 13 fair value measurements are categorised on the following basis:
- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1. The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

	Note	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
		2018	2017	2018	2017	2018	2017
		$	$	$	$	$	$
Recurring fair value measurements							
Property, plant and equipment	14						
- Land and improvements		19,408,217	36,066,635	54,482,348	45,588,444	73,890,565	81,655,079
- Buildings		8,349,056	9,201,000	106,408,129	109,314,186	114,757,185	118,515,186
- Road, bridge and drainage		-	-	560,245,421	548,629,327	560,245,421	548,629,327
- Water		-	-	153,746,595	144,878,154	153,746,595	144,878,154
- Sewerage		-	-	125,253,663	126,378,246	125,253,663	126,378,246
- Waste management		-	-	13,015,527	3,927,806	13,015,527	3,927,806
- Aerodrome		-	-	9,335,612	9,598,532	9,335,612	9,598,532
		27,757,273	45,267,635	1,022,487,295	988,314,695	1,050,244,568	1,033,582,330

Movements in different buildings levels are disclosed in (iii) below.
There were no transfers between levels 1 and 2 during the year.
Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

15 Fair value measurements continued

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

Land and improvements, buildings and other structures

Land (and improvements), buildings and other structures were valued using either one of two approaches:

1. Market value
   Valuation derived from sales prices of comparable properties as adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre. The majority of Council's residential and commercial buildings were valued on this basis.

2. Current replacement cost
   Valuation represents the gross replacement cost of the modern equivalent of each asset or significant component of each asset, as adjusted for an accumulated depreciation which reflects the level of consumed future economic benefits and impairment. Assets are componentized into significant parts with different useful lives, taking into account a range of factors. The main inputs into this valuation approach are design and construction, average cost of construction, condition and consumption score for each asset or asset component. Council's specialised buildings were valued on this basis.

Unit rates were determined using local projects/data if available, local knowledge and available data sources (e.g. Rawlinson's Construction Handbook 2018), and were verified with first principle calculations. The 'first principles' method of calculating unit rates involves identifying all costs associated with constructing the various assets such as the asset design profiles, asset use/location, excavation and reinstatement costs, design, supervision, traffic management and working within difficult area allowances.

The main level 3 inputs used in the above valuations were derived and evaluated as follows:

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

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

3. Relationship between asset consumption rating scale and the level of consumed service potential
   Accumulated depreciation is determined by reference to an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to fair value require professional judgement and include asset condition, legal and commercial obsolescence and the determination of useful life and pattern of consumption of the future economic benefits from the asset.

   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. The results of the valuation were further evaluated by confirmation against Council's own understanding of the level of remaining service potential.

Councils land and improvements were subject to comprehensive valuation by Assetic Pty Ltd as at 30 June 2018.
The last comprehensive valuation of Council's buildings and other structures was undertaken effective 30 June 2017. At 30 June 2018, Council conducted an assessment of the potential change in fair value of those assets not subject to comprehensive valuation by reference to changes in appropriate cost indices (assets valued under the current replacement cost approach) and changes in market values (assets valued under a market approach). The change in fair value was assessed as not material and therefore no revaluation adjustments were made.

15 Fair value measurements continued

Road, bridge and drainage infrastructure
As at 30 June 2018 a revaluation was undertaken of Council's road, bridge and drainage assets by Assetic Pty Ltd. The valuation method adopted was current replacement cost, which determined the gross replacement cost of the modern equivalent of each asset or significant component of each asset, and then adjusted this for an accumulated depreciation which reflected the level of consumed future economic benefits and impairment. Assets were componentised into significant parts with different useful lives and taking into account a range of factors.

Inputs to the valuation included the design and construction, average cost of construction, condition and consumption score for each asset component. While replacement cost unit rates could be supported by market evidence (level 2), the inputs used to assess the level of remaining service potential were unobservable (level 3). As these unobservable inputs were significant to the valuation, the overall valuation has been classified as level 3.

Unit rates were determined using local projects/data if available, local knowledge and available data sources, and verified with first principle calculations. Data sources included published reference rates from the Rawlinson's Construction Handbook 2018. 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. The results of the valuation were further evaluated by confirmation against Council's own understanding of the level of remaining service potential.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of change in asset condition at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future they would most likely be valued at level 3.

Water and wastewater infrastructure
Water and wastewater infrastructure assets are valued using the current replacement cost approach, which determines the gross replacement cost of the modern equivalent of each asset or significant component of each asset, and adjusts this for an accumulated depreciation which reflects the level of consumed future economic benefits and impairment. Assets are componentized into significant parts with different useful lives and taking into account a range of factors.

Inputs to the valuation include the design and construction, average cost of construction, condition and consumption score for each asset or asset component. While replacement cost unit rates can be supported by market evidence (level 2), the inputs used to assess the level of remaining service potential are unobservable (level 3). As these unobservable inputs were significant to the valuation, the overall valuation has been classified as level 3.

Accumulated depreciation is determined by reference to the asset's assessed condition score and its consumption profile. These consumption rating scales are 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. Each asset or asset component is given a condition score based on physical inspection, which correlates to a remaining service potential percentage.

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

The last comprehensive valuation of water and wastewater infrastructure was undertaken as at 30 June 2014. A desktop valuation was undertaken by APV Valuers and Asset Management at 30 June 2016. At 30 June 2018, Council conducted an assessment of the potential change in fair value of water and wastewater infrastructure. The change in fair value was assessed as not material and therefore no revaluation adjustments were made.

The desktop valuation relies upon asset condition data maintained within Council's asset management systems, noting that there is comprehensive asset inspection program undertaken as part of a desktop valuation update.
During the year there were a number of new projects completed where the actual cost was recorded and the impact of change in asset condition at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future they would most likely be valued at level 3.

15 Fair value measurements continued

(iii) Changes in fair value measurements using significant unobservable inputs (level 3)

There have been no transfers between level 1,2 or 3 measurements during the year.

Changes in land and improvements	2018		2017	
	Level 2 Other land assets $	Level 3 Land assets $	Level 2 Other land assets $	Level 3 Land assets $
Asset value				
Opening balance	36,066,636	58,301,760	40,606,000	55,520,866
Error correction to opening balance	(881,089)	2,224,089	(3,495,000)	3,495,000
Additions in period	(588,000)	4,929,892	13,636	4,540,840
Disposals and write-offs in period	-	(958,263)	-	(4,140,189)
Transfers in period	2,224,089	-	(1,058,000)	2,933,494
Revaluation adjustment in the period	(17,088,184)	2,326,298	-	(4,048,251)
Gross value closing balance	19,733,452	66,823,776	36,066,636	58,301,760
Accumulated depreciation				
Opening balance	1	12,713,316	-	13,508,826
Error correction to opening balance	-	-	20,445	(20,445)
Depreciation in current period	359,115	1,321,713	(5,500)	1,935,774
Accumulated depreciation disposals and write-offs in period	-	(145,172)	-	(2,067,896)
Transfer in period	-	-	(14,944)	195,636
Revaluation adjustment in the period	(33,881)	(1,548,429)	-	(838,579)
Closing balance of accumulated depreciation	325,235	12,341,428	1	12,713,316
Written down (fair value) at reporting date	19,408,217	54,482,348	36,066,635	45,588,444

Changes in buildings	2018		2017	
	Level 2 Other buildings $	Level 3 Pensioner buildings $	Level 2 assets Other buildings $	Level 3 assets Pensioner buildings $
Asset value				
Opening balance	9,201,000	140,160,509	9,501,000	131,349,462
Error correction to opening balance	(845,000)	845,000	134,000	3,643,351
Additions in period	165,262	798,991	262,360	3,034,996
Disposals and write-offs in period	(96,000)	(516,151)	-	(350,779)
Transfers in period	-	(2,170,001)	2,170,000	1,237,428
Revaluation adjustment in the period	-	-	(2,866,360)	1,246,051
Gross closing balance Buildings	8,425,262	139,118,348	9,201,000	140,160,509
Accumulated depreciation				
Opening balance	-	30,846,323	-	18,444,731
Depreciation in current period	77,000	1,980,561	41,217	1,854,245
Accumulated. depreciation disposals and write-offs in period	(793)	(116,665)	-	(21,636)
Transfer in period	-	-	(41,217)	(689,134)
Revaluation adjustment in the period	-	-	-	11,258,117
Closing balance of accumulated depreciation	76,207	32,710,219	0	30,846,323
Written down (fair value) at reporting date	8,349,056	106,408,129	9,201,000	109,314,186

(iv) Valuation processes

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

	Note	2018 $	2017 $

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.

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

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 liability.

	Note	2018 $	2017 $
Current			
Accruals		224,973	896,408
Creditors		10,401,428	6,339,752
QTC interest accrued		47,946	50,143
Salary, wages and related accruals		697,899	734,660
Annual leave		3,501,099	3,556,556
Other entitlements		163,627	169,406
		15,036,972	11,746,925
Non-current			
Creditors		51,534	52,894
		51,534	52,894

17 Provisions

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs.

The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value.

The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

	Note	2018 $	2017 $

17 Provisions continued

Property restoration
A provision is made for the cost of restoring property restoration - and property restoration - where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

The provision for refuse restoration is calculated as the present value of anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. 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 site will close progressively from 2020 to 2040 and that the restoration will occur progressively over the subsequent four years.

	2018 $	2017 $
Current		
Long service leave	2,688,498	2,432,592
Property restoration - refuse sites	-	810,000
	2,688,498	3,242,592
Non-Current		
Long service leave	976,837	883,856
Property restoration - refuse sites	6,404,755	5,439,701
	7,381,592	6,323,557
Details of movements in provisions		
Long service leave		
Balance at beginning of the year	3,316,448	3,139,776
Amount provided for in the year	650,531	647,938
Amount paid in the year	(301,644)	(471,266)
Balance at end of the year	3,665,335	3,316,448
Current portion	2,688,498	2,432,592
Non-current portion	976,837	883,856
	3,665,335	3,316,448
Refuse sites		
Balance at beginning of the year	6,249,701	13,343,197
Increase due to change in time	170,409	273,317
Increase (decrease) due to change in discount rate	109,703	(586,309)
Amount expended in year	(125,058)	(988,329)
Increase (decrease) in estimate of future cost	-	(5,792,175)
Balance at end of the year	6,404,755	6,249,701
Current portion	-	810,000
Non-current portion	6,404,755	5,439,701
	6,404,755	6,249,701

This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life. The projected cost of remediation is $9,534,146 and this is expected to incurred from 2020 to 2040.

	2018 $	2017 $
Cash funds committed to meet this liability at the reporting date are	2,563,023	2,166,047

	Note	2018 $	2017 $

18 Borrowings

Unsecured borrowings are provided by the Queensland Treasury Corporation.
All borrowings are in $A denominated amounts and carried at amortised cost. Interest is expensed as it accrues except interest relating to land development which is capitalised to land held for resale (refer to note 12).
Expected final repayment dates vary from December 2032 to June 2033.

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

Principal and interest repayments are made quarterly in arrears.

Borrowings at balance date are:

	2018 $	2017 $
Queensland Treasury Corporation		
Balance at beginning of the year	25,723,297	36,825,414
Principal repayments - cash movement	(1,127,877)	(13,084,134)
Loss on market value adjustment to long term debt - non-cash movement	-	1,982,017
Balance at end of the year	24,595,420	25,723,297
Classified as		
Current	1,182,765	1,127,878
Non-current	23,412,655	24,595,419
	24,595,420	25,723,297

The QTC loan market value at the reporting date was $27,212,199. 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.

	2018 $	2017 $
0 to 1 year	2,338,043	2,338,043
1 to 5 years	9,352,172	9,352,172
Over 5 years	22,698,566	25,036,609
Total contractual outflows	34,388,781	36,726,824
Carrying amount	24,595,420	25,723,297

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

	2018 $	2017 $
Total	24,595,420	25,723,297

	Note	2018 $	2017 $

19 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

	Note	2018 $	2017 $
Balance at beginning of the year		340,154,882	350,088,309
Adjustments to the property, plant and equipment through revaluations	14	(19,899,538)	(16,311,911)
Adjustment to land and improvements arising from change in rehabilitation costs		(109,703)	6,378,484
Balance at end of the year		320,145,641	340,154,882

(ii) Asset revaluation surplus analysis

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

	2018 $	2017 $
Land and improvements	4,748,566	18,037,844
Buildings	28,061,169	28,061,169
Road, bridge and drainage	157,198,371	163,918,333
Water	72,516,679	72,516,679
Sewerage	57,620,856	57,620,857
	320,145,641	340,154,882

20 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows

	2018 $	2017 $
Within one year	358,244	452,161
Later than 1 year but not later than 5 years	1,196,409	1,251,628
Later than 5 years	5,163,691	5,467,393
	6,718,344	7,171,182

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

Contractual commitments

Operational

Operational contractual commitments at end of financial year but not recognised in the financial statements.

	2018 $	2017 $
Waste management	3,760,195	664,101
Other operational commitments	2,299,077	2,445,813
	6,059,272	3,109,914
These expenditures are payable		
Within one year	3,805,534	1,799,730
One to five years	2,253,738	1,310,184
	6,059,272	3,109,914

Capital

Capital commitment for the construction of the following assets contracted for at end of the financial year but not recognised as liabilities.

	2018 $	2017 $
Infrastructure	1,154,323	2,435,196
Other assets	7,854,929	10,964,413
	9,009,252	13,399,609
These expenditures are payable		
Within one year	9,009,252	13,399,609

	Note	2018 $	2017 $

21 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities

Local Government Workcare

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

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

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

	Note	2018 $	2017 $
The Council's maximum exposure to the bank guarantee is		677,240	718,479

Local Government Mutual

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

The latest audited financial statements as at 30 June 2017 reported an accumulated surplus of $70.5M and it is not anticipated any liability will arise.

22 Superannuation

The 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 Local Government Act 2009.

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIAsuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Isaac Regional Council can 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 was undertaken as at 1 July 2015. The actuary indicated that at this last completed assessment date, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date. Isaac Regional 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.

	Note	2018 $	2017 $

22 Superannuation continued

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

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.

There are currently 63 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 63 entities. Isaac Regional Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

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

	Note	2018 $	2017 $
Superannuation contributions made to the Regional Defined Benefits Fund		3,344,829	3,309,540
Other superannuation contributions for employees		179,999	30,408
	5	3,524,828	3,339,948

23 Reconciliation of net result for the year to net cash

	Note	2018 $	2017 $
Inflow (outflow) from operating activities			
Net result		27,942,018	9,219,758
Non-cash operating items			
Impairment of receivables and bad debts written-off		28,956	45,754
Depreciation and amortisation	7	23,271,907	22,414,678
Change in restoration provisions expensed to finance costs		170,409	273,317
Interest accrued on loans to controlled entities		(120,579)	-
Revaluation of inventory land expensed to materials and services		728,615	1,054,857
		24,079,308	23,788,606
Investing and development activities			
Capital grants, subsidies and contributions	4	(36,110,356)	(15,974,976)
Capital income		(159,971)	(70,711)
Capital expenses	8	8,951,216	11,102,572
Payment for land for sale and development costs in the year		-	(158,865)
		(27,319,111)	(5,101,980)
Financing activities			
Capitalised interest		(728,615)	(757,894)
		(728,615)	(757,894)
Changes in operating assets and liabilities			
(Increase) decrease in receivables		2,015,068	(2,437,313)
(Increase) decrease in inventories (excluding land)		11,893	591,224
Increase (decrease) in payables		3,288,687	1,335,422
Increase (decrease) in provisions		223,829	(811,657)
		5,539,477	(1,322,324)
Net cash inflow from operating activities		29,513,077	25,826,166

24 Controlled entities that have not been consolidated

Isaac Regional Council has a number of controlled entities that are not consolidated because their size and nature means that they are not material to Council's operations.

A summary of those entities, their net assets and results for the year ended 30 June 2018 follows:

Controlled Entity	Note / Ownership Interest	2018 $	2017 $
Moranbah Early Learning Centre:	100%		
Revenue		1,835,380	1,658,830
Expenses		(2,002,948)	(1,936,499)
Profit / (loss)		(167,568)	(277,669)
Assets		134,976	267,470
Liabilities		964,887	929,808
The centre provides childcare facility to the community.			
Isaac Affordable Housing Trust:	100%		
Revenue		224,715	287,593
Expenses		(413,466)	(443,440)
Profit / (loss)		(188,751)	(155,847)
Assets		10,031,758	10,112,317
Liabilities		4,778,068	4,669,877
The housing trust provides affordable housing to the community.			

25 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	Note	2018 $	2017 $
Gross value of property, plant and equipment		11,184,346	5,969,169
Less accumulated depreciation		(2,323,597)	-
Gain from assets not previously recognised	14	8,860,749	5,969,169

In the process of valuing the Council assets at 30 June 2018 it was discovered that certain assets had been omitted (recorded) from previous financial reports in error.

26 Financial instruments

Isaac Regional Council has exposure to credit risk, liquidity risk and market risk which arises from financial instruments. This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

The Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies. Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk. The Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council. The Council does not enter into derivatives.

26 Financial instruments continued

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

	Note	2018	2017
Financial assets		$	$
Cash at bank and on hand	9	385,784	508,969
Cash investments held with - QTC	9	41,960,555	71,990,112
Cash investments held with other approved deposit taking institutions	9&13	39,839,758	6,910,997
Receivables - rates	10	5,011,704	3,711,206
Receivables - other	10	9,771,177	12,963,152
Other credit exposure			
Guarantee	21	677,240	718,479
Total		97,646,218	96,802,915

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

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

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

Liquidity risk
Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC. The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. The Council does not have any overdraft facilities at the reporting date.

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

Interest rate risk
Isaac Regional Council is exposed to interest rate risk through investments with QTC and other financial institutions. The Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Fair value
No financial instruments held by council are measured at fair value on a recurring basis. Information on the fair value of Council's financial instruments is disclosed in note 18.

27 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 24.

The following transactions occurred with the controlled entities:

	Expenses paid	
	2018	2017
Controlled entity	$	$
Isaac Affordable Housing Trust	7,110	3,484
Moranbah Early Learning Centre	198	507
	7,308	3,991

Isaac Regional Council paid for expenses on behalf of Isaac Affordable Trust and Moranbah Early Learning Centre, which are outstanding at 30 June 2018 and to be reimbursed in 2018/19. There are existing loans from Isaac Regional Council to both of these controlled entites. Interest is accrued monthly on the loan at a rate equal to the lowest Queensland Treasury Corporation Cash Fund investment rate for the financial year.

Council charges Moranbah Early Learning Centre rent of $5,500 (including GST) per month and $66,000 (including GST) was written off during the 2017/18 financial year as per Council Resolution.

(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 for 2017/18, comprises:

Nature of Compensation	2018	2017
	$	$
Short-term employee benefits	2,341,605	1,886,883
Long-term benefits	64,190	188,665
Post-employment benefits	207,661	109,286
Termination benefits	18,090	334,619
	2,631,546	2,519,453

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:

	2018	2017
	$	$
Employee expenses for close family members of key management personnel (wages and superannuation)	94,729	85,469
Council provided a motor vehicle and accommodation services to key management personnel	1,867	19,347
Purchase of materials and services from entities controlled by key management personnel	52,555	69,150
Sponsorship paid to Isaac Regional Charity Trust	10,000	10,000
Income from entities controlled by key management personnel	775	-
	159,926	183,966

(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. The council employs 414 staff of which only 1 is a close family member of key management personnel.

(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.

27 Transactions with related parties continued

(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 other than as described in note 27(a).

(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 Councils 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 2018

MANAGEMENT CERTIFICATE

For the year ended 30 June 2018

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

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

(i) the prescribed requirements of the Local Government Act 2009 and Local Government Regulation 2012 for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages 1 to 33, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

Mayor	**Acting Chief Executive Officer**
Name: Cr Anne Baker	**Name: Mr Rodney Ferguson**
Date: 25 / 10 / 18	Date: 26 / 10 / 18

Queensland
Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Isaac Regional Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Isaac Regional Council (the Council).

In my opinion, the financial report:

a) gives a true and fair view of the Council's financial position as at 30 June 2018, 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 2018, 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 management certificate given by the Mayor and the Acting Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in the Isaac Regional Council's annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement and the annual report.

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

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

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

Responsibilities of the Council for the financial report

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

The Council is also responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the Council or to otherwise cease operations 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 2018:

a) I received all the information and explanations I required.

b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

Mel Read

31 October 2018

Melissa Read
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Long-Term Financial Sustainability Statement
Prepared as at 30 June 2018

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 2018 against key financial ratios:

		Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target		between 0% and 10%	greater than 90%	not greater than 60%
Actuals at 30 June 2018		0.61%	230.00%	-58.19%
Projected for the years ended	30 June 2019	1.82%	220.37%	-25.05%
	30 June 2020	1.70%	102.09%	-24.31%
	30 June 2021	2.10%	87.72%	-26.21%
	30 June 2022	2.16%	93.56%	-28.40%
	30 June 2023	2.28%	92.41%	-31.15%
	30 June 2024	2.44%	91.66%	-34.10%
	30 June 2025	2.62%	93.72%	-36.99%
	30 June 2026	2.80%	91.39%	-40.40%
	30 June 2027	3.01%	92.06%	-43.84%

Financial Management Strategy

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

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2018

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: 25 / 10 / 18.

Acting Chief Executive Officer

Name: Mr Rodney Ferguson

Date: 26 / 10 / 18

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement
For the year ended 30 June 2018

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 2018 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	0.61%	230.00%	-58.19%

Note 1 - Basis of preparation
The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the Local Government Regulation 2012 and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Certificate of Accuracy
For the year ended 30 June 2018

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	**Acing Chief Executive Officer**
Name: Cr Anne Baker	**Name: Mr Rodney Ferguson**
Date: 25 / 10 / 18	**Date:** 26 / 10 / 18