

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2019

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ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2019

		2019	2018
	Note	\$	\$
Income			
Recurrent revenue			
Rates and levies	3	79,830,303	79,966,478
Sale of goods and major services		4,470,922	4,105,496
Fees and charges		3,954,744	3,181,856
Rental and levies		1,521,940	1,034,263
Interest received		1,764,726	2,224,587
Sales of contract and recoverable works		5,603,684	4,024,605
Other recurrent income		802,070	611,027
Grants, subsidies, contributions and donations	4 (i)	7,424,359	6,428,369
Total operating revenue		<u>105,372,748</u>	<u>101,576,681</u>
Capital revenue			
Grants, subsidies, contributions and donations	4 (ii)	44,079,214	36,110,356
		<u>44,079,214</u>	<u>36,110,356</u>
Total revenue		<u>149,451,962</u>	<u>137,687,037</u>
Capital income		<u>205,108</u>	<u>159,971</u>
Total income	2 (b)	<u>149,657,070</u>	<u>137,847,008</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(37,853,636)	(36,308,366)
Materials and services	6	(35,575,293)	(40,505,693)
Finance costs		(781,114)	(867,808)
Depreciation and amortisation	7	(25,079,638)	(23,271,907)
Total operating expenses		<u>(99,289,681)</u>	<u>(100,953,774)</u>
Capital expenses			
Other capital expenses	8	(5,844,770)	(8,951,216)
Total expenses	2 (b)	<u>(105,134,451)</u>	<u>(109,904,990)</u>
Net result		<u>44,522,619</u>	<u>27,942,018</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	20	(78,640,586)	(20,009,241)
Total other comprehensive income for the year		<u>(78,640,586)</u>	<u>(20,009,241)</u>
Total comprehensive income for the year		<u>(34,117,967)</u>	<u>7,932,777</u>

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

ISAAC REGIONAL COUNCIL

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	9	50,246,647	50,186,097
Cash investments	13	2,000,000	32,000,000
Trade and other receivables	10 (a)	14,285,545	10,004,948
Inventories	11	22,026,935	16,949,532
Total current assets		88,559,127	109,140,577
Non-current assets			
Trade and other receivables	10 (b)	5,580,147	5,500,414
Property, plant and equipment	14	1,081,013,253	1,086,523,954
Intangible assets		100,037	245,954
Total non-current assets		1,086,693,437	1,092,270,322
TOTAL ASSETS		1,175,252,564	1,201,410,899
Current liabilities			
Trade and other payables	16	20,811,934	15,036,972
Provisions	17	4,030,239	2,688,498
Borrowings	18	1,285,982	1,182,765
Other	19	1,560,727	279,108
Total current liabilities		27,688,882	19,187,343
Non-current liabilities			
Trade and other payables	16	50,171	51,534
Provisions	17	7,308,571	7,381,592
Borrowings	18	22,126,672	23,412,655
Total non-current liabilities		29,485,414	30,845,781
TOTAL LIABILITIES		57,174,296	50,033,124
NET COMMUNITY ASSETS		1,118,078,268	1,151,377,775
Community equity			
Asset revaluation surplus	20	241,505,055	320,145,641
Retained surplus		843,091,995	764,161,658
Reserves		33,481,218	67,070,476
TOTAL COMMUNITY EQUITY		1,118,078,268	1,151,377,775

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 2019

	Note	Total		Retained surplus		Reserves		Asset revaluation surplus Note 20	
		2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$	2019 \$	2018 \$
Balance at beginning 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
Corrections to opening balances	27	856,032	8,860,749	856,032	8,860,749			-	
Adjustment on initial application of AASB 9	10	(37,572)	-	(37,572)	-				
Restated opening balances		1,152,196,235	1,143,444,998	764,980,118	731,041,485	67,070,476	72,248,631	320,145,641	340,154,882
Net result		44,522,619	27,942,018	44,522,619	27,942,018	-	-	-	-
Other comprehensive income for the year									
Revaluations:									
Property, plant & equipment	14	(77,544,867)	(19,899,538)	-	-	-	-	(77,544,867)	(19,899,538)
Change in value of future rehabilitation		(1,095,719)	(109,703)	-	-	-	-	(1,095,719)	(109,703)
Total comprehensive income for the year		(34,117,967)	7,932,777	44,522,619	27,942,018	-	-	(78,640,586)	(20,009,241)
Transfers (to) from retained earnings and recurrent reserves		-	-	389,250	(2,639,841)	(389,250)	2,639,841	-	-
Transfers (to) from retained earnings and capital reserves		-	-	33,200,008	7,817,996	(33,200,008)	(7,817,996)	-	-
Balance at end of the year		1,118,078,268	1,151,377,775	843,091,995	764,161,658	33,481,218	67,070,476	241,505,055	320,145,641

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 2019

		2019	2018
	Note	\$	\$
Cash flows from operating activities			
Receipts			
Receipts from customers		91,641,433	104,622,054
Operating grants, subsidies and contributions		7,424,359	6,428,369
Interest received		2,086,270	1,812,578
Payments			
Payments to suppliers and employees		(71,378,800)	(82,141,956)
Interest expense		(1,152,973)	(1,207,968)
Net cash inflow (outflow) from operating activities	24	<u>28,620,289</u>	<u>29,513,077</u>
Cash flows from investing activities			
Commonwealth government grants		859,622	3,173,851
State government subsidies and grants		40,985,034	31,874,655
Capital contributions		986,675	1,032,487
Payments for property, plant and equipment		(100,819,136)	(62,080,036)
Payments for intangible assets		-	(42,858)
Net transfer (to) from cash investments		30,000,000	(32,000,000)
Proceeds from sale of property, plant and equipment		610,832	432,719
Net cash inflow (outflow) from investing activities		<u>(27,376,973)</u>	<u>(57,609,182)</u>
Cash flows from financing activities			
Repayment of borrowings	18	<u>(1,182,766)</u>	<u>(1,127,877)</u>
Net cash inflow (outflow) from financing activities		<u>(1,182,766)</u>	<u>(1,127,877)</u>
Net increase (decrease) in cash and cash equivalents held		<u>60,550</u>	<u>(29,223,982)</u>
Cash and cash equivalents at beginning of the financial year		<u>50,186,097</u>	<u>79,410,079</u>
Cash and cash equivalents at end of the financial year	9	<u>50,246,647</u>	<u>50,186,097</u>

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 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. As 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.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

1 Significant accounting policies

1.4 New and revised Accounting Standards

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement, and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses. Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

On 1 July 2018 (the date of initial application), Council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were also unchanged, except for receivables which increased by \$37,572 due to an increase in the allowance for expected credit losses determined under the new rules. A corresponding adjustment was made to retained earnings as at 1 July 2018.

Financial asset/liability

Measurement category (unchanged)

Cash and cash equivalents
Receivables
Other financial assets
Borrowings

Amortised cost
Amortised cost
Amortised cost
Amortised cost

1.5 Date of authorisation

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

1.6 Currency

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

1.7 Issued but not yet effective Accounting Standards

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 become effective. The standards that may have a material impact upon Council's future financial statements are:

Date Council will apply the standard

01-Jul-19

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

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

1 Significant accounting policies

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime).

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Based on Council's assessment, the initial application of the standards on 1 July 2019 will have the following impacts on the 2019-20 financial statements:

- Revenue of \$593,586 recognised up to 30 June 2019 does not qualify for recognition of revenue under the new standards until the 2019-20 financial year. This amount, which relates to the deferral of grant funding, prepaid rates, and other sales related revenue (as discussed above), will be brought to account as an adjustment to retained surplus at 1 July 2019 in accordance with the transition provisions described below. The amount of the initial impact as disclosed above is based on facts available to Council as at the date of these financial statements.
- Disclosure changes will be made to accounting policies to reflect revisions to existing policies disclosed in notes 3 and 4 as a result of the initial application of the standard; and
- Additional disclosures will be required in the 2019-20 financial statements regarding contract assets and contract liabilities.

Transition method:

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach permitted within the standards. This approach prescribes that the cumulative effect of initially applying this standard (estimated to be \$593,586 as disclosed above) be recognised as an adjustment to the opening balance of retained surplus. Accordingly, comparative balances will not be restated.

**Date Council will
apply the standard**

AASB 16 Leases

01-Jul-19

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which the Council is a lessee

The Council will recognise new assets and liabilities for its operating leases (see note 21). The nature of expenses related to those leases will now change because the Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

1 Significant accounting policies

The Council has elected not to recognise IT leases under AASB 16 as they have been assessed as being low-value assets under the standard.

Council has estimated that, based on leasing arrangements which existed at 30 June 2019, 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.

Leases in which the Group is a lessor

No significant impact is expected for leases in which the Council is a lessor.

Peppercorn Leases

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

Transition method

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Right-of-use assets will be recognised with a corresponding lease liability, therefore, there will be no adjustment to the opening balance of retained earnings at 1 July 2019 and no restatement of comparative information.

The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

1.8 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:

Valuation and depreciation of property, plant and equipment - notes 14 and 15
Impairment of receivables - note 10 and 28
Annual leave liability - note 16
Provisions - note 17

1.9 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.

1.10 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.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

2 Analysis of results by function

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

(a) Components of council functions

Office of the CEO

The Office of the Chief Executive Officer is responsible for the organisational leadership, administration and strategic management of the organisation. This is undertaken in conjunction with the Isaac Regional Councillors, with the objective of providing open and transparent governance. This includes organisational development and training, human resources, advocacy, day to day management of all functions of Council and to ensure that decisions and policy of Council is carried out. The Chief Executive Officer also provides advice to the Councillors and is the custodian of records and documents of Council.

Corporate, Governance & Financial Services

Corporate, Governance and Financial Services provide the following functions; strategic and business continuity planning, legal and insurance administration, brand, media, and communication, governance, risk management, disaster management, asset management, financial services, internal audits, information technology, geographical information services, 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, engineering design and projects, roads and urban services. The objective of Engineering and Infrastructure is to provide essential transport, drainage, parks infrastructure, maintenance, construction and operational services to the community.

Planning, Environment & Community Services

Planning, Environment and Community Services provide the following functions; economic development and tourism, customer service, 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, 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.

Land Development

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

Plant, Fleet, Workshops & Depot

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

Water

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

Sewerage

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

Waste Management

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

2 Analysis of results by program

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

Programs	Gross program income				Total income	Gross program expenses		Total expenses	Operating surplus/(deficit) from recurrent operations	Net result for year	Assets
	Recurrent revenue		Capital revenue			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2019 \$	2019 \$	2019 \$	2019 \$							
Office of the CEO	188,253	87,253	-	-	275,506	651,519	-	651,519	927,025	927,025	-
Corporate, Governance & Financial Services	3,803,309	55,830,533	-	8,887	59,642,729	(6,174,415)	-	(6,174,415)	53,459,427	53,468,314	77,414,968
Engineering & Infrastructure	2,669,390	4,781,917	37,138,366	712,646	45,302,319	(34,490,485)	(3,093,981)	(37,584,466)	(27,039,178)	7,717,853	615,431,712
Planning, Environment & Community Services	498,880	2,877,836	670,000	252,149	4,298,865	(26,694,090)	(1,358,202)	(28,052,292)	(23,317,374)	(23,753,427)	144,119,416
Land Development	-	-	-	15,000	15,000	4,144,220	-	4,144,220	4,144,220	4,159,220	20,584,122
Plant, Fleet, Workshops & Depot	177,826	(32,145)	-	205,108	350,789	(1,156,260)	(176,960)	(1,333,220)	(1,010,579)	(982,431)	15,920,102
Water	-	14,533,426	3,962,543	1,239,380	19,735,349	(17,160,949)	(666,091)	(17,827,040)	(2,627,523)	1,908,309	178,020,740
Sewerage	-	10,923,067	52,800	6,496	10,982,363	(9,533,621)	(533,084)	(10,066,705)	1,389,446	915,658	103,840,176
Waste Management	4,585	9,028,618	20,947	-	9,054,150	(8,875,600)	(16,452)	(8,892,052)	157,603	162,098	19,921,328
Total	7,342,243	98,030,505	41,844,656	2,439,666	149,657,070	(99,289,681)	(5,844,770)	(105,134,451)	6,083,067	44,522,619	1,175,252,564

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							
Programs	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$	2018 \$
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
	-	-	-	-	-	(1,213,519)	-	(1,213,519)	(1,213,519)	(1,213,519)	15,271,859
	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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
3 Rates and levies revenue			
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.			
General rates		57,940,033	58,454,480
Disaster management levy		274,061	218,587
Water		10,557,595	10,574,597
Water consumption, rental and sundries		2,427,406	2,026,111
Sewerage		10,139,574	9,938,795
Sewerage trade waste		7,930	3,182
Garbage charges		4,693,672	4,649,425
Rates and utility charge revenue		86,040,271	85,865,177
Less: Discounts		(5,974,597)	(5,663,081)
Less: Pensioner remissions		(235,371)	(235,618)
Net rates and utility charges		79,830,303	79,966,478

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

General purpose grants	5,478,592	5,178,788
Commonwealth subsidies and grants	177,826	231,560
State government subsidies and grants	1,166,434	881,647
NDRRA flood damage grants for operational repairs	519,391	-
Donations	5,797	1,253
Cash contributions	76,319	135,121
Total recurrent revenue	7,424,359	6,428,369

(ii) Capital

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

(a) Monetary revenue designated for capital funding purposes:

Commonwealth government grants	859,622	3,173,851
State government subsidies and grants	8,521,290	14,883,006
NDRRA flood damage grants for capitalised repairs	32,463,744	16,991,650
Cash contributions	986,675	1,061,849
	42,831,331	36,110,356

(b) Non-monetary revenue received:

Developer and other contributions of physical assets at fair value	1,247,883	-
	1,247,883	-

Total capital revenue	44,079,214	36,110,356
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ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
5 Employee benefits			
Total staff wages and salaries		29,651,264	28,503,366
Councillors' wages and salaries		684,284	659,120
Annual, sick and long service leave entitlements		5,219,074	4,889,662
Superannuation	23	3,667,698	3,524,828
		39,222,320	37,576,976
Other employee related expenses		771,510	811,344
		39,993,830	38,388,320
Less capitalised employee expenses		(2,140,194)	(2,079,954)
		37,853,636	36,308,366
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at 30 June		Number	Number
Elected members		9	9
Administration staff		227	229
Depot and outdoors staff		186	185
Total full time equivalent employees		422	423
6 Materials and services			
Audit fees - Queensland Audit Office		148,400	175,000
Contractors		865,356	1,438,276
Donations paid		522,050	499,430
Electricity		3,342,016	3,263,307
Equipment and tools		3,134,425	3,811,242
Information, communications and technology		3,823,143	3,908,780
Insurance		1,565,295	1,696,998
Other employee expenses		862,260	770,726
Plant and vehicle		1,359,429	1,374,242
Professional fees		3,008,729	3,124,229
Refuse collection		2,688,670	2,555,093
Repairs and maintenance		9,161,932	8,166,917
Impairment/(reversal of impairment) of land for sale (classified as inventory)		(4,605,117)	728,615
Other material and services		9,698,705	8,992,838
		35,575,293	40,505,693
7 Depreciation and amortisation			
(a) Depreciation of non-current assets			
Land and improvements		1,658,828	1,680,828
Buildings		2,110,978	2,057,560
Plant and equipment		3,451,015	3,449,318
Road, bridge and drainage		9,386,725	9,171,855
Water		4,676,442	3,273,610
Sewerage		2,895,080	3,031,354
Waste management		491,735	208,222
Aerodrome		262,920	262,920
		24,933,723	23,135,667
(b) Amortisation of other intangible assets			
Computer software		145,915	136,240
		145,915	136,240
Total depreciation and amortisation		25,079,638	23,271,907
8 Capital expenses			
Loss on write-off of capital assets		5,844,770	8,951,216
Total capital expenses		5,844,770	8,951,216

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
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, Westpac Bank and Queensland Treasury.			
Cash at bank and on hand		220,499	385,784
Deposits at call		44,993,129	49,800,313
Term deposits		5,033,019	-
Total cash and cash equivalents per statement of cash flows		50,246,647	50,186,097
Cash investments	13	2,000,000	32,000,000
Total cash assets		52,246,647	82,186,097

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:

Cash at bank and on hand at 30 June 2019 includes \$986,289 received from the State Government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019-20 levy expense.

Waste levy paid in advance	986,289	-
Unspent loan monies	685,228	696,766
Unspent government grants and subsidies	4,098,384	11,195,771
Unspent developer contributions	17,363,390	21,125,324
Total unspent external restricted cash held in reserves	23,133,291	33,017,861

Council has resolved to set aside revenue to provide funding for specific future projects that will be required to meet delivery of essential services and meet day to day operational requirements.

Funds set aside by Council to meet specific future funding requirements	26,182,974	47,431,115
Total cash held to contribute to identified funding commitments	49,316,265	80,448,976

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

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	27,953	32,308
Security deposits	1,789,636	345,626
	1,817,589	377,934

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
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 all known bad debts were written off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.			
As 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.			
(a) Current			
Rateable revenue and utility charges		4,499,436	3,926,951
Accrued interest		75,469	480,146
Other debtors		6,208,674	2,605,365
		10,783,579	7,012,462
Less allowance for expected credit losses (2019)/impairment provision (2018)		(277,292)	(242,769)
		10,506,287	6,769,692
Water charges yet to be levied		1,027,688	1,084,753
GST recoverable		1,851,485	1,428,021
Prepayments		900,085	722,481
		14,285,545	10,004,948
(b) Non-current			
Deferred debtors		-	3,400
Loans and advances to controlled entities and associates		5,580,147	5,497,014
		5,580,147	5,500,414
For the financial year ended 30 June 2019 interest was charged on outstanding rates at a rate of 11% per annum. No interest was charged on other debtors. There were 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 allowance for expected credit losses (trade and other receivables)			
Balance at beginning of the year (determined in accordance with AASB 139)		242,769	277,176
Adjustment to opening balance upon application of AASB 9*		37,572	-
Amounts written off as bad in year		(3,049)	(34,407)
Balance at end of the year		277,292	242,769

*Council applied AASB 9 for the first time this year. Council has applied the simplified expected credit loss model prescribed under AASB 9 to determine an allowance for expected credit losses on its receivables. The balance of the allowance as determined at 1 July 2018 (initial application date) was \$280,341, which was \$37,572 higher than the balance of the provision for impairment of receivables recognised in the financial statements at 30 June 2018. Under the transition rules on initial application of AASB 9, this adjustment has been recognised in retained surplus. Further details of Council's expected credit loss assessment are contained in note 28.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
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.			
Inventories for internal use			
Quarry and road materials		185,649	617,015
Raw water on hand		437,291	332,747
Stores and materials		819,873	727,910
		<u>1,442,813</u>	<u>1,677,672</u>
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	<u>20,584,122</u>	<u>15,263,926</u>
Total inventories		<u>22,026,935</u>	<u>16,949,532</u>
12 Land purchased for development and sale			
Balance at beginning of the year		15,263,926	15,318,015
Transferred from other asset category		-	(54,089)
Development costs		19,473	-
Capitalised interest in year		695,606	728,615
Valuation adjustment as at 30 June		<u>4,605,117</u>	<u>(728,615)</u>
Balance at end of the year		<u>20,584,122</u>	<u>15,263,926</u>
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.			
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted		<u>2,000,000</u>	<u>32,000,000</u>
		<u>2,000,000</u>	<u>32,000,000</u>
Term deposits at fixed interest rates are held with Queensland Country Credit Union. The investment is held at an interest rate of 2.8% and matures in January 2020.			

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

14 Property, plant and equipment

14 (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.

14 (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.

14 (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.

14 (d) Valuation

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

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

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

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

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

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

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

14 Property, plant and equipment

14 (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.

14 (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.

14 (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.

14 (h) Land under roads

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

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

14 Property, plant and equipment
(i) Reconciliations

	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		
Asset values		2019 \$	2019 \$	2019 \$	2019 \$	2019 \$	2019 \$	2019 \$	2019 \$	2019 \$	2019 \$
Opening gross value as at 1 July 2018	27	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
Minor correction to opening balance		-	-	-	(1,244,857)	-	-	-	-	-	(1,244,857)
Additions at cost		-	-	-	-	-	-	-	-	101,114,468	101,114,468
Contributed assets at valuation		15,000	-	-	-	-	1,232,883	-	-	-	1,247,883
Internal transfers from work in progress		3,830,524	3,043,791	3,706,502	65,593,091	12,354,446	6,330,241	457,572	-	(95,316,167)	-
Disposals		-	-	(2,088,069)	-	-	-	-	-	-	(2,088,069)
Write-offs	8	(451,542)	(1,279,302)	(1,214,778)	(4,728,959)	(1,421,472)	(713,174)	(17,226)	-	-	(9,826,453)
Revaluation adjustment to other comprehensive income	20	-	-	-	(57,235,325)	51,526,472	(5,531,089)	-	-	-	(11,239,942)
Internal transfers between asset classes		461,547	(447,054)	(57,869)	(1,666)	(10,656)	55,698	-	-	-	-
Closing gross value as at 30 June 2019		90,412,757	148,861,045	40,537,471	737,322,531	270,047,991	171,505,068	14,556,800	11,183,853	22,190,545	1,506,618,061
Accumulated depreciation and impairment											
Opening balance as at 1 July 2018	27	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
Minor correction to opening balance		-	19,028	-	(2,119,917)	-	-	-	-	-	(2,100,889)
Depreciation provided in year	7	1,658,828	2,110,978	3,451,015	9,386,725	4,676,442	2,895,080	491,735	262,920	-	24,933,723
Depreciation on disposals		-	-	(1,682,345)	-	-	-	-	-	-	(1,682,345)
Depreciation on write-offs	8	(86,734)	(285,908)	(1,036,395)	(1,636,401)	(755,381)	(180,090)	(774)	-	-	(3,981,683)
Revaluation adjustment to other comprehensive income	20	-	-	-	(2,549,618)	47,312,080	21,542,463	-	-	-	66,304,925
Internal transfers between asset classes		89,327	(96,560)	(20,984)	(242)	(711)	29,170	-	-	-	-
Accumulated depreciation as at 30 June 2019		14,328,084	34,533,963	21,015,834	177,775,373	103,852,153	70,396,352	1,591,888	2,111,161	-	425,604,808
Total written down value as at 30 June 2019											
		76,084,673	114,327,082	19,521,637	559,547,158	166,195,838	101,108,716	12,964,912	9,072,692	22,190,545	1,081,013,253
Range of estimated useful life in years		5 - 200	3 - 150	5 - 20	5 - 200	15 - 200	15 - 200	5 - 100	5 - 200		
Addition of renewal assets		500,203	1,409,047	641,083	59,601,582	485,444	3,405,056	4,296	-	6,063,200	72,109,911
Addition of other assets		1,818,099	1,210,192	2,793,838	5,245,517	4,121,448	1,519,582	125,976	-	13,417,785	30,252,437
Total additions in this year		2,318,302	2,619,239	3,434,921	64,847,099	4,606,892	4,924,638	130,272	-	19,480,985	102,362,348

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

14 Property, plant and equipment - prior year

(i) Reconciliations

	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		
Asset Values		2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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	27	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	20	(14,761,886)	-	-	93,576,085	-	-	-	-	-	78,814,199
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	27	-	-	-	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	20	(1,582,310)	-	-	100,296,047	-	-	-	-	-	98,713,737
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		

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

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	
		2019	2018	2019	2018	2019	2018
		\$	\$	\$	\$	\$	\$
Recurring fair value measurements							
Property, plant and equipment	14						
- Land and improvements		19,045,197	19,408,217	57,039,476	54,482,348	76,084,673	73,890,565
- Buildings		8,619,298	8,349,056	105,707,784	106,408,129	114,327,082	114,757,185
- Road, bridge and drainage				559,547,158	560,245,421	559,547,158	560,245,421
- Water				166,195,838	153,746,595	166,195,838	153,746,595
- Sewerage				101,108,716	125,253,663	101,108,716	125,253,663
- Waste management				12,964,912	13,015,527	12,964,912	13,015,527
- Aerodrome				9,072,692	9,335,612	9,072,692	9,335,612
		<u>27,664,495</u>	<u>27,757,273</u>	<u>1,011,636,576</u>	<u>1,022,487,295</u>	<u>1,039,301,071</u>	<u>1,050,244,568</u>

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

(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 componentised 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.

Council's land and improvements were last 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 2019, 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

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.

Council's road, bridge and drainage assets were last subject to comprehensive valuation by Assetic Pty Ltd as at 30 June 2018. At 30 June 2019, 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.

Water and Wastewater Infrastructure

As at 30 June 2019, a comprehensive revaluation was undertaken of Council's water and wastewater assets by Cardno (Qld) Pty Ltd. 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 componentised into significant parts with different useful lives and taking into account a range of factors. The fixed asset register for water and wastewater assets was reconstructed in accordance with a consistent asset hierarchy containing uniform asset categories and useful lives.

Cardno's collection and the review of asset data for the valuation included a review of the asset register, recent contract data, recent quotations, Council's Geographic Information System (GIS), along with taking into consideration the previous comprehensive valuation undertaken in 2015. As there is a significant level of professional judgement used in determining the valuation due to the level of underground and unobservable data, Cardno has determined that the overall data level in applying their valuation is Level 3.

The asset data was collected and organised in a manner that enables the valuations to be undertaken efficiently. The condition ratings collected were then allocated to the asset categories within each asset class. Any additional attributes obtained on site were recorded against the relevant assets.

The valuation was then undertaken utilising Cardno's unit rate model, which was updated to take into consideration the information mentioned above and any standard drawings relevant to Council. Cardno's base unit rates are derived from the following:

- Cardno databases
- Scheduled rates for constructions
- Cost curves derived by Cardno
- Building Price Index tables
- Supplier's quotations
- Rates from Rawlinson's Australian Construction Handbook

The valuation unit rates were increased by 20% to allow for Council's project overheads of survey, environmental, investigation, engineering design and supervision and project management.

Accumulated depreciation is determined by reference to condition data collected by Cardno, which was for the majority of the above ground assets, and age based on the construction years detailed in the previous valuation in June 2015. The "straight line" methodology was used to determine accumulated depreciation, which considers that the decline in service potential of assets has a linear relationship with changes in asset condition/age.

The major changes in assumptions for the revaluation was the reconstructed financial asset register to a consistent asset hierarchy containing uniform asset categories and useful lives for above ground assets. This resulted in watermains being valued including fittings, whereas prior to this current valuation - watermains, hydrants, valves, etc were valued individually. Componentisation of dam assets in accordance with the reconstructed asset register has also attributed to the increase in value of dams and weirs.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2019

15 Fair value measurements

(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	2019		2018	
	Level 2	Level 3	Level 2	Level 3
	Other land assets \$	Land assets \$	Other land assets \$	Land assets \$
Asset value				
Opening balance	19,733,452	66,823,776	36,066,636	58,301,760
Error correction to opening balance	-	-	(881,089)	2,224,089
Additions in period	15,000	3,830,524	(588,000)	4,929,892
Disposals and write-offs in period	-	(451,542)	-	(958,263)
Transfers in period	-	461,547	2,224,089	-
Revaluation adjustment in the period	-	-	(17,088,184)	2,326,298
Gross value closing balance	19,748,452	70,664,305	19,733,452	66,823,776
Accumulated depreciation				
Opening balance	325,235	12,341,428	1	12,713,316
Correction to accum. depreciation opening balance	26,392	(26,392)	-	-
Depreciation in current period	351,628	1,307,200	359,115	1,321,713
Accum. depreciation disposals and write-offs in period	-	(86,735)	-	(145,172)
Transfer in period	-	89,328	-	-
Revaluation adjustment in the period	-	-	(33,881)	(1,548,429)
Closing balance of accumulated depreciation	703,255	13,624,829	325,235	12,341,428
Written down (fair value) at reporting date	19,045,197	57,039,476	19,408,217	54,482,348

Changes in buildings	2019		2018	
	Level 2	Level 3	Level 2 assets	Level 3 assets
	Other buildings \$	Pensioner buildings \$	Other buildings \$	Pensioner buildings \$
Asset value				
Opening balance	8,425,262	139,118,348	9,201,000	140,160,509
Error correction to opening balance	-	-	(845,000)	845,000
Additions in period	481,608	2,562,183	165,262	798,991
Disposals and write-offs in period	(96,411)	(1,182,891)	(96,000)	(516,151)
Transfers in period	-	(447,054)	-	(2,170,001)
Gross closing balance Buildings	8,810,459	140,050,586	8,425,262	139,118,348
Accumulated depreciation				
Opening balance	76,206	32,710,219	-	30,846,323
Correction to accum. depreciation opening balance	19,028	-	-	-
Depreciation in current period	97,483	2,013,495	76,999	1,980,561
Accum. depreciation disposals and write-offs in period	(1,556)	(284,352)	(793)	(116,665)
Transfer in period	-	(96,560)	-	-
Closing balance of accumulated depreciation	191,161	34,342,802	76,206	32,710,219
Written down (fair value) at reporting date	8,619,298	105,707,784	8,349,056	106,408,129

(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 14(d). Non-recurring fair value measurements are made at the point of reclassification by a registered valuer and revalued if necessary.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019	2018
	\$	\$
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.		
Current		
Accruals	199,310	224,973
Creditors	16,285,854	10,401,428
QTC interest accrued	45,641	47,946
Salary, wages and related accruals	580,042	697,899
Annual leave	3,551,119	3,501,099
Other entitlements	149,968	163,627
	<u>20,811,934</u>	<u>15,036,972</u>
Non-current		
Creditors	50,171	51,534
	<u>50,171</u>	<u>51,534</u>

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.

Property restoration

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

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$	2018 \$
17 Provisions		
The provision is reviewed at least annually and updated based on the facts and circumstances available at the time.		
Current		
Long service leave	2,663,582	2,688,498
Property restoration - Refuse sites	1,366,657	-
	<u>4,030,239</u>	<u>2,688,498</u>
Non-Current		
Long service leave	1,005,401	976,837
Property restoration Refuse sites	6,303,170	6,404,755
	<u>7,308,571</u>	<u>7,381,592</u>
Details of movements in provisions:		
Refuse sites		
Balance at beginning of the year	6,404,755	6,249,701
Increase due to change in time	169,353	170,409
Increase (decrease) due to change in discount rate	1,095,719	109,703
Amount expended in year	-	(125,058)
Balance at end of the year	<u>7,669,827</u>	<u>6,404,755</u>
Current portion	1,366,657	-
Non-current portion	<u>6,303,170</u>	<u>6,404,755</u>
	<u>7,669,827</u>	<u>6,404,755</u>
This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life.		
The projected cost of remediation is \$9,534,146 and this is expected to be incurred from 2020 to 2040.		
Cash funds committed to meet this liability at the reporting date	<u>3,084,002</u>	<u>2,563,023</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019	2018
	\$	\$

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

Queensland Treasury Corporation

Balance at beginning of the year	24,595,420	25,723,297
Principal repayments - cash movement	(1,182,766)	(1,127,877)
Balance at end of the year	23,412,654	24,595,420
Classified as		
Current	1,285,982	1,182,765
Non-current	22,126,672	23,412,655
	23,412,654	24,595,420

The QTC loan market value at the reporting date was \$27,926,529.

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

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

The following sets out the liquidity risk in relation to the above borrowings and represents the remaining contractual cash flows (principal and interest) at the end of the reporting period.

0 to 1 year	2,338,043	2,338,043
1 to 5 years	9,352,172	9,352,172
Over 5 years	20,360,523	22,698,566
Total contractual outflows	32,050,738	34,388,781
Carrying amount	23,412,654	24,595,420

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$	2018 \$
19 Other liabilities		
Current		
Waste levy refund received in advance	986,289	-
Construction retentions	574,438	279,108
	<u>1,560,727</u>	<u>279,108</u>

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The state is required to make an annual payment to the council that essentially refunds the Council for the portion of the levy that relates to households. Council will fund the portion of the levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is for the a refund of Council's 2019-2020 levy expense, the full amount has been recognised as a liability at 30 June 2019.

20 Asset revaluation surplus

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

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

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

(i) Movements in the asset revaluation surplus	Note		
Balance at beginning of the year		320,145,641	340,154,882
Adjustments to the property, plant and equipment through revaluations	14	(77,544,867)	(19,899,538)
Adjustment to land and improvements arising from change in rehabilitation costs		(1,095,719)	(109,703)
Balance at end of the year		<u>241,505,055</u>	<u>320,145,641</u>
(ii) Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories			
Land and improvements		3,652,847	4,748,566
Buildings		28,061,169	28,061,169
Road, bridge and drainage		102,512,664	157,198,371
Water		76,731,071	72,516,679
Sewerage		30,547,304	57,620,856
		<u>241,505,055</u>	<u>320,145,641</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$	2018 \$
21 Commitments for expenditure		
Operating leases		
Future operating lease rentals contracted for at balance date but not provided in the financial statements are payable		
Within one year	143,908	358,244
Later than 1 year but not later than 5 years	563,323	1,196,409
Later than 5 years	2,045,904	5,163,691
	<u>2,753,135</u>	<u>6,718,344</u>
Contractual commitments		
Operational		
Operational contractual commitments at end of financial year but not recognised in the financial statements.		
Waste management	807,694	3,760,195
Other operational commitments	1,366,962	2,299,077
	<u>2,174,656</u>	<u>6,059,272</u>
These expenditures are payable		
Within one year	1,242,597	3,805,534
One to five years	932,059	2,253,738
	<u>2,174,656</u>	<u>6,059,272</u>
Capital		
Capital commitment for the construction of the following assets contracted for at end of the financial year but not recognised as liabilities.		
Infrastructure	3,596,263	1,154,323
Other Assets	9,904,737	7,854,929
	<u>13,501,000</u>	<u>9,009,252</u>
These expenditures are payable		
Within one year	<u>13,501,000</u>	<u>9,009,252</u>

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

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

The Council's maximum exposure to the bank guarantee is

Local Government Mutual

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.

As at 30 June 2019 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

664,707	677,240
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ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	2019 \$	2018 \$
23 Superannuation - Regional Defined Benefit Fund		
Council contributes to the LGLAsuper 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 LGLAsuper 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 LGLAsuper 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 LGLAsuper 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 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.		
No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.		
The next triennial actuarial review is not due until 1 July 2021.		
The most significant risks that may result in LGLAsuper 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 62 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 62 entities. Isaac Regional Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.		
Superannuation contributions made to the Regional Defined Benefits Fund	56,445	54,895
Other superannuation contributions for employees	3,611,253	3,469,933
	<u>3,667,698</u>	<u>3,524,828</u>
	2020	
	\$	
Contributions Council expects to make to the Regional Defined Benefits Fund for 2019-2020 financial year	<u>29,776</u>	

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

		2019 \$	2018 \$
24 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result	Note	44,522,619	27,942,018
Non-cash operating items			
Impairment of receivables and bad debts written-off		782	28,956
Depreciation and amortisation	7	25,079,638	23,271,907
Change in restoration provisions expensed to finance costs		169,353	170,409
Interest accrued on loan to controlled entities		(83,133)	(120,579)
Revaluation of inventory land expensed to materials and services		(4,605,117)	728,615
		<u>20,561,523</u>	<u>24,079,308</u>
Investing and development activities			
Capital grants, subsidies and contributions	4	(44,079,214)	(36,110,356)
Capital income		(205,108)	(159,971)
Capital expenses	8	5,844,770	8,951,216
Payment for land for sale and development costs in the year		(19,473)	-
		<u>(38,459,025)</u>	<u>(27,319,111)</u>
Financing activities			
Capitalised interest		(695,606)	(728,615)
		<u>(695,606)</u>	<u>(728,615)</u>
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(4,315,551)	1,983,100
(Increase) decrease in inventories (excluding land)		242,793	11,893
Increase (decrease) in payables		5,773,599	3,320,655
Increase (decrease) in provisions		3,648	223,829
Increase (decrease) in revenue received in advance		986,289	-
		<u>2,690,778</u>	<u>5,539,477</u>
Net cash inflow from operating activities		<u><u>28,620,289</u></u>	<u><u>29,513,077</u></u>

25 Events after the reporting period

On 7 August 2019 the Council entered into a waste and recycling collection contract with NQ Resource Recovery Pty Ltd. Under this contract NQ Resource Recovery Pty Ltd will take responsibility for management of the Council's waste and recycling collection of all domestic and trade waste in the Council area for a period of seven years. The fee payable to NQ Resource Recovery Pty Ltd depends on the quantity of waste and recycling bins serviced, and is estimated to be in the region of \$16.7 million over the seven year period.

26 Controlled entities that have not been consolidated

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 2019 follows:

Controlled Entity	Ownership Interest		
Moranbah Early Learning Centre:	100%		
Revenue		2,358,210	1,807,302
Expenses		(2,200,796)	(1,958,775)
Profit / (loss)		<u>157,414</u>	<u>(151,473)</u>
Assets		302,578	134,976
Liabilities		<u>958,979</u>	<u>948,790</u>
The centre provides childcare facilities to the community.			
Isaac Affordable Housing Trust:	100%		
Revenue		235,486	221,057
Expenses		(326,653)	(331,961)
Profit / (loss)		<u>(91,167)</u>	<u>(110,904)</u>
Assets		5,134,864	5,164,664
Liabilities		<u>4,855,284</u>	<u>4,793,918</u>
The housing trust provides affordable housing to the community.			

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
27 Minor correction for assets not previously recognised			
During the financial year Council became aware of some assets in property plant and equipment that were not previously recognised as well as some assets previously recognised that should not have been recognised.			
Summary details of assets not previously recognised are as follows:			
Gross value of property, plant and equipment	14	(1,244,857)	11,184,346
Less accumulated depreciation	14	2,119,917	(2,323,597)
Gain from assets not previously recognised		875,060	8,860,749
Summary details of assets previously recognised incorrectly are as follows:			
Less: Accumulated depreciation	14	19,028	-
Loss on assets previously recognised incorrectly		19,028	-
Net result of recognised/derecognised assets		856,032	8,860,749

In the process of valuing the Council assets at 30 June 2019 it was discovered that certain assets had been omitted (recorded) from previous financial reports in error.

28 Financial instruments and financial risk management

Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Financial risk management

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

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

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

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

The Council does not enter into derivatives.

Credit risk

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

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

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements For the year ended 30 June 2019

	Note	2019 \$	2018 \$
28 Financial instruments and financial risk management			
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.			
Financial assets at amortised cost			
Cash and cash equivalents (note 9)			
Cash at bank and on hand		220,499	385,784
Cash investments held with - QTC		10,231,877	41,960,555
Cash investments held with other approved deposit taking institutions		41,794,271	39,839,758
Financial trade and other receivables (note 10)			
Receivables - rates and utility charges		4,499,436	3,926,952
Controlled entities		5,580,147	5,497,014
Receivables - other		6,208,674	2,605,365
Other credit exposure			
Guarantee	22	664,707	677,240
Total		69,199,611	94,892,668

Credit risk

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.

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

Other financial assets

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

Trade and other receivables

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

In other cases, the Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. Because the local economy depends largely on agriculture and mining, Council is exposed to risk associated with the often cyclical nature of these sectors.

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

At 30 June 2019 the exposure to credit risk (prior to any allowance for expected credit losses) for trade receivables by type of counterparty was as follows:

	2019 \$	2018 \$
Rates and utility debtors	5,527,124	5,011,704
Other debtors	1,453,124	1,965,545
Government debtors	4,755,550	639,820
GST recoverable	1,851,485	1,428,021
Controlled entities	5,580,147	5,497,014
	<u>19,167,430</u>	<u>14,542,104</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2019

28 Financial instruments and financial risk management

Expected credit loss assessment as at 1 July 2018 and 30 June 2019

As the historical loss rate observed in respect of rate and utility debtors (due to Council empowerment to sell property to recover debt as described above) and GST recoverable (due to the low credit risk associated with the counterparty) is not significant, no allowance is made for expected credit losses against these classes of receivable.

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

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

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

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

The following tables provide information about how the allowance for expected credit losses for other receivables have been determined at 30 June 2019 and 1 July 2018:

	30 June 2019 Loss Rate (%)	30 June 2019 Gross Carrying Amount (\$)	30 June 2019 Loss Allowance (\$)	1 July 2018 Loss Rate (%)	1 July 2018 Gross Carrying Amount (\$)	1 July 2018 Loss Allowance (\$)
Not past due	5.09	1,145,828	58,344	5.09		
Past due 0-30 days	10.58	35,088	3,710	10.58		
Past due 31-60	30.84	2,249	694	30.84		
Past due 61-90	58.35	3,029	1,767	58.35		
More than 90 days	79.71	266,928	212,777	79.71		
Total		1,453,122	277,292		1,965,545	242,769

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.

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2019

29 Transactions with related parties

(a) Controlled entities

Isaac Regional Council has two controlled entities. These controlled entities are not consolidated as their size and nature means that they are not material to Council's operations. All details of these entities are disclosed in note 25.

The following transactions occurred with the controlled entities:

Controlled entity	Expenses paid	
	2019	2018
	\$	\$
Isaac Affordable Housing Trust	13,200	7,110
Moranbah Early Learning Centre	222	198
	<u>13,422</u>	<u>7,308</u>

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

For the period 1 July 2017 to 30 June 2020, a \$1 peppercorn lease exists between Isaac Regional Council and MELC for the property that the MELC is conducted from.

(b) Key Management Personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and all of Council's executive leadership team.

Transactions with KMP, in the form of compensation paid for 2018/19, comprises:

Nature of Compensation	2019	2018
	\$	\$
Short-term employee benefits	2,444,489	2,341,605
Long-term benefits	102,540	64,190
Post-employment benefits	216,541	207,661
Termination benefits	-	18,090
	<u>2,763,570</u>	<u>2,631,546</u>

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

(c) Other related parties

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

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

	2019	2018
	\$	\$
Employee expenses for close family members of KMP (wages and superannuation)	97,090	94,729
Council provided a motor vehicle and accommodation services to KMP	-	1,867
Purchase of materials and services from entities controlled by KMP	45,294	52,555
Sponsorship paid to Isaac Regional Charity Trust	10,000	10,000
Income from entities controlled by KMP	-	775
	<u>152,384</u>	<u>159,926</u>

(i) All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The Council employs 413 staff of which only 1 is a close family member of KMP.

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

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2019

29 Transactions with related parties

(d) Outstanding balances

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

(e) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of Council live and operate within the Isaac Regional Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

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

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

ISAAC REGIONAL COUNCIL

Financial Statements

For the year ended 30 June 2019

MANAGEMENT CERTIFICATE

For the year ended 30 June 2019

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 36, 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.



Acting Mayor

Name: Cr Kelly Vea Vea

Date: 3 / 10 / 19



Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 3 / 10 / 19

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 2019, 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 2019, 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 Acting Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Isaac Regional Council's annual report for the year ended 30 June 2019, 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 the long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the financial report

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

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations 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 2019:

- 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.



Carolyn Dougherty
as delegate of the Auditor-General

9 October 2019

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement For the year ended 30 June 2019

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 2019 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	5.77%	358.00%	-29.78%

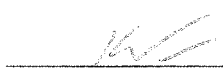
Note 1 - Basis of preparation

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 2019.

Certificate of Accuracy For the year ended 30 June 2019

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.



Acting Mayor

Name: Cr Kelly Vea Vea

Date: 3 / 10 / 19



Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 3 / 10 / 19

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Isaac Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Isaac Regional Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Acting Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Isaac Regional Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements, the long-term financial sustainability statement and the annual report.

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

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

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

Responsibilities of the council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the current year financial sustainability statement

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

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

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

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

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



Carolyn Dougherty
as delegate of the Auditor-General

9 October 2019

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Long-Term Financial Sustainability Statement Prepared as at 30 June 2019

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 2019 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 2019		5.77%	358.00%	-29.78%
Projected for the years ended	30 June 2020	1.5%	95.3%	-26.9%
	30 June 2021	2.7%	100.0%	-26.1%
	30 June 2022	2.5%	100.0%	-28.7%
	30 June 2023	2.4%	100.0%	-31.3%
	30 June 2024	2.3%	100.0%	-33.9%
	30 June 2025	2.3%	99.9%	-36.4%
	30 June 2026	2.3%	99.9%	-39.0%
	30 June 2027	2.4%	99.9%	-41.7%
	30 June 2028	2.4%	99.9%	-44.3%

Financial Management Strategy

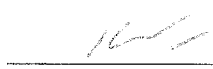
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial 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 2019

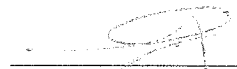
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the regulation).

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


Acting Mayor

Name: Cr Kelly Vea Vea

Date: 3 / 10 / 19


Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 3 / 10 / 19