ISAAC REGIONAL COUNCIL

Financial Statements
For the year ended 30 June 2020

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Addendum to the financial statements

ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	2020 $	2019 Restated* $
Income			
Recurrent revenue			
Rates and levies	3	84,932,226	79,830,303
Sale of goods and major services	3	6,291,172	4,470,922
Fees and charges	3	4,531,822	3,954,744
Sales of contract and recoverable works	3	6,620,941	5,603,684
Grants, subsidies, contributions and donations	3	7,601,557	7,424,359
Total Recurrent revenue		109,977,718	101,284,012
Recurrent other income			
Rental and levies		1,395,230	1,521,940
Interest received		1,016,538	1,764,726
Other recurrent income		523,320	802,070
Total recurrent other income		2,935,088	4,088,736
Total recurrent revenue and other income		112,912,806	105,372,748
Capital revenue			
Grants, subsidies, contributions and donations	3	25,139,640	44,079,214
Total capital revenue		25,139,640	44,079,214
Capital income			
Capital income		431,566	205,108
Total capital income		431,566	205,108
Total capital revenue and income	2 (b)	**138,484,012**	**149,657,070**
Expenses			
Recurrent expenses			
Employee benefits	4	(40,301,239)	(37,853,636)
Materials and services	5	(44,600,717)	(40,875,293)
Finance costs		(1,469,068)	(781,114)
Depreciation and amortisation	6	(26,358,338)	(25,079,638)
Total operating expenses		(112,729,362)	(104,589,681)
Capital expenses			
Other capital expenses	7	(10,178,859)	(5,844,770)
Total expenses	2 (b)	**(122,908,221)**	**(110,434,451)**
Net result		**15,575,791**	**39,222,619**
Other comprehensive income			
Items that will not be reclassified to net result			
Decrease in asset revaluation surplus	21	(6,186,538)	(78,640,586)
Total other comprehensive income for the year		(6,186,538)	(78,640,586)
Total comprehensive income for the year		**9,389,253**	**(39,417,967)**

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

* Comparative balances have been restated for the correction of a prior period error, as disclosed in note 29.

ISAAC REGIONAL COUNCIL

Statement of Financial Position
As at 30 June 2020

	Note	2020 $	2019 Restated* $
Current assets			
Cash and cash equivalents	8	58,379,637	50,246,647
Cash investments	12	-	2,000,000
Receivables	9 (a)	10,834,628	10,506,287
Inventories	10 (a)	1,194,805	16,726,935
Contract assets	19 (a)	1,861,848	-
Other assets	13	4,190,599	3,779,258
Total current assets		76,461,517	83,259,127
Non-current assets			
Receivables	9 (b)	5,503,326	5,580,147
Inventories	10 (b)	15,254,624	-
Property, plant and equipment	14	1,095,784,301	1,081,013,253
Intangible assets		21,709	100,037
Total non-current assets		1,116,563,960	1,086,693,437
TOTAL ASSETS		1,193,025,477	1,169,952,564
Current liabilities			
Trade and other payables	16	10,480,130	17,260,815
Provisions	17	8,214,269	7,581,358
Borrowings	18	1,407,771	1,285,982
Contract liabilities	19 (b)	4,735,353	-
Other	20	819,823	1,560,727
Total current liabilities		25,657,346	27,688,882
Non-current liabilities			
Trade and other payables	16	48,812	50,171
Provisions	17	8,125,194	7,308,571
Borrowings	18	22,733,508	22,126,672
Contract liabilities	19 (b)	2,175,456	-
Total non-current liabilities		33,082,970	29,485,414
TOTAL LIABILITIES		58,740,316	57,174,296
NET COMMUNITY ASSETS		**1,134,285,161**	**1,112,778,268**
Community equity			
Asset revaluation surplus	21	235,318,517	241,505,055
Retained surplus		855,418,757	837,791,995
Reserves		43,547,887	33,481,218
TOTAL COMMUNITY EQUITY		**1,134,285,161**	**1,112,778,268**

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

The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

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ISAAC REGIONAL COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2020

	Note	Total		Retained surplus		Reserves		Asset revaluation surplus Note 21	
		2020 $	2019 Restated* $	2020 $	2019 Restated* $	2020 $	2019 $	2020 $	2019 $
Balance at beginning of the year		1,112,778,268	1,151,377,775	837,791,995	764,161,658	33,481,218	67,070,476	241,505,055	320,145,641
Error correction to opening balance	28	3,561,290	856,032	3,561,290	856,032			-	
Adjustment on initial application of AASB 15 / AASB 1058	27	8,556,350	-	8,556,350	-				
Adjustment on initial application of AASB 9		-	(37,572)	-	(37,572)				
Restated opening balances		1,124,895,908	1,152,196,235	849,909,635	764,980,118	33,481,218	67,070,476	241,505,055	320,145,641
Net result		15,575,791	39,222,619	15,575,791	39,222,619	-	-	-	-
Other comprehensive income for the year									
Revaluations:									
Property, plant & equipment	14	(6,186,538)	(77,544,867)		-	-	-	(6,186,538)	(77,544,867)
Change in value of future rehabilitation costs	17		(1,095,719)		-	-	-		(1,095,719)
Total comprehensive income for the year		9,389,253	(39,417,967)	15,575,791	39,222,619	-	-	(6,186,538)	(78,640,586)
Transfers (to) from retained earnings and recurrent reserves		-	-	276,398	389,250	(276,398)	(389,250)	-	-
Transfers (to) from retained earnings and capital reserves		-	-	(10,343,067)	33,200,008	10,343,067	(33,200,008)	-	-
Balance at end of the year		1,134,285,161	1,112,778,268	855,418,757	837,791,995	43,547,887	33,481,218	235,318,517	241,505,055

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.
The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

* Comparative balances have been restated for the correction of a prior period error, as disclosed in note 29.

ISAAC REGIONAL COUNCIL

Statement of Cash Flows
For the year ended 30 June 2020

	Note	2020 $	2019 $
Cash flows from operating activities			
Receipts			
Receipts from customers		103,861,922	91,641,433
Operating grants, subsidies and contributions		7,712,009	7,424,359
Interest received		1,033,390	2,086,270
Payments			
Payments to suppliers and employees		(92,612,404)	(71,378,800)
Interest expense		(1,175,976)	(1,152,973)
Net cash inflow (outflow) from operating activities	25	18,818,941	28,620,289
Cash flows from investing activities			
Commonwealth government grants		2,760,357	859,622
State government subsidies and grants arising from contract assets and liabilities		14,088,446	-
State government subsidies and grants		21,389,397	40,985,034
Capital contributions		878,209	986,675
Payments for property, plant and equipment		(50,931,299)	(100,819,136)
Payments for intangible assets		(5,702)	-
Net transfer (to) from cash investments		2,000,000	30,000,000
Proceeds from sale of property, plant and equipment		478,606	610,832
Net cash inflow (outflow) from investing activities		(9,341,986)	(27,376,973)
Cash flows from financing activities			
Repayment of borrowings	18	(1,240,341)	(1,182,766)
Repayments made on finance leases	18	(103,624)	-
Net cash inflow (outflow) from financing activities		(1,343,965)	(1,182,766)
Net increase (decrease) in cash and cash equivalents held		8,132,990	60,550
Cash and cash equivalents at beginning of the financial year		50,246,647	50,186,097
Cash and cash equivalents at end of the financial year	8	**58,379,637**	**50,246,647**

The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.
The comparatives have not been restated on adoption of AASB 15 / 1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 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 comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Isaac Regional Council ("Council") is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

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

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.

1 Significant accounting policies

1. 4 New and revised Accounting Standards adopted during the year

The Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019. The standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy note 27 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases*.

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 Standards issued by the AASB not yet effective

The AASB has issued a number of Australian Accounting Standards and Interpretations which are not yet effective at 30 June 2020. Council has not elected to early adopt any of these standards and accordingly they will be applied from their future effective date. There are no such standards or interpretations expected to have a significant impact on Council's financial statements in the period of initial application.

1. 8 Estimates and judgements

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

Valuation and depreciation of property, plant and equipment - notes 14 and 15
Impairment of receivables - note 9 and 30
Provisions - note 17
Revenue - note 3

1. 9 Rounding and comparatives

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

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

1. 10 Taxation

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

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

1. 11 Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic and found there were no material implications for the financial year ended 30 June 2020.

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

- All not-for-profit organisations received full rating concessions for the rates issued for the period 01 July 2019 to 30 June 2020.
- Annual registration for backflow prevention device and trade waste for small and medium businesses waived.
- Moratorium on debt collection and interest on overdue rates effective March 2020 to 30 June 2020.
- Provide Special Emergency Community grants to community groups experiencing financial hardship.
- Temporary development assessment fee reductions for small and medium enterprises.

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 policies of Council are carried out. The Chief Executive Officer also provides advice to the Councillors and is the custodian of records and documents of Council.

Corporate, Governance & Financial Services

Corporate, Governance and Financial Services provide the following functions; strategic and business continuity planning, legal and insurance administration, brand, media, and communication, governance, risk management, disaster management, asset management, financial services, internal audits, information technology, geographical information services, records management, organisational safety, procurement, stores, tenders and contracts. The objective of Corporate and Governance is to be open, accountable, transparent and deliver value for money outcomes. While Financial Services objective is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Engineering & Infrastructure

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

Planning, Environment & Community Services

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

Land Development

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

Plant, Fleet, Workshops & Depot

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

Water

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

Wastewater

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

Waste Management

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

2 Analysis of results by program

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

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

For the year ended 30 June 2019

	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	**2019 $**	**2019 $**	**2019 $**	**2019 $**	**2019 $**	**2019 Restated $**	**2019 $**	**2019 $**	**2019 Restated $**	**2019 Restated $**	**2019 Restated $**
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	(1,155,780)	-	(1,155,780)	(1,155,780)	(1,140,780)	15,284,122
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
Wastewater	-	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	(104,589,681)	(5,844,770)	(110,434,451)	783,067	39,222,619	1,169,952,564

	Note	AASB15 $	AASB1058 $
3 Revenue			
Revenue recognised at a point in time			
Rates and levies	3 (a)	-	84,932,226
Sale of goods and major services		6,291,172	-
Infringements and short-term licences		-	234,017
Fees and charges (excluding infringements and short-term licences)		4,297,805	-
Sales of contract and recoverable works		1,435,931	-
Grants, subsidies, contributions and donations (recurrent)	3 (b)	198,092	6,041,265
Grants, subsidies, contributions and donations (capital)	3 (b)	-	1,006,886
		12,223,000	92,214,394
Revenue recognised over time			
Sales of contract and recoverable works		5,185,010	-
Grants, subsidies, contributions and donations (recurrent)	3 (b)	1,352,200	10,000
Grants, subsidies, contributions and donations (capital)	3 (b)	-	24,132,754
		6,537,210	24,142,754

(a) Rates and levies

2020 accounting policy:

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

2019 accounting policy:

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

	Note	2020 $	2019 $
General rates		61,173,352	57,940,033
Disaster management levy		278,533	274,061
Water		10,483,683	10,557,595
Water consumption, rental and sundries		4,345,144	2,427,406
Wastewater		10,289,343	10,139,574
Wastewater trade waste		5,107	7,930
Garbage charges		4,759,851	4,693,672
Rates and utility charge revenue		91,335,013	86,040,271
Less: Discounts		(6,171,851)	(5,974,597)
Less: Pensioner remissions		(230,936)	(235,371)
Net rates and utility charges		84,932,226	79,830,303

(b) Grants, subsidies, contributions and donations

2020 accounting policy:

Grant income under AASB 15

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

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

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

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income under AASB 1058

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

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

	Note	2020 $	2019 $

Capital grants
Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

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

2019 accounting policy:
Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

Developers also pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are generally within the scope of AASB 1058 since there is no enforceable performance obligation associated with them and therefore the infrastructure charges are recognised as revenue when received.

(i) Recurrent

	2020 $	2019 $
General purpose grants	5,601,406	5,478,592
Commonwealth subsidies and grants	244,216	177,826
State government subsidies and grants	656,427	1,166,434
NDRRA flood damage grants for operational repairs	957,132	519,391
Donations	7,515	5,797
Cash contributions	134,861	76,319
Total recurrent revenue	7,601,557	7,424,359

(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.

	2020 $	2019 $
(a) Monetary revenue designated for capital funding purposes:		
Commonwealth government grants	2,760,357	859,622
State government subsidies and grants	20,372,506	8,521,290
NDRRA flood damage grants for capitalised repairs	1,016,891	32,463,744
Cash contributions	878,209	986,675
	25,027,963	42,831,331
(b) Non-monetary revenue received:		
Developer and other contributions of physical assets at fair value	-	1,247,883
Donations from third parties at fair value	111,677	-
	111,677	1,247,883
Total capital revenue	25,139,640	44,079,214

	Note	2020 $	2019 Restated* $
4 Employee benefits			
Total staff wages and salaries		30,702,524	29,651,264
Councillors' remuneration		719,199	684,284
Annual, sick and long service leave entitlements		6,037,259	5,219,074
Superannuation	24	4,028,661	3,667,698
		41,487,643	39,222,320
Other employee related expenses		770,715	771,510
		42,258,358	39,993,830
Less capitalised employee expenses		(1,957,119)	(2,140,194)
		40,301,239	37,853,636

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

	Number	Number
Total Council employees at 30 June 2020		
Elected members	9	9
Administration staff	235	227
Depot and outdoors staff	176	186
Total full time equivalent employees	420	422

	2020 $	2019 Restated* $
5 Materials and services		
Audit fees - Queensland Audit Office	171,335	148,400
Contractors	609,162	865,356
Donations paid	362,662	522,050
Electricity	3,270,924	3,342,016
Equipment and tools	3,319,475	3,134,425
Information, communications and technology	3,571,999	3,823,143
Insurance	1,868,579	1,565,295
Other employee expenses	812,911	862,260
Plant and vehicle	1,434,233	1,359,429
Professional fees	3,462,634	3,008,729
Refuse collection	2,337,761	2,688,670
Repairs and maintenance	12,266,737	9,161,932
Waste levy	1,433,909	-
Impairment adjustment of land for sale (classified as inventory)	29,498	694,883
Other materials and services	9,648,898	9,698,705
	44,600,717	40,875,293

*The value of materials and services for 2019 was restated by $5.3M in correction of a prior period error, as disclosed in note 29.

	2020 $	2019 Restated* $
6 Depreciation and amortisation		
(a) Depreciation of non-current assets		
Land and improvements	1,428,288	1,658,828
Buildings	2,128,637	2,110,978
Plant and equipment	3,582,365	3,451,015
Road, bridge and drainage	9,949,783	9,386,725
Water	4,954,074	4,676,442
Wastewater	2,942,600	2,895,080
Waste management	893,821	491,735
Aerodrome	262,906	262,920
	26,142,474	24,933,723
(b) Depreciation/amortisation of right of use assets		
Land	131,834	-
	131,834	-
(c) Amortisation of intangible assets		
Computer software	84,030	145,915
	84,030	145,915
Total depreciation and amortisation	26,358,338	25,079,638

	Note	2020 $	2019 $
7 Capital expenses			
Loss on write-off of capital assets	14	8,895,655	5,844,770
Revaluation writedown of property, plant and equipment	14	747,653	-
Movement in Refuse site provision	17	535,551	-
Total capital expenses		10,178,859	5,844,770

8 Cash and cash equivalents

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

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

	Note	2020 $	2019 $
Cash at bank and on hand		666,802	220,499
Deposits at call		57,712,835	44,993,129
Term deposits		-	5,033,019
Total cash and cash equivalents per statement of cash flows		58,379,637	50,246,647
Cash investments	12	-	2,000,000
Total cash assets		58,379,637	52,246,647

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:

	Note	2020 $	2019 $
Waste levy refund received in advance		-	986,289
Contract liabilities - revenue received in advance	19	6,910,809	-
Unspent loan monies		685,228	685,228
Unspent government grants and subsidies		-	4,098,384
Unspent developer contributions		17,858,371	17,363,390
Total unspent external restricted cash held in reserves		25,454,408	23,133,291

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.

	Note	2020 $	2019 $
Funds set aside by council to meet specific future funding requirements		32,925,229	26,182,974
Total cash held to contribute to identified funding commitments		58,379,637	49,316,265

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 since Council has no control over the assets.

Trust funds held for outside parties

	Note	2020 $	2019 $
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		833,528	27,953
Security deposits		6,989,747	1,789,636
		7,823,275	1,817,589

	Note	2020 $	2019 $

9 Receivables

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

Debts are regularly assessed for collectability and all known bad debts were written off at 30 June 2020. 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.

	2020 $	2019 $
(a) Current		
Rateable revenue and utility charges	4,699,812	4,499,436
Accrued interest	45,779	75,469
Other debtors	6,274,603	6,208,674
Less allowance for expected credit losses	(275,225)	(277,292)
Loans and advances to controlled entities and associates	89,659	-
	10,834,628	10,506,287
(b) Non-current		
Loans and advances to controlled entities and associates	5,503,326	5,580,147
	5,503,326	5,580,147

For the financial year ended 30 June 2020 interest was charged on outstanding rates at a rate of 9.83% 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.

For the period 11 March 2020 to 30 June 2020 Council passed a resolution to cease interest charges due to COVID-19 impacts.
All loans 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)	2020 $	2019 $
Balance at beginning of the year	277,292	242,769
Adjustment to opening balance upon application of AASB 9	-	37,572
Changes in the credit loss allowances in the year	(2,067)	(3,049)
Balance at end of the year	275,225	277,292

Loss rates are based on actual credit loss experience over the past eleven years.

	Note	2020 $	2019 Restated* $

10 Inventories

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

Inventories for internal use are valued at cost and adjusted when applicable for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. Inventory land held for re-sale is treated as non-current for the 2020 financial year as Council has no current plans to sell any land in the foreseeable future. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

	Note	2020 $	2019 Restated* $
(a) Current			
Inventories for internal use-			
Quarry and road materials		184,512	185,649
Raw water on hand		294,413	437,291
Stores and materials		715,880	819,873
		1,194,805	1,442,813
Valued at cost, adjusted when applicable for any loss of service potential.			
Land purchased for development and sale	11	-	15,284,122
Total current inventories		1,194,805	16,726,935
(b) Non-current			
Land purchased for development and sale	11	15,254,624	-
		15,254,624	-

11 Land purchased for development and sale

	2020 $	2019 Restated* $
Balance at beginning of the year	15,284,122	15,263,926
Development costs	-	19,473
Capitalised interest in year	-	695,606
Valuation adjustment as at 30 June	(29,498)	(694,883)
Balance at end of the year	15,254,624	15,284,122
Classified as :		
Current	-	15,284,122
Non-current	15,254,624	-
	15,254,624	15,284,122

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

*The value of land purchased for development and sale for 2019 was restated by $5.3M in correction of a prior period error, as disclosed in note 29.

12 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.

	2020 $	2019 Restated* $
Fixed term held with other institutions realisable between 3 and 12 months - unrestricted	-	2,000,000
	-	2,000,000

13 Other assets

	2020 $	2019 Restated* $
GST recoverable	1,288,320	1,851,485
Water charges yet to be levied	1,896,540	1,027,688
Prepayments	1,005,739	900,085
	4,190,599	3,779,258

14 Property, plant and equipment

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Wastewater	Waste management	Aerodrome	Works in progress	Right of use - Land	Total plant and equipment
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Cost	
Fair value category		Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3			
		2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
Asset values		$	$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2019		90,412,757	148,861,045	40,537,471	737,322,531	270,047,991	171,505,068	14,556,800	11,183,853	22,190,545	-	1,506,618,061
Minor correction to opening balance	28	(925,047)	-	32,444	3,687,298	1,351,287	-	668,629	-	-	-	4,814,611
Adoption of AASB 16 at 1 July 2019		-	-	-	-	-	-	-	-	-	2,072,590	2,072,590
Additions at cost		-	-	-	-	-	-	-	-	51,176,685	-	51,176,685
Contributed assets at valuation		-	-	111,677	-	-	-	-	-	-	-	111,677
Internal transfers from work in progress		3,950,005	2,616,891	3,998,906	29,527,508	10,810,404	10,269,497	3,201,336	28,944	(64,403,491)	-	-
Disposals		-	-	(1,419,612)	-	-	-	-	-	-	-	(1,419,612)
Write-offs	7	(1,004,298)	(1,414,738)	(233,832)	(6,832,533)	(1,430,383)	(853,718)	(1,676,997)	(6,875)	-	-	(13,453,374)
Revaluation adjustment to other comprehensive income	21	-	-	-	(6,285,091)	-	-	-	-	-	-	(6,285,091)
Revaluation adjustment to capital expense	7	-	-	-	-	-	-	1,046,695	-	-	-	1,046,695
Internal transfers between asset classes		(10,084,448)	(212,685)	-	83,053	15,369	152,000	10,046,711	-	-	-	-
Closing gross value as at 30 June 2020		82,348,969	149,850,513	43,027,054	757,502,766	280,794,668	181,072,847	27,843,174	11,205,922	8,963,739	2,072,590	1,544,682,242
Accumulated depreciation and impairment												
Opening balance as at 1 July 2019		14,328,084	34,533,963	21,015,834	177,775,373	103,852,153	70,396,352	1,591,888	2,111,161	-	-	425,604,808
Minor correction to opening balance	28	-	-	-	679,080	375,000	-	199,241	-	-	-	1,253,321
Depreciation provided in year	6	1,428,288	2,128,637	3,582,365	9,949,783	4,954,074	2,942,600	893,821	262,906	-	131,834	26,274,308
Depreciation on disposals		-	-	(1,372,572)	-	-	-	-	-	-	-	(1,372,572)
Depreciation on write-offs	7	(92,575)	(341,934)	(158,393)	(1,841,731)	(863,034)	(458,908)	(797,941)	(3,203)	-	-	(4,557,719)
Revaluation adjustment to other comprehensive income	21	-	-	-	(98,553)	-	-	-	-	-	-	(98,553)
Revaluation adjustment to capital expense	7	-	-	-	-	-	-	1,794,348	-	-	-	1,794,348
Internal transfers between asset classes		(5,397,584)	(172,977)	-	18,742	(4,085)	-	5,555,904	-	-	-	-
Accumulated depreciation as at 30 June 2020		10,266,213	36,147,689	23,067,234	186,482,694	108,314,108	72,880,044	9,237,261	2,370,864	-	131,834	448,897,941
Total written down value as at 30 June 2020		72,082,756	113,702,824	19,959,820	571,020,072	172,480,560	108,192,803	18,605,913	8,835,058	8,963,739	1,940,756	1,095,784,301
Range of estimated useful life in years		5 - 200	3 - 150	5 - 20	5 - 300	15 - 200	15 - 200	5 - 100	5 - 200		7 - 100	
Addition of renewal assets		208,501	1,988,726	2,610,551	19,605,741	1,773,214	1,955,624	539,373	28,944	-	-	28,710,674
Addition of other assets		1,060,697	2,412,357	1,441,617	10,496,635	4,712,276	1,651,946	690,483	-	-	2,072,590	24,538,601
Total additions in this year		1,269,198	4,401,083	4,052,168	30,102,376	6,485,490	3,607,570	1,229,856	28,944	-	2,072,590	53,249,275

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During the period $1.0M of flood damaged roads, bridges and drainage infrastructure was written off and restoration work capitalised.

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2020

14 Property, plant and equipment - prior year

	Note	Land and improvements	Buildings	Plant and equipment	Road, bridge and drainage	Water	Wastewater	Waste management	Aerodrome	Works in progress	Right of use - Land	Total plant and equipment
Basis of measurement		Valuation	Valuation	Cost	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Cost	
Fair value category		Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3		Level 3	
		2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
Asset Values		$	$	$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 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
Minor correction to opening balance	28	-	-	-	(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	7	(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	21	-	-	-	(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		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	28	-	19,028	-	(2,119,917)	-	-	-	-	-	-	(2,100,889)
Depreciation provided in year	6	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	7	(86,734)	(285,908)	(1,036,395)	(1,636,401)	(755,381)	(180,090)	(774)	-	-	-	(3,981,683)
Revaluation adjustment to other comprehensive income	21	-	-	-	(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 - 300	15 - 200	15 - 200	5 - 100	5 - 200			

During the period $46.0M of flood damaged roads, bridges and drainage infrastructure was written off and restoration work capitalised.

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

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.

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's 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 are recognised as a non-current asset where the Council holds title or a financial lease over the asset. The Isaac Regional Council currently does not have any such land holdings.

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

14 (i) Right-of-use assets

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

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

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

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
- Wastewater
- 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	
		2020	2019	2020	2019	2020	2019
		$	$	$	$	$	$
Recurring fair value measurements							
Property, plant and equipment	14						
- Land and improvements		18,554,873	19,045,197	53,527,883	57,039,476	72,082,756	76,084,673
- Buildings		9,835,835	8,619,298	103,866,989	105,707,784	113,702,824	114,327,082
- Road, bridge and drainage				571,020,072	559,547,158	571,020,072	559,547,158
- Water				172,480,560	166,195,838	172,480,560	166,195,838
- Wastewater				108,192,803	101,108,716	108,192,803	101,108,716
- Waste management				18,605,913	12,964,912	18,605,913	12,964,912
- Aerodrome				8,835,058	9,072,692	8,835,058	9,072,692
		28,390,708	27,664,495	1,036,529,278	1,011,636,576	1,064,919,986	1,039,301,071

There were no transfers between levels 1 and 2 during the year.
Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

15 Fair value measurements

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

Land and improvements, buildings and other structures

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 2020, 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.

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.

Roads, Bridges and Drainage Infrastructure

At 30 June 2020, 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

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

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

Unit rates were determined using local projects/data if available, local knowledge and available data sources, and verified with first principle calculations. Data sources included published reference rates from the Rawlinson's Construction Handbook 2018. The unit rates used for this valuation also included an allowance for design, documentation, project management and Council overheads by applying a percentage increase to the calculated current replacement cost of the assets, where deemed applicable.

Accumulated depreciation was determined by reference to the asset's assessed condition score and the asset's consumption rating scale. The consumption rating scales used were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against Council's own understanding of the level of remaining service potential.

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

Water and Wastewater Infrastructure

At 30 June 2020, 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.

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 were 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 valuation undertaken in 2015. As there was a significant level of professional judgement used in determining the valuation due to the level of underground and unobservable data, Cardno determined that the overall data level in applying their valuation is Level 3.

The asset data that 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.

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 depreciation.

Waste Management

As at 30 June 2020, a comprehensive revaluation was undertaken of Council's waste management assets by Cardno (Qld) Pty Ltd. Waste 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.

15 Fair value measurements

Cardno's collection and review of the asset data for the valuation included:-
- a review of the asset register,
- scheduled rates for construction of an asset or similar asset
- Building Price Index tables
- Supplier quotations
- Rates from Rawlinson's Australian Construction Handbook
- Cost curves derived by Cardno.

It is noted that the valuation rates (replacement costs) were increased by 20% to allow for Council's project overheads of survey, environmental, investigation, engineering design, engineering supervision and project management.

Cardno visited each of the waste sites within the region in March 2020, to confirm the existence and extent of the assets as indicated by records, confirm details and measurements, obtain further information on assets and to determine the current condition.

Useful lives for each asset class were reviewed and agreed on with Council before finalisation of the valuations. The "straight line" methodology was used to determine depreciation.

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

Changes in land and improvements	2020 Level 2 Other land assets	2020 Level 3 Land assets	2019 Level 2 Other land assets	2019 Level 3 Land assets
Asset value	$	$	$	$
Opening balance	19,748,452	70,664,305	19,733,452	66,823,776
Error correction to opening balance	(1,067,776)	142,729	-	-
Additions in period	5,614	3,944,391	15,000	3,830,524
Disposals and write-offs in period	(64,999)	(939,299)	-	(451,542)
Transfers in period	(64,476)	(10,019,972)	-	461,547
Gross value closing balance	18,556,815	63,792,154	19,748,452	70,664,305
Accumulated depreciation				
Opening balance	703,255	13,624,829	325,235	12,341,428
Correction to accum. depreciation opening balance	(783,748)	783,748	26,392	(26,392)
Depreciation in current period	-	1,428,288	351,628	1,307,200
Accum. depreciation disposals and write-offs in period	-	(92,575)	-	(86,735)
Transfer in period	82,435	(5,480,019)	-	89,328
Closing balance of accumulated depreciation	1,942	10,264,271	703,255	13,624,829
Written down (fair value) at reporting date	18,554,873	53,527,883	19,045,197	57,039,476

Changes in buildings	2020 Level 2 Other buildings	2020 Level 3 Specialised buildings	2019 Level 2 Other buildings	2019 Level 3 Specialised buildings
Asset value	$	$	$	$
Opening balance	8,810,459	140,050,586	8,425,262	139,118,348
Error correction to opening balance	2,051,029	(2,051,029)	-	-
Additions in period	289,270	2,327,621	481,608	2,562,183
Disposals and write-offs in period	(169,452)	(1,245,286)	(96,411)	(1,182,891)
Transfers in period	(212,685)	-	-	(447,054)
Gross closing balance Buildings	10,768,621	139,081,892	8,810,459	140,050,586
Accumulated depreciation				
Opening balance	191,161	34,342,802	76,206	32,710,219
Correction to accum. depreciation opening balance	810,959	(810,959)	19,028	-
Depreciation in current period	106,706	2,021,931	97,483	2,013,495
Accum. depreciation disposals and write-offs in period	(3,063)	(338,871)	(1,556)	(284,352)
Transfer in period	(172,977)	-	-	(96,560)
Closing balance of accumulated depreciation	932,786	35,214,903	191,161	34,342,802
Written down (fair value) at reporting date	9,835,835	103,866,989	8,619,298	105,707,784

Transfers in period relates to the Refuse sites rehabilitation assets being reallocated from land and improvements to waste management.

(iv) Valuation processes

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

	2020 $	2019 $

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.

	2020 $	2019 $
Current		
Accruals	295,290	199,310
Creditors	8,373,472	16,285,854
Rates received in advance	746,773	-
QTC interest accrued	43,223	45,641
Salary, wages and related accruals	828,764	580,042
Other entitlements	192,608	149,968
	10,480,130	17,260,815
Non-current		
Creditors	48,812	50,171
	48,812	50,171

17 Provisions

Employee entitlements

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date.

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

Annual leave

As Council does not have an unconditional right to defer settlement of the annual leave beyond twelve months after the reporting date, annual leave is classified as a current provision.

Long service leave

The provision for long service leave represents the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The 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 2021 to 2040 and that the restoration will occur progressively over the subsequent four years.

	2020 $	2019 $

The provision is reviewed at least annually and updated based on the facts and circumstances available at the time.

	2020 $	2019 $
Current		
Annual leave	3,924,161	3,551,119
Long service leave	2,690,108	2,663,582
Property restoration -		
Refuse sites	1,600,000	1,366,657
	8,214,269	7,581,358
Non-Current		
Long service leave	1,410,619	1,005,401
Property restoration		
Refuse sites	6,714,575	6,303,170
	8,125,194	7,308,571

Details of movements in provisions

Refuse sites	2020 $	2019 $
Balance at beginning of the year	7,669,827	6,404,755
Increase due to change in time	109,197	169,353
Increase (decrease) due to change in discount rate	-	1,095,719
Increase (decrease) due to change in discount rate*	305,478	
Increase due to recognition of revised restoration date*	233,343	-
Increase (decrease) in estimate of future cost*	(3,270)	-
Balance at end of the year	8,314,575	7,669,827
Current portion	1,600,000	1,366,657
Non-current portion	6,714,575	6,303,170
	8,314,575	7,669,827

*Change in accounting treatment resulting from the movement of the rehabilitation assets from land and improvements asset class to the waste management asset class. With the waste management asset class having nil balance in the asset revaluation reserve, these amounts have been expensed under capital expenditure (note 7).

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 $9,578,390 and this is expected to be incurred from 2021 to 2040.

	2020 $	2019 $
Cash funds committed to meet this liability at the reporting date are	3,544,827	3,084,002

	2020 $	2019 $
18 Borrowings		
Current		
(i) Queensland Treasury Corporation	1,300,735	1,285,982
(ii) Lease liabilities	107,036	-
	1,407,771	1,285,982
Non-current		
(i) Queensland Treasury Corporation	20,871,578	22,126,672
(ii) Lease liabilities	1,861,930	-
	22,733,508	22,126,672

(i) Queensland Treasury Corporation

Unsecured borrowings are provided by the Queensland Treasury Corporation.

All borrowings are in $A denominated amounts and carried at amortised cost. Interest is expensed as it accrues except interest relating to land development which historically was capitalised to land held for resale (Refer to note 11). Within the current financial year interest relating to land devlopment has been expensed due to decrease in valuation.

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.

	2020 $	2019 $
Movements in borrowings		
Balance at beginning of the year	23,412,654	24,595,420
Principal repayments - cash movement	(1,240,341)	(1,182,766)
Balance at end of the year	22,172,313	23,412,654
Classified as		
Current	1,300,735	1,285,982
Non-current	20,871,578	22,126,672
	22,172,313	23,412,654

The QTC loan market value at the reporting date was $27,133,529 (2019: $27,926,529).

This represents the value of the debt if Council repaid it at that date. Council's intention is to hold the debt for its term, therefore 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.

	2020 $	2019 $
0 to 1 year	2,338,043	2,338,043
1 to 5 years	9,352,172	9,352,172
Over 5 years	18,022,480	20,360,523
Total contractual outflows	29,712,695	32,050,738
Carrying amount	22,172,313	23,412,654

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

	2020	2019
	$	$

(ii) Lease liabilities

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Refer to note 14 for Council's accounting policy on right-of-use assets.

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

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

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

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

Exceptions to lease accounting

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

Terms and conditions of leases

Council's eases relate to leases of land. Council has 57 land leases with the Department of Natural Resources, Mines and Energy (DNRME). The length of the leases vary between 10 and 60 years. Two of the leases have communication towers built on the land and the remaining have Council purpose built infrastructure.

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

Movements in lease liabilities

	2020	2019
Adoption of AASB 16 at July 1, 2019	2,072,590	
Principal repayments	(103,624)	
Balance at end of the year	1,968,966	
Classified as:		
Current	107,036	
Non-Current	1,861,930	
	1,968,966	

Maturity analysis

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

	2020	2019
Between 0 to 1 year	175,841	
Between 1 to 2 years	178,455	
Between 2 to 3 years	161,833	
Between 3 to 4 years	163,452	
Between 4 to 5 years	165,613	
Over 5 years	2,082,352	
Total contractual outflows	2,927,546	
Lease liability recognised in the financial statements	1,968,966	

	2020 $	2019 $
(iii) Reconciliation of liabilities arising from finance activities		
Loans		
Balance at beginning of the year	23,412,654	24,595,420
Cash flows during the period	(1,240,341)	(1,182,766)
Non cash flows changes in the period	-	-
Balance at end of the year	22,172,313	23,412,654
Lease liabilities		
Balance at beginning of the year	2,072,590	-
Cash flows during the period	(103,624)	-
Non cash flows changes in the period	-	-
Balance at end of the year	1,968,966	-
Total	24,141,279	23,412,654

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

19 Contract balances

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	2020 $
(a) Contract assets	
Contracts for capital assets	1,861,848
Current	1,861,848
(b) Contract liabilities	
Funds received upfront to construct Council controlled assets	6,389,023
Deposits received in advance of services provided (e.g. performance obligations in grants)	521,786
	6,910,809
Current	4,735,353
Non-current	2,175,456
	6,910,809
Revenue recognised that was included in the contract liability balance at the beginning of the year	
Funds to construct Council controlled assets	1,335,485
Deposits received in advance of services provided	208,091
	1,543,576

(c) Significant changes in contract balances

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

	Note	2020 $	2019 $
20 Other liabilities			
Current			
Waste levy refund received in advance		-	986,289
Construction retentions		819,823	574,438
		819,823	1,560,727

21 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.

	Note	2020 $	2019 $
(i) Movements in the asset revaluation surplus			
Balance at beginning of the year		241,505,055	320,145,641
Adjustments to the property, plant and equipment through revaluations	14	(6,186,538)	(77,544,867)
Adjustment to waste management arising from change in rehabilitation	17	-	(1,095,719)
Balance at end of the year		235,318,517	241,505,055
(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	3,652,847
Buildings		28,061,169	28,061,169
Road, bridge and drainage		96,326,126	102,512,664
Water		76,731,071	76,731,071
Wastewater		30,547,304	30,547,304
Waste management		-	-
		235,318,517	241,505,055

22 Commitments for expenditure

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

	2020 $	2019 $
Waste management	14,422,794	807,694
Other operational commitments	1,640,574	1,366,962
	16,063,368	2,174,656
These expenditures are payable		
Within one year	3,425,583	1,242,597
One to five years	5,152,936	932,059
Over 5 years	7,484,849	-
	16,063,368	2,174,656

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

	2020 $	2019 $
Infrastructure	1,972,259	3,596,263
Other Assets	8,044,427	9,904,737
	10,016,686	13,501,000
These expenditures are payable		
Within one year	10,016,686	13,501,000

	2020	2019
	$	$

23 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.

	2020	2019
The Council's maximum exposure to the bank guarantee is	666,175	664,707

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.

Residential Subdivision

Council is currently investigating options on how to address a stalled residential subdivision where early release of survey plans was granted, however, no bonds, guarantees or securities are held. To date, a large portion of the required infrastructure works have not been completed. Due to historical ongoing legal proceedings recently being finalised, Council is now in a position to reasonably investigate all options going forward. At reporting date, it is not possible to make an estimate of any possible financial implications as the investigations and therefore potential rectification processes are in its infancy stage.

24 Superannuation - Regional Defined Benefit Fund

Council contributes to the LGIAsuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIAsuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act* 2009.

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

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

Technically Isaac Regional Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIAsuper trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 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 LGIAsuper increasing the contribution rate, on the advice of the actuary, are:
Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

	2020	2019
Superannuation contributions made to the Regional Defined Benefits Fund	34,326	56,445
Other superannuation contributions for employees	3,994,335	3,611,253
	4,028,661	3,667,698

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

	Note	2020 $	2019 $
Net result		15,575,791	39,222,619
Non-cash operating items			
Impairment of receivables and bad debts written-off		11,916	782
Depreciation and amortisation	6	26,358,338	25,079,638
Change in restoration provisions expensed to finance costs		109,197	169,353
Interest accrued on loan to controlled entities		(12,838)	(83,133)
Revaluation of inventory land expensed to materials and services		29,498	694,883
		26,496,111	25,861,523
Investing and development activities			
Capital grants, subsidies and contributions	3	(25,139,640)	(44,079,214)
Capital income		(431,566)	(205,108)
Capital expenses	7	10,178,859	5,844,770
Payment for land for sale and development costs in the year		-	(19,473)
		(15,392,347)	(38,459,025)
Financing activities			
Capitalised interest		-	(695,606)
		-	(695,606)
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(250,598)	(4,315,551)
(Increase) decrease in inventories (excluding land)		248,008	242,793
(Increase) decrease in other assets		(411,341)	986,289
Increase (decrease) in payables		(7,375,632)	5,773,599
Increase (decrease) in provisions		804,786	3,648
Increase (decrease) in other liabilities		(986,289)	-
Increase (decrease) in contract assets		58,200	-
Increase (decrease) in contract liabilities		52,252	-
		(7,860,614)	2,690,778
Net cash inflow from operating activities		18,818,941	28,620,289

26 Controlled entities that have not been consolidated

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

A summary of those entities, their net assets and results for the year ended 30 June 2020 follows:

Controlled Entity	**Ownership Interest**	2020 $	2019 $
Moranbah Early Learning Centre:	100%		
Revenue		2,699,810	2,358,210
Expenses		(2,430,106)	(2,184,702)
Profit / (loss)		269,704	173,508
Assets		585,449	302,578
Liabilities		972,147	958,980

The centre provides childcare facilities to the community.

		2020 $	2019 $
Isaac Affordable Housing Trust:	100%		
Revenue		236,049	235,487
Expenses		(361,823)	(333,553)
Profit / (loss)		(125,774)	(98,066)
Assets		5,016,164	5,134,864
Liabilities		4,869,258	4,862,184

The housing trust provides affordable housing to the community.

	2020	2019
	$	$

27 Change in accounting policy

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers* , AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts* , AASB 117 *Leases* , AASB 118 *Revenue* , AASB 1004 *Contributions and associated Accounting Interpretations.*

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained surplus at 1 July 2019, as Council has elected to apply the modified retrospective approach to transition permitted under each of these standards.

The impacts of adopting these standards and associated transition disclosures are provided below:

Revenue standards - AASB 15 and AASB 1058

The following options have been applied on transition to AASB 15 and AASB 1058:
• Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
• Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

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

The initial application of the standards has resulted in changes to accounting policies as set out in note 3 as well as changes in the timings of revenue recognition for some revenue streams on application of the revised accounting policies.

Changes in the timing of revenue recognition impact on grants, subsidies, contributions and donations revenue, and rates revenue.

Grants, subsidies, contributions and donations

Under previously applicable standards, revenue under these arrangements was recognised when control of the related asset/s (typically cash) was obtained, which was generally on receipt, unless the agreements were reciprocal in nature. Council had no reciprocal funding arrangements in the previous financial year and therefore all revenue was recognised on receipt of the funding/contributed assets. Under the new standards funding is recognised in one of three ways:

1. As per performance obligations are satisfied, where Council has sufficiently specific performance obligations to deliver to third parties under the terms of the contract, in accordance with AASB 15.

2. As an asset is constructed, where the funding will be used to construct an asset which will subsequently be controlled by Council and the contract contains sufficiently specific information regarding the asset to be constructed, in accordance with AASB 1058.

3. Otherwise, when control over the related asset/s is obtained in accordance with AASB 1058.

Contract assets and contract liabilities (refer note 19) are recognised where funding is received in arrears or in advance of the related performance obligations being satisfied. The balance of contract assets and contract liabilities recognised at 1 July 2019 on initial application of the new standards is set out below:

	Balance at 1 July 2019
Contract assets	**$**
- Under AASB 15	58,200
- Under AASB 1058	13,205,900
Total contract assets	13,264,100
Contract liabilities	
- Under AASB 15	(469,534)
- Under AASB 1058	(3,644,629)
Total contract liabilities	(4,114,163)
Rates received in advance (see below)	(593,587)
Total adjustment on initial application of AASB 15/AASB 1058	8,556,350

	2020	2019
	$	$

Rates and levies

Rates received in advance of the rating period to which they relate were previously recognised as revenue on receipt. Under the new accounting standards these amounts are now recognised as financial liability until such time as the rating period commences. A financial liability of $593,587 was recognised at 1 July 2019 for period rates which were recognised as revenue in the comparative financial year.

Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards.
The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr / (Cr) $	Adjustments Dr/(Cr) $	Carrying amount if previous standards had been applied Dr / (Cr) $
Contract assets capital	1,861,848	(1,861,848)	-
Trade and other payables - current	(10,480,130)	746,773	(9,733,357)
Contract liabilities - current	(4,735,353)	4,735,353	-
Contract liabilities - non-current	(2,175,456)	2,175,456	-
Retained earnings	855,418,757	(1,268,559)	854,150,198
Reserves	43,547,887	(4,527,175)	39,020,712

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income Dr / (Cr) $	Adjustments Dr/(Cr) $	Carrying amount if previous standards had been applied Dr / (Cr) $
Rates and levies	84,932,226	153,186	85,085,412
Grants, subsidies, contributions and donations (recurrent)	7,601,557	96,917	7,698,474
Fees and charges	4,531,822	13,536	4,545,358
Grants, subsidies, contributions and donations (capital)	25,139,640	14,088,445	39,228,085

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020.

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

As a result of the initial application of the standard, Council has therefore recognised lease liabilities and related right -of-use assets for the first time under from 1 July 2019.

Council presents lease liabilities within borrowings, and right -of-use assets within property, plant and equipment, in the statement of financial position. Council's accounting policies for lease liabilities and right-of-use assets are disclosed in note 18 and note 14 respectively.

Practical expedients used on transition

	2020	2019
	$	$

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact of adopting AASB 16 at 1 July 2019
Council has recognised right-of-use assets and lease liabilities of $2,072,590 at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.44%.

Operating lease commitment at 30 June 2019 per Council financial statements	2,753,135	
Discounted using the incremental borrowing rate at 1 July 2019	(680,545)	
Lease liabilities recognised at 1 July 2019	2,072,590	

28 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.

	Note	2020	2019
Summary details of assets not previously recognised are as follows			
Gross value of property, plant and equipment		5,739,658	(1,244,857)
Less: Accumulated depreciation		(1,253,321)	2,119,917
Gain from assets not previously recognised	14	4,486,337	875,060
Summary details of assets previously recognised incorrectly are as follows			
Gross value of property, plant and equipment	14	(925,047)	
Less: Accumulated depreciation	14	-	(19,028)
Gain/(Loss) on assets previously recognised incorrectly		(925,047)	(19,028)
Net result of recognised/derecognised assets		3,561,290	856,032

29 Correction of error

Council obtained a valuation of inventory land at 30 June 2020 for purposes of assessing the inventory land for impairment. On review of this valuation, it was discovered that assumptions applied by the independent valuer in valuing four of the land parcels for the same purpose at 30 June 2019 were incorrect, resulting in an overstatement of the land valuations at that date of $5.3M. Council's financial statements for the year ended 30 June 2019 reported a reversal of impairment charges for inventory land of $4,605,117, within materials and services expenditure. With the effects of the valuation error identified, Council should have recognised an additional impairment charge at 30 June 2019 of $694,883. This error has been corrected through restatement of comparative balances in these financial statements, as follows:

	2019 Previously Reported ($)	Adjustment ($)	2019 Restated ($)
Statement of comprehensive income			
Materials and services expense	(35,575,293)	(5,300,000)	(40,875,293)
Total expenses	(105,134,451)	(5,300,000)	(110,434,451)
Net result	**44,522,619**	**(5,300,000)**	**39,222,619**
Statement of financial position			
Inventories	22,026,935	(5,300,000)	16,726,935
Total current assets	88,559,127	(5,300,000)	83,259,127
Total assets	1,175,252,564	(5,300,000)	1,169,952,564
Net community assets	1,118,078,268	(5,300,000)	1,112,778,268
Retained surplus	843,091,995	(5,300,000)	837,791,995
Total community equity	**1,118,078,268**	**(5,300,000)**	**1,112,778,268**

30 Financial instruments and financial risk management

Isaac Regional Council has exposure to the following risks arising from financial instruments
- credit risk
- liquidity risk
- market risk.

Financial risk management

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

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

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

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

The Council does not enter into derivatives.

Credit risk

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

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

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

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

	Note	2020	2019
Financial assets		**$**	**$**
Cash at bank and on hand	8	666,802	220,499
Cash investments held with - QTC	8	54,797,998	10,231,877
Cash investments held with other approved deposit taking institutions	8 & 12	2,914,837	41,794,271
Financial receivables			
Receivables - rates and utility charges	9	4,699,812	4,499,436
Controlled entities	9	5,592,985	5,580,147
Receivables - other	9	6,320,382	6,208,674
Other credit exposure			
Guarantee	23	666,175	664,707
Total		75,658,991	69,199,611

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.

30 Financial instruments - continued

Other financial assets

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

Trade and other receivables

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

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

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

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

At 30 June 2020 the exposure to credit risk (prior to any allowance for expected credit losses) for trade receivables by type of counterparty was as follows:

	2020 $	2019 $
Rates & utility debtors	4,699,812	4,499,436
Other Debtors	1,823,413	1,453,124
Government debtors	4,496,969	4,755,550
Water Levies	1,896,540	1,027,688
Controlled entities	5,592,985	5,580,147
	18,509,719	17,315,945

Expected credit loss assessment as at 30 June 2019 and 30 June 2020

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) 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 thirteen 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.

2020

Details	Not Past due date	Past due 1-30 days	Past due 31-60 days	Past due 61-90 days	Past 90 days	Lifetime expected credit loss
Balance outstanding	1,374,374	75,198	9,644	108,062	256,135	
Expected credit loss	0.23%	0.52%	1.98%	26.39%	94.88%	
Expected credit loss allowance	3,111	387	191	28,519	243,018	275,225

2019

Details	Not Past due date	Past due 1-30 days	Past due 31-60 days	Past due 61-90 days	Past 90 days	Lifetime expected credit loss
Balance outstanding	1,145,828	35,088	2,249	3,029	266,928	
Expected credit loss	5.09%	10.58%	30.84%	58.35%	79.71%	
Expected credit loss allowance	58,344	3,710	694	1,767	212,777	277,292

Liquidity risk
Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

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

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities, both short and long term, to cater for unexpected volatility in cash flows.

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

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

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

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

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

Fair value
No financial instruments held by Council are measured at fair value on a recurring basis.

31 Transactions with related parties

(a) Controlled entities

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

Controlled entity	Expenses paid 2020 $	2019 $
Isaac Affordable Housing Trust	-	13,200
Moranbah Early Learning Centre	-	222
	-	13,422

Isaac Regional Council paid for expenses on behalf of Isaac Affordable Housing Trust (IAHT) and Moranbah Early Learning Centre (MELC). These expenses are to be reimbursed. There are existing loans from Isaac Regional Council to both of these controlled entitles 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 2019/20, comprises:

Nature of Compensation	2020 $	2019 $
Short-term employee benefits	2,513,523	2,444,489
Long-term benefits	22,725	102,540
Post-employment benefits	199,478	216,541
	2,735,726	2,763,570

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:

	2020 $	2019 $
Employee expenses for close family members of key management personnel (wages and superannuation)	87,455	97,090
Purchase of materials and services from entities controlled by key management personnel	41,668	45,294
Sponsorship paid to Isaac Regional Charity Trust	10,000	10,000
	139,123	152,384

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The Council employs 411 staff of which only 1 is a close family member of key management personnel.

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

31 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 Councils public swimming pool after paying the normal fee
- Dog registration
- Borrowing books from a Council library

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

MANAGEMENT CERTIFICATE

For the year ended 30 June 2020

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 39, 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: 1 /10 /20

Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 1 /10 /2020

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Isaac Regional Council

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

a) gives a true and fair view of the council's financial position as at 30 June 2020, 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 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Acting Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

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

At the date of this auditor's report, the available other information in Isaac Regional Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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.

8 October 2020

Dale Hassell
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement
For the year ended 30 June 2020

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 2020 against key financial ratios:

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	0.16%	122.52%	-15.69%

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 2020.

Certificate of Accuracy

For the year ended 30 June 2020

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: 1 / 10 / 20

Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 1 / 10 / 2020

Queensland Audit Office
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INDEPENDENT AUDITOR'S REPORT

To the Councillors of Isaac Regional Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Isaac Regional Council (the council) for the year ended 30 June 2020 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 2020 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

At the date of this auditor's report, the available other information in Isaac Regional Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

8 October 2020

Dale Hassell
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

ISAAC REGIONAL COUNCIL

Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020

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 2020 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 2020		0.16%	122.52%	-15.69%
Projected for the years ended	30 June 2021	3.18%	153.05%	-10.82%
	30 June 2022	2.08%	106.22%	-12.79%
	30 June 2023	2.11%	106.13%	-14.77%
	30 June 2024	2.15%	106.10%	-16.79%
	30 June 2025	2.11%	103.98%	-18.77%
	30 June 2026	2.16%	103.96%	-20.79%
	30 June 2027	2.21%	103.93%	-22.87%
	30 June 2028	2.28%	103.90%	-25.00%
	30 June 2029	2.34%	103.87%	-27.20%

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 2020

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: 1 / 10 / 20

Chief Executive Officer

Name: Mr Gary Stevenson PSM

Date: 1 / 10 / 2020