

# 2023 Audited Financial Statements





**Table of Contents**

**Note**

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

**Notes to the Financial Statements**

1	Information about these financial statements
2	Analysis of results by function
3	Revenue
4	Capital income
5	Employee benefits
6	Materials and services
7	Finance costs
8	Depreciation and amortisation
9	Capital expenses
10	Loss on write-off of capital assets
11	Cash and cash equivalents
12	Receivables
13	Inventories
14	Land purchased for development and sale
15	Other assets
16	Property, plant and equipment
17	Trade and other payables
18	Provisions
19	Borrowings
20	Contract balances
21	Other liabilities
22	Asset revaluation surplus
23	Commitments for expenditure
24	Events after balance date
25	Contingent liabilities
26	Superannuation
27	Reconciliation of net result for the year to net cash from operating activities inflow (outflow) from operating activities
28	Controlled entities that have not been consolidated
29	Correction for assets not previously recognised
30	Financial instruments and financial risk management
31	Transactions with related parties
	Management Certificate
	Independent Auditor's Report
	Current Year Measures of Financial Sustainability
	Independent Auditor's Report on Current Year Measures of Financial Sustainability

**Addendum to the financial statements**

Unaudited Long-Term Financial Sustainability Statement

ISAAC REGIONAL COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Income</b>			
<b>Recurrent revenue</b>			
Rates and levies	3 (a)	90,765,656	89,036,045
Sale of goods and major services		7,609,929	6,900,302
Fees and charges		5,889,711	4,808,182
Sales of contract and recoverable works		14,621,671	10,031,988
Grants, subsidies, contributions and donations	3 (b) (i)	16,441,796	10,149,056
<b>Total recurrent revenue</b>		<b>135,328,763</b>	<b>120,925,573</b>
<b>Recurrent other income</b>			
Rental and levies		1,667,601	1,641,894
Interest received		2,360,445	786,301
Other recurrent income		594,577	961,107
<b>Total recurrent other income</b>		<b>4,622,623</b>	<b>3,389,302</b>
<b>Total operating revenue</b>		<b>139,951,386</b>	<b>124,314,875</b>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	3 (b) (ii)	10,109,640	11,308,038
Capital income	4	1,621,643	6,157,289
<b>Total capital revenue</b>		<b>11,731,283</b>	<b>17,465,327</b>
<b>Total income</b>	2 (b)	<b>151,682,669</b>	<b>141,780,202</b>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	5	(44,885,100)	(41,933,488)
Materials and services	6	(56,880,422)	(46,449,721)
Finance costs	7	(2,090,786)	(2,069,993)
Depreciation and amortisation	8	(29,850,764)	(29,199,182)
<b>Total operating expenses</b>		<b>(133,707,072)</b>	<b>(119,652,384)</b>
<b>Capital expenses</b>			
Other capital expenses	9	(12,180,776)	(14,208,787)
<b>Total expenses</b>	2 (b)	<b>(145,887,848)</b>	<b>(133,861,171)</b>
<b>Net result</b>		<b>5,794,821</b>	<b>7,919,031</b>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in asset revaluation surplus	22	122,558,058	(37,792,126)
<b>Total other comprehensive income for the year</b>		<b>122,558,058</b>	<b>(37,792,126)</b>
<b>Total comprehensive income for the year</b>		<b>128,352,879</b>	<b>(29,873,095)</b>

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

The above statement excludes transactions and balances of controlled entities. Refer to note 28 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Financial Position  
As at 30 June 2023

	Note	2023 \$	2022 \$
<b>Current assets</b>			
Cash and cash equivalents	11	73,414,123	68,267,713
Receivables	12 (a)	15,249,240	9,647,165
Inventories	13 (a)	1,315,591	1,234,686
Contract assets	20 (a)	3,403,805	2,507,034
Other assets	15	4,174,416	4,074,783
<b>Total current assets</b>		<b>97,557,175</b>	<b>85,731,381</b>
<b>Non-current assets</b>			
Receivables	12 (b)	5,286,713	5,359,020
Inventories	13 (b)	18,437,891	18,982,005
Property, plant and equipment	16	1,212,097,666	1,084,295,321
Intangible assets		1,641	2,781
<b>Total non-current assets</b>		<b>1,235,823,911</b>	<b>1,108,639,127</b>
<b>TOTAL ASSETS</b>		<b>1,333,381,086</b>	<b>1,194,370,508</b>
<b>Current liabilities</b>			
Trade and other payables	17 (a)	11,831,347	11,956,196
Provisions	18 (a)	9,374,593	7,809,177
Borrowings	19 (a)	1,689,710	1,634,391
Contract liabilities	20 (b)	2,774,645	601,658
Other liabilities	21 (a)	922,126	1,020,180
<b>Total current liabilities</b>		<b>26,592,421</b>	<b>23,021,602</b>
<b>Non-current liabilities</b>			
Trade and other payables	17 (b)	44,730	46,093
Provisions	18 (b)	22,365,985	13,767,037
Borrowings	19 (b)	20,476,214	22,020,629
Contract liabilities	20 (b)	180,041	180,041
Other liabilities	21 (b)	2,424,892	2,391,182
<b>Total non-current liabilities</b>		<b>45,491,862</b>	<b>38,404,982</b>
<b>TOTAL LIABILITIES</b>		<b>72,084,283</b>	<b>61,426,584</b>
<b>NET COMMUNITY ASSETS</b>		<b>1,261,296,803</b>	<b>1,132,943,924</b>
<b>Community equity</b>			
Asset revaluation surplus	22	306,888,354	184,330,296
Retained surplus		892,229,267	893,878,560
Reserves		62,179,182	54,735,068
<b>TOTAL COMMUNITY EQUITY</b>		<b>1,261,296,803</b>	<b>1,132,943,924</b>

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

The above statement excludes balances of controlled entities. Refer to note 28 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Changes in Equity  
For the year ended 30 June 2023

	Note	Total		Retained surplus		Reserves		Asset revaluation surplus Note 22	
		2023	2022	2023	2022	2023	2022	2023	2022
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance at beginning of the year</b>		1,132,943,924	1,123,943,015	893,878,560	861,715,081	54,735,068	40,105,512	184,330,296	222,122,422
Error correction to opening balance	29	-	38,874,004	-	38,874,004	-	-	-	-
Restated opening balances		1,132,943,924	1,162,817,019	893,878,560	900,589,085	54,735,068	40,105,512	184,330,296	222,122,422
Net result		5,794,821	7,919,031	5,794,821	7,919,031	-	-	-	-
Other comprehensive income for the year									
Revaluations Increase / (decrease):									
Property, plant & equipment	16	122,558,058	(37,792,126)	-	-	-	-	122,558,058	(37,792,126)
<b>Total comprehensive income for the year</b>		128,352,879	(29,873,095)	5,794,821	7,919,031	-	-	122,558,058	(37,792,126)
Transfers (to) from retained earnings and recurrent reserves		-	-	(6,106,031)	(3,820,762)	6,106,031	3,820,762	-	-
Transfers (to) from retained earnings and capital reserves		-	-	(1,338,083)	(10,808,794)	1,338,083	10,808,794	-	-
<b>Balance at end of the year</b>		1,261,296,803	1,132,943,924	892,229,267	893,878,560	62,179,182	54,735,068	306,888,354	184,330,296

The above statement should be read in conjunction with the accompanying notes and information about these financial statements.  
The above statement excludes balances of controlled entities. Refer to note 28 for controlled entities that have not been consolidated.

ISAAC REGIONAL COUNCIL

Statement of Cash Flows  
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Receipts from customers		115,118,493	111,469,627
Operating grants, subsidies and contributions		16,863,342	10,646,440
Interest received		2,215,124	754,357
State Government waste levy reimbursement received in advance		37,273	3,156,515
<b>Payments</b>			
Payments to suppliers and employees		(100,446,554)	(89,976,047)
Interest expense		(1,035,696)	(1,101,652)
<b>Net cash inflow (outflow) from operating activities</b>	27	<u>32,751,982</u>	<u>34,949,240</u>
<b>Cash flows from investing activities</b>			
Grants, subsidies, contributions and donations		10,944,033	6,268,642
Payments for property, plant and equipment		(38,210,018)	(29,370,367)
Payments for site rehabilitation		(44,870)	(1,096,093)
Proceeds from sale of property, plant and equipment		1,300,472	1,852,595
Net movement in loans to controlled entities & associates		89,880	93,027
<b>Net cash inflow (outflow) from investing activities</b>		<u>(25,920,503)</u>	<u>(22,252,196)</u>
<b>Cash flows from financing activities</b>			
Repayment of borrowings	19 (i)	(1,533,311)	(1,464,609)
Repayments made on leases	19 (ii)	(151,758)	(136,451)
<b>Net cash inflow (outflow) from financing activities</b>		<u>(1,685,069)</u>	<u>(1,601,060)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>		5,146,410	11,095,984
Cash and cash equivalents at beginning of the financial year		<u>68,267,713</u>	<u>57,171,729</u>
<b>Cash and cash equivalents at end of the financial year</b>	11	<u><b>73,414,123</b></u>	<u><b>68,267,713</b></u>

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

The above statement excludes balances of controlled entities. Refer to note 28 for controlled entities that have not been consolidated.

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

---

### 1 Information about these financial statements

#### 1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2022 to 30 June 2023 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Council is a not-for-profit entity for financial reporting purposes and these financial statements comply with the Australian Accounting Standards and Interpretations 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 which are measured at fair value.
- land held for sale is held in accordance with AASB 102 Inventories. Inventory is required to be held at lower of cost or net realisable value.

#### Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income.

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

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

- disposal and write-off of non-current assets
- discount rate and valuation adjustments to restoration provisions
- revaluations and impairments of property, plant and equipment
- expenses of capital nature that do not meet the asset recognition criteria

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

#### 1.2 Statement of compliance

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

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

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

Information about controlled entities that have not been consolidated, because they are not considered material, is included in note 28.

#### 1.3 Constitution

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

#### 1.4 New and revised Accounting Standards adopted during the year

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2022, none of the standards had a material impact on reported position, performance and cash flows.

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

---

### **1 Information about these financial statements**

#### **1.5 Currency**

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

#### **1.6 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 2023. 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.

#### **1.7 Estimates and judgements**

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

Valuation and depreciation of property, plant and equipment - note 16

Impairment of receivables - note 12 and 30

Provisions - note 18

Contingent liabilities - note 25

Revenue recognition - note 3

#### **1.8 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. Comparative information is prepared on the same basis as prior year.

#### **1.9 Taxation**

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

#### **1.10 Cyber security breach**

In late March 2023, Council experienced a cyber security incident. Whilst the full extent of the cyber security breach may never be determined through the destruction of the server environment, investigations both internally and externally have found no evidence of personal data being accessed or stolen and no loss of Council funds. Whilst the event had impacts on community, customers and staff through reduction in normal service delivery, core business services were generally maintained. Through the containment and recovery process Council's cyber security protection has been reviewed and upgraded.



# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

---

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

##### Corporate, Governance & Financial Services

Corporate, Governance and Financial Services provide the following functions; strategic and business continuity planning, legal and insurance administration, 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. Financial Services objective is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

##### Engineering & Infrastructure

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

##### Planning, Environment & Community Services

Planning, Environment and Community Services provide the following functions; economic development and tourism, customer service, community relations programs including youth programs, grants administration and management, stock route management, arts and library services, community development, planning, regulatory and building compliance, native title, commercial operations, community leasing, tenancy, local laws and environmental services. The objective of Planning, Environment and Community Services is to facilitate the sustainable planning and development of the region through the above functions and provide safe and cost effective community facilities and venues while catering for the diverse needs of our communities.

##### Land Development

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

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

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

##### Water

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

##### Wastewater

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

##### Waste Management

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

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2023

2 Analysis of results by program

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

Programs	Gross program income				Total income	Gross program expenses		Total expenses	Operating surplus/(deficit) from recurrent operations	Net result for year	Assets
	Recurrent revenue		Capital revenue			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2023	2023	2023	2023		2023	2023				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Office of the CEO	148,000	-	-	-	148,000	4,612,269	-	4,612,269	4,760,269	4,760,269	-
Corporate, Governance & Financial Services	8,168,252	65,213,940	140,586	8,811	73,531,589	10,880,010	-	10,880,010	84,262,202	84,411,599	108,536,990
Engineering & Infrastructure	5,944,009	15,893,261	4,427,005	381,411	26,645,686	(68,111,349)	(5,381,159)	(73,492,508)	(46,274,079)	(46,846,822)	747,209,766
Planning, Environment & Community Services	569,158	2,326,124	4,907,336	693,718	8,496,336	(27,294,972)	(2,936,190)	(30,231,162)	(24,399,690)	(21,734,826)	78,567,725
Land Development	160,479	(2,016)	-	-	158,463	(927,343)	-	(927,343)	(768,880)	(768,880)	18,437,891
Plant, Fleet, Workshops & Depot	-	(25,579)	-	1,074,979	1,049,400	(2,600,524)	(424,329)	(3,024,853)	(2,626,103)	(1,975,453)	21,703,602
Water	66,539	16,001,343	97,437	-	16,165,319	(20,209,310)	(37,500)	(20,246,810)	(4,141,428)	(4,081,491)	190,050,190
Wastewater	146,280	12,727,409	-	-	12,873,689	(16,028,262)	(404,871)	(16,433,133)	(3,154,573)	(3,559,444)	139,265,843
Waste Management	-	12,614,187	-	-	12,614,187	(14,027,591)	(2,996,727)	(17,024,318)	(1,413,404)	(4,410,131)	29,609,079
<b>Total</b>	<b>15,202,717</b>	<b>124,748,669</b>	<b>9,572,364</b>	<b>2,158,919</b>	<b>151,682,669</b>	<b>(133,707,072)</b>	<b>(12,180,776)</b>	<b>(145,887,848)</b>	<b>6,244,314</b>	<b>5,794,821</b>	<b>1,333,381,086</b>

For the year ended 30 June 2022

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							
	2022	2022	2022	2022		2022	2022				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Office of the CEO	342,324	4,119	-	-	346,443	4,283,627	-	4,283,627	4,630,070	4,630,070	-
Corporate, Governance & Financial Services	4,747,970	61,745,913	2,000,000	-	68,493,883	11,086,459	(23,409)	11,063,050	77,580,342	79,556,933	97,151,391
Engineering & Infrastructure	3,696,926	10,880,521	5,632,111	342,266	20,551,824	(59,431,607)	(11,419,485)	(70,851,092)	(44,854,160)	(50,299,268)	680,028,728
Planning, Environment & Community Services	570,050	2,264,797	2,765,064	1,773,194	7,373,105	(27,681,619)	(604,967)	(28,286,586)	(24,846,772)	(20,913,481)	74,841,767
Land Development	-	(1,084)	-	-	(1,084)	(394,174)	-	(394,174)	(395,258)	(395,258)	18,982,005
Plant, Fleet, Workshops & Depot	135,459	(72,852)	-	1,306,481	1,369,088	(1,718,800)	-	(1,718,800)	(1,656,193)	(349,712)	18,591,573
Water	7,699	16,754,624	3,980	-	16,766,303	(19,445,013)	(136,004)	(19,581,017)	(2,682,690)	(2,814,714)	169,817,030
Wastewater	-	11,367,633	66,999	-	11,434,632	(12,760,418)	(169,415)	(12,929,833)	(1,392,785)	(1,495,201)	109,997,889
Waste Management	-	11,870,776	-	3,575,232	15,446,008	(13,590,839)	(1,855,507)	(15,446,346)	(1,720,063)	(338)	24,960,125
<b>Total</b>	<b>9,500,428</b>	<b>114,814,447</b>	<b>10,468,154</b>	<b>6,997,173</b>	<b>141,780,202</b>	<b>(119,652,384)</b>	<b>(14,208,787)</b>	<b>(133,861,171)</b>	<b>4,662,491</b>	<b>7,919,031</b>	<b>1,194,370,508</b>

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>3 Revenue</b>		
<b>(a) Rates and levies</b>		
Rates, levies and charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.		
General rates	67,721,041	65,237,714
Disaster management levy	293,258	287,126
Water	10,450,179	10,256,540
Water consumption, rental and sundries	3,627,064	4,615,652
Wastewater	10,843,566	10,455,468
Wastewater trade waste	1,555	3,130
Garbage charges	4,961,374	4,857,894
Rates and utility charge revenue	<u>97,898,037</u>	<u>95,713,524</u>
Less: Discounts	(6,907,905)	(6,457,485)
Less: Pensioner remissions	(224,476)	(219,994)
Net rates and utility charges	<u>90,765,656</u>	<u>89,036,045</u>

### (b) Grants, subsidies, contributions and donations

#### *Grant income under AASB 15*

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

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

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

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

#### *Grant income under AASB 1058 other than capital grants*

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

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

#### *Capital grants*

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

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

#### *Donations and contributions*

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

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

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

	2023 \$	2022 \$
General purpose grants	12,873,065	7,794,672
Commonwealth subsidies and grants	436,356	302,863
State government subsidies and grants	961,618	987,431
DRFA flood damage grants for operational repairs	931,678	415,462
Donations	10,409	500
Cash contributions	1,228,670	648,128
Total recurrent revenue	<u>16,441,796</u>	<u>10,149,056</u>

#### (ii) Capital

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

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

Commonwealth government grants	6,693,124	6,229,699
State government subsidies and grants	2,756,950	3,557,777
DRFA flood damage grants for capitalised repairs	122,290	680,678
Cash contributions	516,999	839,884
	<u>10,089,363</u>	<u>11,308,038</u>

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

Developer and other contributions of physical assets at fair value	20,277	-
	<u>20,277</u>	<u>-</u>

##### Total capital revenue

<u>10,109,640</u>	<u>11,308,038</u>
-------------------	-------------------

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

##### Revenue recognised at a point in time

Grants and subsidies	13,605,464	11,444,804
Contributions	1,324,220	694,163
	<u>14,929,684</u>	<u>12,138,967</u>

##### Revenue recognised over time

Grants and subsidies	11,169,617	8,523,778
Contributions	421,449	793,849
Donations	10,409	500
	<u>11,601,475</u>	<u>9,318,127</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

		2023	2022
		\$	\$
<b>4 Capital income</b>			
Gain on disposal of non-current assets		1,054,702	1,273,870
Revaluation adjustments	16	566,941	4,883,419
		<u>1,621,643</u>	<u>6,157,289</u>

### 5 Employee benefits

Employee benefit expenses are recorded when the service has been provided by the employee.

Total staff wages and salaries		33,203,850	31,687,027
Employee termination benefit		214,123	199,158
Councillors' remuneration		766,014	721,682
Annual, sick and long service leave entitlements		7,122,857	6,210,558
Superannuation	26	4,668,522	4,139,372
		<u>45,975,366</u>	<u>42,957,797</u>
Other employee related expenses		997,873	865,871
		<u>46,973,239</u>	<u>43,823,668</u>
Less capitalised employee expenses		<u>(2,088,139)</u>	<u>(1,890,180)</u>
		<u>44,885,100</u>	<u>41,933,488</u>

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

	Number	Number
Total Council employees at 30 June 2023		
Elected members	9	9
Administration staff	235	235
Depot and outdoors staff	163	167
Total full time equivalent employees	<u>407</u>	<u>411</u>

### 6 Materials and services

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

Audit fees - Queensland Audit Office*		165,900	149,900
Professional fees		4,833,275	3,335,356
Raw water purchases		2,313,529	2,243,804
Donations paid		473,454	587,151
Electricity		2,912,004	2,600,514
Refuse collection		2,489,241	2,339,313
Plant and vehicle		1,622,456	1,451,874
Information, communications and technology		3,604,062	3,308,152
Contractors		5,324,860	3,899,501
Insurance		2,278,308	2,079,985
Employee related expenses		1,080,190	1,171,316
Equipment and tools		2,890,200	2,570,247
Repairs and maintenance		16,326,222	8,716,952
Waste levy		2,078,716	2,035,563
Inventory / Stock issues		2,173,227	1,895,390
(Reversal of impairment)/impairment of inventory land value		544,114	(32,377)
Rent and leases		508,492	631,577
Membership and subscriptions		692,821	698,922
Health & safety, screening and sample testing		745,162	877,669
Pool management fees		800,697	525,770
Valuations services		172,028	252,336
Fees, Charges & Permits		418,650	426,908
Other material and services		2,432,814	4,683,898
		<u>56,880,422</u>	<u>46,449,721</u>

\*Total audit fees quoted by the Queensland Audit Office relating to the 2022-23 financial statements are \$165,900 (2022: \$149,900 paid).



# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

		2023	2022
		\$	\$
	<b>Note</b>		
<b>7 Finance costs</b>			
Finance costs charged by the Queensland Treasury Corporation		956,914	1,025,748
Interest on leases		75,621	74,206
Other interest costs		277	-
Bank charges		179,552	192,926
Impairment of receivables and bad debts written-off		433,470	564,070
Refuse sites - unwinding of discount rate on provision		444,952	213,043
		<u>2,090,786</u>	<u>2,069,993</u>
<b>8 Depreciation and amortisation</b>			
<b>(a) Depreciation of non-current assets</b>			
Land and improvements		1,854,801	1,733,752
Buildings		2,313,760	2,553,061
Plant and equipment		3,584,647	3,558,219
Road, bridge and drainage		10,794,822	11,152,413
Water		6,065,744	5,502,889
Wastewater		3,900,036	3,316,476
Waste management		920,753	1,066,102
Aerodrome		217,105	200,563
		<u>29,651,668</u>	<u>29,083,475</u>
<b>(b) Amortisation of right of use assets</b>			
Land		197,956	112,538
		<u>197,956</u>	<u>112,538</u>
<b>(c) Amortisation of intangible assets</b>			
Computer software		1,140	3,169
		<u>1,140</u>	<u>3,169</u>
Total depreciation and amortisation		<u>29,850,764</u>	<u>29,199,182</u>
<b>9 Capital expenses</b>			
Loss on write-off of capital assets	10	9,862,962	12,792,019
Revaluation adjustment of waste management asset	16	(6,311,051)	-
Increase / (decrease) in refuse site provision		8,628,865	1,416,768
Total capital expenses		<u>12,180,776</u>	<u>14,208,787</u>
<b>10 Loss on write-off of capital assets</b>			
Land and improvements	16	2,880,613	67,975
Buildings	16	2,407,153	507,450
Plant and equipment	16	28,663	-
Road, bridge and drainage	16	3,540,403	11,155,560
Water	16	37,500	136,004
Wastewater	16	404,871	169,415
Waste management	16	99,449	7,506
Aerodrome	16	-	304,467
Write-off of other capitalised items	16	464,310	431,233
		<u>9,862,962</u>	<u>12,779,610</u>
Computer software		-	12,409
	9	<u>9,862,962</u>	<u>12,792,019</u>

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>11 Cash and cash equivalents</b>		
Cash and cash equivalents in the statement of cash flows include cash on hand, all cash and cheques received 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, National Australia Bank, Queensland Country Credit Union and Queensland Treasury Corporation.		
Cash at bank and on hand	710,732	1,221,129
Deposits at call	72,703,391	67,046,584
Balance per Statement of Financial Position	<u>73,414,123</u>	<u>68,267,713</u>

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

Cash and cash equivalents	73,414,123	68,267,713
Less: Externally imposed restrictions on cash	28,376,378	26,232,191
Unrestricted cash	<u>45,037,745</u>	<u>42,035,522</u>

Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:

(i) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Waste levy refund received in advance	3,193,788	3,156,515
Contract liabilities - revenue received in advance	2,954,686	781,699
Other restricted cash held in reserves	21,542,676	21,608,749
Unspent loan monies	685,228	685,228
Total externally imposed restrictions on cash assets	<u>28,376,378</u>	<u>26,232,191</u>

(ii) Internal allocations of cash at the reporting date:

Internal allocations of cash may be lifted by Council with a resolution.

Rehabilitation Provision	3,555,423	2,906,635
Capital Reserves	27,855,162	26,446,401
Recurrent Expenditure	197,905	512,375
Operational Sustainability Reserve	11,898,212	4,977,711
Total internally allocated cash	<u>43,506,702</u>	<u>34,843,122</u>

### Trust funds

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance, corporate funds for community donations and unclaimed monies (e.g. wages). The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements since Council has no control over the assets.

### Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	4,847,841	4,926,971
Security deposits	12,311,015	12,274,939
	<u>17,158,856</u>	<u>17,201,910</u>

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

		2023	2022
		\$	\$
	<b>Note</b>		
<b>12 Receivables</b>			
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 2023. If an amount is recovered in a subsequent period it is recognised as revenue.			
Council is empowered under the provisions of the <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts.			
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.			
The impairment loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.			
<b>(a) Current</b>			
Rateable revenue and utility charges		3,527,266	5,197,111
Less: Impairment provision		-	(1,899,411)
		<u>3,527,266</u>	<u>3,297,700</u>
Accrued interest		172,345	40,941
Other debtors		12,137,815	6,750,779
Less allowance for expected credit losses		(674,411)	(532,136)
Loans and advances to controlled entities	28	<u>86,225</u>	<u>89,881</u>
		<u>15,249,240</u>	<u>9,647,165</u>
<b>(b) Non-current</b>			
Loans and advances to controlled entities	28	<u>5,286,713</u>	<u>5,359,020</u>
		<u>5,286,713</u>	<u>5,359,020</u>

For the financial year ended 30 June 2023 interest was charged on outstanding rates at a rate of 8.17% per annum (2022: 8.03%). No interest was charged on other debtors. There is a geographical concentration of risk in the Council's jurisdiction, and since the area is largely agricultural and mining, Council is exposed to risks associated with these sectors.

Movement in allowance for expected credit losses (trade and other receivables)

Balance at beginning of the year	2,431,547	1,874,966
Impairment provision for rateable revenue and utility charges	(1,899,411)	237,386
Expected credit losses for other debtors	142,275	319,195
Balance at end of the year	<u>674,411</u>	<u>2,431,547</u>

An impairment provision was made for a stalled residential subdivision in 2021 financial year (\$1,662,025), with additional funds allocated within the 2022 financial year (\$237,386). Council assessed that the amounts are unrecoverable and have written off the rates in arrears in the 2023 financial year.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
Note		
<b>13 Inventories</b>		
Stores, raw materials and raw water on hand are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost except for land where the costs are allocated to the relevant parcel.		
Inventories for internal use are valued at cost and adjusted when applicable for any loss of service potential.		
Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. There was no impairment recognised on the land parcels as the net realisable values were not lower than cost. Inventory land held for re-sale is treated as non-current for the 2023 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.		
<b>(a) Current</b>		
<b>Inventories for internal use</b>		
Raw water on hand	368,165	308,244
Stores and materials	947,426	926,442
	<u>1,315,591</u>	<u>1,234,686</u>
Valued at cost, adjusted when applicable for any loss of service potential.		
<b>(b) Non-current</b>		
Land purchased for development and sale	24,530,490	24,530,490
Less: Provision for obsolescence	(6,092,599)	(5,548,485)
14	<u>18,437,891</u>	<u>18,982,005</u>
<b>14 Land purchased for development and sale</b>		
Balance at beginning of the year	18,982,005	18,949,628
Reversal of impairment/(impairment of inventory land value)	(544,114)	32,377
Balance at end of the year	<u>18,437,891</u>	<u>18,982,005</u>
Classified as :		
Non-current	<u>18,437,891</u>	<u>18,982,005</u>
Land purchased for development and sale is valued at the lower of cost and net realisable value.		
<b>15 Other assets</b>		
GST recoverable	1,095,296	436,141
Water charges yet to be levied	1,577,250	2,087,851
Prepayments	1,501,870	1,550,791
	<u>4,174,416</u>	<u>4,074,783</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

---

#### 16 Property, plant and equipment

##### 16 (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 \$10,000, and infrastructure assets and buildings with a total value of less than \$10,000 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.

##### 16 (b) Measurement

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

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

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

When Council raises a provision for the restoration of a Council-controlled site, such as a landfill site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of restoration costs are recognised against asset revaluation surplus. If no surplus exists, the costs are recognised against capital expenditure.

Expenditure incurred in accordance with Disaster Recovery Funding Arrangements on road assets are 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.

##### 16 (c) Depreciation

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

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

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

The useful life of leasehold improvements is the shorter of the useful life of the asset or the remaining life of the lease. Where assets have separately identifiable components, these components have separately assigned useful lives.

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

##### 16 (d) Impairment

Property, plant and equipment held at cost is assessed for indicators of impairment annually. If an indicator of possible impairment exists, 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.

##### 16 (e) Right-of-use assets

Council recognises right-of-use assets in respect of its leasing arrangements described in note 19 (ii).

Right-of-use asset are 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. Right-of-use assets are depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.



**Notes to the Financial Statements  
For the year ended 30 June 2023**

**16 (i) Valuation**

**Fair value measurements**

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

In the intervening years, Council undertakes:

- A management valuation using internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets and an appropriate cost index for the region.

- A "desktop" valuation for land and improvements and buildings asset classes which involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

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

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

Fair values are classified into three levels as follows:

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

There were no transfers between levels during the year.

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

	Level 2 (Significant other observable inputs)		Level 3 (Significant unobservable inputs)		Total	
	2023	2022	2023	2022	2023	2022
	\$	\$	\$	\$	\$	\$
<b>Recurring fair value measurements</b>						
Property, plant and equipment						
- Land and improvements	24,405,319	23,364,767	65,305,339	55,689,929	89,710,658	79,054,696
- Buildings	43,022,854	30,717,012	67,073,266	66,538,880	110,096,120	97,255,892
- Road, bridge and drainage			606,911,084	566,994,061	606,911,084	566,994,061
- Water			187,862,881	168,575,125	187,862,881	168,575,125
- Wastewater			137,077,446	108,006,838	137,077,446	108,006,838
- Waste management			23,668,762	23,669,711	23,668,762	23,669,711
- Aerodrome			9,798,848	9,449,012	9,798,848	9,449,012
	<u>67,428,173</u>	<u>54,081,779</u>	<u>1,097,697,626</u>	<u>998,923,556</u>	<u>1,165,125,799</u>	<u>1,053,005,335</u>

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2023

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

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Indexation considerations and details of indices applied in current year	Other interim revaluation adjustment
Land and improvements (level 2)	Market Value	30-Jun-18	Assetic Pty Ltd	Gross market values were derived from sale prices of comparable properties and adjusted for differences in key attributes such as property size.  Gross replacement cost unit rates (local projects/data if available, local knowledge and available data sources (Rawlinson's Construction Handbook 2018) and were verified with first principle calculation).  Accumulated depreciation determined by asset consumption rating scale, professional judgement, asset condition, legal and commercial obsolescence and physical inspection.	Land: The Valuer-General historical trends in land valuations and limited sales in the region - Isaac 0.00%.  The land asset class was indexed by 4.40% as at 30 June 2023. This is an accumulation of indices as no indexation has been applied since 30 June 2021. The 4.40% applied is the accumulation of 30 June 2022 index (4.40%) and 30 June 2023 (0.00%).  Improvements: Australian Bureau of Statistics, Queensland Index for Engineering construction, Queensland Index Non-Residential construction, Queensland Index Machinery and Equipment, Rawlinsons Building Price Index (BPI) Brisbane - 6.50%	Nil
Land and improvements (level 3)	Current replacement cost	30-Jun-18	Assetic Pty Ltd		The current change in value was 6.50%, with 8.60% from 30 June 2022. Indexation has been applied for the accumulated value of 15.10% as at 30 June 2023 as Council considered the indexation on all asset classes as material.	Nil
Buildings (level 2)	Market Value	30-Jun-21	AssetVal	Gross market values (sale prices of similar properties in the locality, standard valuation principles and opinions and sentiment from local property agents).  Gross replacement cost (valuer's choice of a dollar per square metre approach using Rawlinson's cost data and cost indices for different regions, recent construction data, consideration on building size, material, type and structure and professional judgement).  Accumulated depreciation was based on physical deterioration, functional and economic obsolescence and physical inspection.	Council conducted its own market research on the changes in market values per town. These individual percentages were applied to the specific town buildings, which averaged - 9.18%.  The current change in value is an average 9.18%. This combined with the average 2.61% accumulated from 30 June 2022, results in a total indexation value of 11.79%. The 11.79% has been applied as at 30 June 2023 as it was considered material.	Nil
Buildings (level 3)	Current replacement cost	30-Jun-21	AssetVal	Useful lives (IPWEA's Asset Management & Financial Management Guidelines - Practise Note 12, 2017 and Isaac Regional Council's Strategic Asset Management Plan).	Australian Bureau of Statistics, Queensland Index for Engineering construction, Queensland Index Non-Residential construction, Queensland Index Machinery and Equipment, Rawlinsons Building Price Index (BPI) Brisbane - 6.50%  The current change in value was 6.50%, with 12.25% from 30 June 2022. Indexation has been applied for the accumulated value of 18.75% as at 30 June 2023 as Council considered the indexation on all asset classes as material.	Nil

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2023

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

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Indexation considerations and details of indices applied in current year	Other interim revaluation adjustment
Roads, bridges & drainage (level 3)	Current replacement cost	30-Jun-22	Shepherd Services Pty Ltd	Gross replacement cost unit rates (Recent contract data where available. If not available Unit rates from valuers database of first principles, industry standards, surrounding regional Councils). The unit costs include direct and indirect costs and allowances were made for difference in construction standards.  Useful lives were determined using various factors - expected usage, physical wear and tear, technical or commercial obsolescence, inspection of the oldest assets within each category to estimate remaining life, Council's knowledge of the performance of the assets, Australian Standards and product guidelines and current engineering industry practice.  Remaining life was determined by reference to the asset's age base approach (assets in average to excellent condition) or a Condition based approach (asset inspected and condition assessed visually).	Australian Bureau of Statistics, Producer Price Indexes index numbers 3020 Non-Residential Building Construction and 3101 Road and Bridge Construction Queensland, Rawlinsons Building Price Indexation Queensland - 6.00%.  The change in value is only for the current financial year, with a comprehensive valuation undertaken as at 30 June 2022. Indexation of 6.00% has been applied at 30 June 2023 as Council considered the value material across all asset classes.	Nil
Water (level 3)	Current replacement cost	30-Jun-23	Stantec Pty Ltd	Gross replacement cost unit rates (recent contract data, valuer's database, scheduled rates for construction, cost curves derived by the valuer, building price index tables, supplier's quotations, Rawlinson's Australian Construction Handbook).	N/A	Nil
Wastewater (level 3)	Current replacement cost	30-Jun-23	Stantec Pty Ltd	Useful lives for each asset in scope were agreed upon with Council.  Remaining useful lives were condition based for inspected assets and age based for non-inspected assets.	N/A	Nil
Waste management (level 3)	Current replacement cost	30-Jun-23	Stantec Pty Ltd	Gross replacement cost unit rates (recent contract data, valuer's database, scheduled rates for construction, cost curves derived by the valuer, building price index tables, supplier's quotations, Rawlinson's Australian Construction Handbook).  Asset measurement and age (Council's Geographic Information System (GIS) and periodic physical inspections).  Remaining service potential, physical obsolescence and overall condition score (physical inspection).	N/A	Nil
Aerodrome (level 3)	Current replacement cost	30-Jun-18	Asstetic Pty Ltd	Gross replacement cost valuation unit rates (local projects/data if available, local knowledge and available data sources- Rawlinson's Construction Handbook 2018 and verified with first principle calculations). The unit rates used for this valuation also included an allowance for design, documentation, project management and Council overheads by applying a percentage increase to the calculated current replacement cost of the assets, where deemed applicable.  Accumulated depreciation was determined by reference to the asset's assessed condition score and the asset's consumption rating scale. The consumption rating scales used were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of Council's own engineers, asset management and finance staff.	Australian Bureau of Statistics, Producer Price Indexes index numbers 3020 Non-Residential Building Construction and 3101 Road and Bridge Construction Queensland, Rawlinsons Building Price Indexation Queensland - 6.00%.  The asset class was indexed at 30 June 2022 and therefore the current value of 6.00% at 30 June 2023 is the total to be applied. Council considered indexation material and has indexed at 6.00% as at 30 June 2023.  The Aerodrome asset class consists of assets such as runways, taxiways etc, which are the same construction basis as roads and drainage. Therefore the indices applied to Aerodrome are the same as those applied to the Roads asset class.	Nil

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2023

16 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
	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
	Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3			
	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023	2023
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement											
Fair value category											
<b>Asset values</b>											
Opening gross value as at 1 July 2022	93,148,234	164,165,840	39,961,397	736,539,347	286,896,789	187,257,247	33,217,193	11,665,291	11,640,476	2,155,298	1,566,647,112
Addition of renewal assets	-	-	-	-	-	-	-	-	24,305,415	-	24,305,415
Addition of other assets	-	-	-	-	-	-	-	-	13,802,986	-	13,802,986
Contributed assets at valuation	-	-	20,277	-	-	-	-	-	-	-	20,277
Internal transfers from work in progress	6,176,662	1,478,508	6,201,976	12,906,129	607,442	2,229,861	777,125	-	(30,377,703)	-	-
Disposals	-	-	(3,268,777)	-	-	-	-	-	-	-	(3,268,777)
Write-offs	(3,729,463)	(4,990,305)	(113,067)	(5,568,000)	(89,653)	(1,231,907)	(143,830)	-	(464,310)	-	(16,330,535)
Revaluation adjustment to other comprehensive income	10,628,108	26,612,568	-	51,302,039	44,994,680	39,514,912	-	-	-	-	173,052,307
Revaluation adjustment to capital income	-	-	-	-	-	-	-	699,918	-	-	699,918
Revaluation adjustment to capital expense	-	-	-	-	-	-	11,453,514	-	-	-	11,453,514
Internal transfers between asset classes	562,655	-	(53,062)	(384,134)	(465,655)	340,196	-	-	-	-	-
Adjustment to right of use assets due to re-measurement of lease liability	-	-	-	-	-	-	-	-	-	195,973	195,973
Closing gross value as at 30 June 2023	106,786,196	187,266,611	42,748,744	794,795,381	331,943,603	228,110,309	45,304,002	12,365,209	18,906,864	2,351,271	1,770,578,190
<b>Accumulated depreciation and impairment</b>											
Opening balance as at 1 July 2022	14,093,538	66,909,948	22,067,348	169,545,286	118,321,664	79,250,409	9,547,482	2,216,279	-	399,837	482,351,791
Depreciation expense	1,854,801	2,313,760	3,584,647	10,794,822	6,065,744	3,900,036	920,753	217,105	-	197,956	29,849,624
Depreciation on disposals	-	-	(3,023,007)	-	-	-	-	-	-	-	(3,023,007)
Depreciation on write-offs	(848,850)	(2,583,152)	(84,404)	(2,027,597)	(52,153)	(827,036)	(44,381)	-	-	-	(6,467,573)
Revaluation adjustment to other comprehensive income	1,976,047	10,529,935	-	9,861,659	19,745,467	8,381,141	-	-	-	-	50,494,249
Revaluation adjustment to capital income	-	-	-	-	-	-	-	132,977	-	-	132,977
Revaluation adjustment to capital expense	-	-	-	-	-	-	5,142,463	-	-	-	5,142,463
Internal transfers between asset classes	2	-	(38,442)	(289,873)	-	328,313	-	-	-	-	-
Accumulated depreciation as at 30 June 2023	17,075,538	77,170,491	22,506,142	187,884,297	144,080,722	91,032,863	15,566,317	2,566,361	-	597,793	558,480,524
Total written down value as at 30 June 2023	89,710,658	110,096,120	20,242,602	606,911,084	187,862,881	137,077,446	29,737,685	9,798,848	18,906,864	1,753,478	1,212,097,666
Range of estimated useful life in years	5 - 200	5 - 120	5 - 20	10-120	15 - 200	15 - 200	5 - 100	5 - 200		3 - 60	
Addition of renewal assets	2,021,386	2,222,699	5,221,238	12,601,814	744,747	1,488,375	5,156	-	-	-	24,305,415
Addition of other assets	4,630,571	2,698,248	1,156,834	1,950,094	775,705	990,790	1,136,434	-	464,310	-	13,802,986
Total additions in this year	6,651,957	4,920,947	6,378,072	14,551,908	1,520,452	2,479,165	1,141,590	-	464,310	-	38,108,401

ISAAC REGIONAL COUNCIL

Notes to the Financial Statements  
For the year ended 30 June 2023

16 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
	Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
	Level 2 & 3	Level 2 & 3		Level 3	Level 3	Level 3	Level 3	Level 3			
	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022	2022
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement											
Fair value category											
<b>Asset Values</b>											
Opening gross value as at 1 July 2021	90,873,152	161,279,798	41,107,459	768,728,262	285,717,203	183,609,232	31,202,348	10,523,212	10,372,527	2,081,367	1,585,494,560
Correction to opening balance	-	-	-	39,142,079	-	-	-	-	-	124,316	39,266,395
Addition of renewal assets	-	-	-	-	-	-	-	-	18,895,767	160,268	19,056,035
Addition of other assets	-	-	-	-	-	-	-	-	10,507,553	-	10,507,553
Internal transfers from work in progress	2,363,373	3,989,918	2,566,294	13,003,246	1,486,139	3,955,465	59,334	280,369	(27,704,138)	-	-
Disposals	-	-	(3,712,356)	-	-	-	(58,115)	-	-	-	(3,770,471)
Write-offs	(88,291)	(1,103,876)	-	(17,007,406)	(306,553)	(330,719)	(11,739)	(713,054)	(431,233)	-	(19,992,871)
Revaluation adjustment to other comprehensive income	-	-	-	(67,361,272)	-	-	-	-	-	-	(67,361,272)
Revaluation adjustment to capital income	-	-	-	-	-	-	2,083,072	1,574,764	-	-	3,657,836
Internal transfers between asset classes	-	-	-	34,438	-	23,269	(57,707)	-	-	-	-
Adjustment to right of use assets due to re-measurement of lease liability	-	-	-	-	-	-	-	-	-	(210,653)	(210,653)
Closing gross value as at 30 June 2022	93,148,234	164,165,840	39,961,397	736,539,347	286,896,789	187,257,247	33,217,193	11,665,291	11,640,476	2,155,298	1,566,647,112

Accumulated depreciation and impairment

Opening balance as at 1 July 2021	12,380,093	64,953,312	21,675,172	193,545,895	112,989,324	76,084,279	10,046,950	2,125,115	-	263,229	494,063,369
Correction to opening balance	-	-	-	268,075	-	-	-	-	-	24,070	292,145
Depreciation expense	1,733,752	2,553,061	3,558,219	11,152,413	5,502,889	3,316,476	1,066,102	200,563	-	112,538	29,196,013
Depreciation on disposals	-	-	(3,166,242)	-	-	-	(25,504)	-	-	-	(3,191,746)
Depreciation on write-offs	(20,316)	(596,426)	-	(5,851,846)	(170,549)	(161,304)	(4,233)	(408,587)	-	-	(7,213,261)
Revaluation adjustment to other comprehensive income	-	-	-	(29,569,146)	-	-	-	-	-	-	(29,569,146)
Revaluation adjustment to capital income	-	-	-	-	-	-	(1,524,771)	299,188	-	-	(1,225,583)
Internal transfers between asset classes	9	1	199	(105)	-	10,958	(11,062)	-	-	-	-
Accumulated depreciation as at 30 June 2022	14,093,538	66,909,948	22,067,348	169,545,286	118,321,664	79,250,409	9,547,482	2,216,279	-	399,837	482,351,791

Total written down value as at 30 June 2022

	79,054,696	97,255,892	17,894,049	566,994,061	168,575,125	108,006,838	23,669,711	9,449,012	11,640,476	1,755,461	1,084,295,321
--	------------	------------	------------	-------------	-------------	-------------	------------	-----------	------------	-----------	---------------

Range of estimated useful life in years

	5 - 200	5 - 120	5 - 20	10-120	15 - 200	15 - 200	5 - 100	5 - 200		3 - 60	
--	---------	---------	--------	--------	----------	----------	---------	---------	--	--------	--



# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>17 Trade and other payables</b>		
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.		
<b>(a) Current</b>		
Accrued Expenses	265,375	632,099
Creditors	8,799,779	8,844,904
Rates received in advance	1,047,001	1,021,302
QTC interest accrued	37,309	40,193
Accrued wages and salaries	1,464,043	1,232,627
Other creditors	217,840	185,071
	11,831,347	11,956,196
<b>(b) Non-current</b>		
Creditors	44,730	46,093
	44,730	46,093

## 18 Provisions

### Employee entitlements

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

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

### Annual leave

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

### Long service leave

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

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.

### Personal leave

The provision for personal leave is recognised in accordance with current negotiations of the Certified Agreement. The liability is measured at the present value of the current obligations in respect of leave accrued by employees who meet the prerequisite length of service, up to the reporting date.

Personal leave will only be payable on termination of an employees' employment or death, at the rate specified within the Certified Agreement where the prerequisite length of service has been met.

The value of the liability is calculated using current personal leave balances in accordance with the rate specified within the Certified Agreement.

Where employees have met the prerequisite length of service, personal leave will be classified as a current liability.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>Property restoration</b>		
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 2023 financial year detailed review confirmed a material increase in unit rates from the previous year. Key influences in this increase related to previous year rates being based on average expenditure during that year, which were largely relating to a multi-year contract with limited scope for price escalation and other industry information. The current unit rates were derived from pricing included in contracted landfill works agreed through a tender process undertaken at the end of the financial year. The tendered prices included significant market increases in material and labour costs and are taken as reflecting the most reliable information available. 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 2026 to 2047 and that the restoration will occur progressively over the subsequent four years, with ongoing aftercare costs to 2067.		
<b>(a) Current</b>		
Annual leave	4,617,687	4,319,362
Personal leave	346,624	-
Long service leave	4,367,108	3,443,509
Property restoration - Refuse sites	43,174	46,306
	<u>9,374,593</u>	<u>7,809,177</u>
<b>(b) Non-Current</b>		
Long service leave	868,832	1,301,963
Property restoration Refuse sites	21,497,153	12,465,074
	<u>22,365,985</u>	<u>13,767,037</u>

#### Details of movements in provisions

<b>Refuse sites</b>		
Balance at beginning of the year	12,511,380	11,977,662
Unwinding of discount due to passage of time	444,952	213,043
Increase (decrease) due to change in discount rate	(517,809)	(2,144,733)
Increase (decrease) as a result of revision to expected restoration date	(909,040)	(41,150)
Amount expended in year	(44,870)	(1,096,093)
Increase (decrease) in estimate of future cost	10,055,714	3,602,651
Balance at end of the year	<u>21,540,327</u>	<u>12,511,380</u>

This is the present value of the estimated future cost of restoring the refuse sites under the State Government environmental regulations at the end of its useful life.

The projected cost of remediation is \$35,356,006 (2022: \$19,230,796) and this is expected to be incurred from 2024 to 2067.

Cash funds committed to meet this liability at the reporting date are	<u>3,555,423</u>	<u>2,906,635</u>
---	------------------	------------------

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>19 Borrowings</b>		
<b>(a) Current</b>		
(i) Queensland Treasury Corporation	1,605,320	1,533,311
(ii) Lease liabilities	84,390	101,080
	<u>1,689,710</u>	<u>1,634,391</u>
<b>(b) Non-current</b>		
(i) Queensland Treasury Corporation	18,768,338	20,373,658
(ii) Lease liabilities	1,707,876	1,646,971
	<u>20,476,214</u>	<u>22,020,629</u>

#### (i) Queensland Treasury Corporation

Unsecured borrowings are provided by the Queensland Treasury Corporation (QTC). Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Thereafter, they are measured at amortised cost. Principal and interest repayments are made quarterly in arrears.

All borrowings are in \$A denominated amounts and carried at amortised cost. Interest is currently expensed through the Statement of Comprehensive Income.

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

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

Principal and interest repayments are made quarterly in arrears.

#### Movements in borrowings

Balance at beginning of the year	21,906,969	23,371,578
Principal repayments - cash movement	(1,533,311)	(1,464,609)
Balance at end of the year	<u>20,373,658</u>	<u>21,906,969</u>

The QTC loan market value at the reporting date was \$20,056,745 (2022: \$22,140,781).

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

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

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

0 to 1 year	2,493,108	2,493,108
1 to 5 years	9,972,434	9,972,434
Over 5 years	13,024,199	15,517,308
Total contractual outflows	<u>25,489,741</u>	<u>27,982,850</u>
Carrying amount	<u>20,373,658</u>	<u>21,906,969</u>

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

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$

#### (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 16 for Council's accounting policy on right-of-use assets.

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

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

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

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

#### *Exceptions to lease accounting*

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

#### *Terms and conditions of leases*

Council's leases relate to leases of land. Council has 55 land leases (2022: 55 land leases) with the Department of Resources (DOR). The length of the leases vary between 3 and 60 years. Two of the leases have communication towers built on the land and the remaining have Council purpose built infrastructure.

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

#### **Movements in lease liabilities**

Balance at beginning of the year	1,748,051	1,834,640
Minor error adjustment to opening balance	-	100,246
Additions to right-of-use assets	-	160,268
Lease payments made during the year	(227,379)	(210,657)
Interest on lease liabilities	75,621	74,206
Adjustment to right of use assets due to re-measurement of lease liability	195,973	(210,652)
Balance at end of the year	<u>1,792,266</u>	<u>1,748,051</u>

#### *Maturity analysis*

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

Between 0 to 1 year	247,236	253,881
Between 1 to 2 years	231,538	170,412
Between 2 to 3 years	234,889	173,081
Between 3 to 4 years	238,143	175,806
Between 4 to 5 years	210,996	178,825
Over 5 years	2,042,802	2,235,826
Total contractual outflows	<u>3,205,604</u>	<u>3,187,831</u>
Lease liability recognised in the financial statements	<u>1,792,266</u>	<u>1,748,051</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>20 Contract balances</b>		
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. The contract liabilities in relation to capital grants relate to funding received prior to the work being performed since revenue is recognised as Council constructs the assets. Council expects to recognise the contract liability as income in the next financial year.		
<b>(a) Contract assets</b>		
Contracts for capital assets	3,300,120	2,439,325
Contracts for operating activities	103,685	67,709
Current	<u>3,403,805</u>	<u>2,507,034</u>
<b>(b) Contract liabilities</b>		
Funds received upfront to construct Council controlled assets	1,958,947	243,482
Deposits received in advance of services to be provided (obligation not yet satisfied)	995,739	538,217
	<u>2,954,686</u>	<u>781,699</u>
Current	2,774,645	601,658
Non-current	180,041	180,041
	<u>2,954,686</u>	<u>781,699</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	176,182	3,817,621
Non-capital performance obligations (including deposits received in advance)	258,684	117,373
	<u>434,866</u>	<u>3,934,994</u>
<b>21 Other liabilities</b>		
<b>(a) Current</b>		
Waste levy refund received in advance	768,896	765,333
Construction retentions	153,230	254,847
	<u>922,126</u>	<u>1,020,180</u>
<b>(b) Non-current</b>		
Waste levy refund received in advance	2,424,892	2,391,182
	<u>2,424,892</u>	<u>2,391,182</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

		2023	2022
		\$	\$
	<b>Note</b>		
<b>22 Asset revaluation surplus</b>			
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.			
<b>(i) Movements in the asset revaluation surplus</b>			
Balance at beginning of the year		184,330,296	222,122,422
Adjustments to the property, plant and equipment through revaluations	16	122,558,058	(37,792,126)
Balance at end of the year		<u>306,888,354</u>	<u>184,330,296</u>
<b>(ii) Asset revaluation surplus analysis</b>			
The closing balance of the asset revaluation surplus is comprised of the following asset categories			
Land and improvements		15,447,531	6,795,470
Buildings		30,045,519	13,962,886
Road, bridge and drainage		97,733,944	56,293,564
Water		101,980,284	76,731,071
Wastewater		61,681,076	30,547,305
		<u>306,888,354</u>	<u>184,330,296</u>

### 23 Commitments for expenditure

#### Contractual commitments

#### Capital

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

Infrastructure	1,565,316	2,667,355
Other Assets	6,332,128	7,493,884
	<u>7,897,444</u>	<u>10,161,239</u>
These expenditures are payable		
Within one year	<u>7,897,444</u>	<u>10,161,239</u>

### 24 Events after balance date

There were no material adjusting events after the balance date.

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>25 Contingent liabilities</b>		
Details and estimates of maximum amounts of contingent liabilities:		
<b>Local Government Mutual</b>		
The Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or it is unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution is to the total pool contributions in respect to any year that a deficit arises.		
As at 30 June 2023 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.		
<b>Local Government Workcare</b>		
The Isaac Regional Council is a member of the Queensland Local Government workers compensation self-insurance scheme, Local Government Workcare.		
Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities.		
Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise.		
The Council's maximum exposure to the bank guarantee is	812,240	717,180
<b>Bank guarantee</b>		
Under the terms of agreement for the supply of water to the Isaac Regional Council the Council has provided a bank guarantee to the provider. The guarantee expires on 30 June 2025.		
The Council's maximum exposure under the bank guarantee is	1,500,000	1,500,000
<b>Legal Matters</b>		
Council is subject to claims that arise as a result of the operations of Council. Council has not provided for any amounts to date in relation to these claims on the basis that it has been assessed as immaterial or that it cannot be reliably estimated at reporting date. Information in respect of individual claims has not been disclosed in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets on the basis that Council considers such disclosures would seriously prejudice the outcome of the claims.		
<b>Residential Subdivision</b>		
Council has progressed resolution of a stalled subdivision, with the majority of land now owned by Council. Council will continue to work with the remaining private owned property owners in the following financial year.		

# ISAAC REGIONAL COUNCIL

## Notes to the Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$
<b>Note</b>		
<b>26 Superannuation</b>		
Council contributes to LGIASuper Regional Defined Benefits Fund (the scheme) presently known as Brighter Super, at the rate of 13% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the <i>Local Government Act 2009</i> . The scheme is managed by the LGIASuper trustee as trustee for LGIASuper trading as Brighter Super.		
The scheme is a pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the Council level.		
Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.		
Isaac Regional Council may be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to Council's obligations will only be made on the advice of an actuary.		
The last completed actuarial assessment of the scheme as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefit entitlements represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.		
Prescribed employer contributions has been revised to 13% of employee assets from 1 July 2022 and this will continue to increase to remain 2.5% above the superannuation guarantee increases in accordance with the current certified agreement.		
The next triennial actuarial review is not due until 1 July 2024.		
The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:		
Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.		
Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.		
Superannuation contributions made to the Regional Defined Benefits Fund	83,354	74,925
Other superannuation contributions for employees	4,585,168	4,064,447
	4,668,522	4,139,372



## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements

For the year ended 30 June 2023

		2023	2022
		\$	\$
<b>27 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities</b>			
Net result		5,794,821	7,919,031
Non-cash operating items			
Impairment of receivables and bad debts written-off	7	433,470	564,070
Depreciation and amortisation	8	29,850,764	29,199,182
Change in restoration provisions expensed to finance costs		444,952	213,043
Interest accrued on loan to controlled entities		(13,917)	(15,049)
Revaluation of inventory land expensed to materials and services		544,114	(32,377)
		<u>31,259,383</u>	<u>29,928,869</u>
Investing and development activities			
Capital grants, subsidies and contributions	3	(10,109,640)	(11,308,038)
Capital income	4	(1,621,643)	(6,157,289)
Capital expenses	9	12,180,776	14,208,787
		<u>449,493</u>	<u>(3,256,540)</u>
Changes in operating assets and liabilities			
(Increase) decrease in receivables		(6,039,201)	(705,695)
(Increase) decrease in inventories (excluding land)		(80,905)	41,453
(Increase) decrease in other operating assets		(99,633)	(13,103)
(Increase) decrease in operating contract assets		(35,976)	477,332
Increase (decrease) in payables		(126,212)	(3,276,417)
Increase (decrease) in provisions		1,135,417	657,743
Increase (decrease) in operating contract liabilities		494,795	3,176,567
		<u>(4,751,715)</u>	<u>357,880</u>
<b>Net cash inflow from operating activities</b>		<u>32,751,982</u>	<u>34,949,240</u>

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

Note	2023 \$	2022 \$
<b>28 Controlled entities that have not been consolidated</b>		
Isaac Regional Council has a number of controlled entities that are not consolidated because their size and nature means that they are not material to Council's operations. The audited special purpose financial statements for these controlled entities are published on Council's website and are prepared to meet requirements of the <i>Australian Charities and Not-for-profits Commission Act 2012</i> . The controlled entities are registered not-for-profit entities, meaning Council currently cannot receive any dividends or proceeds from sale on wind up of these entities.		
A summary of those entities, their net assets and results for the year ended 30 June 2023 (unaudited) follows:		
<b>Controlled Entity</b>	<b>Ownership Interest</b>	
Moranbah Early Learning Centre:	100%	
Revenue		3,440,244
Expenses		(3,185,059)
Profit / (loss)		255,185
Assets		1,369,707
Liabilities		782,916
1,196,904		865,298

The centre provides childcare facilities to the community.

Moranbah Early Learning Centre liabilities include loans payable of \$464,954 to Isaac Regional Council which are recognised as receivables in these financial statements (refer to Note 12).

Isaac Affordable Housing Trust:	100%	
Revenue		1,228,958
Expenses		(388,363)
Profit / (loss)		840,595
Assets		11,214,529
Liabilities		7,636,910
7,676,962		4,939,935

The housing trust provides affordable housing to the community.

Isaac Affordable Housing Trust liabilities include loans payable of \$4,907,984 to Isaac Regional Council which are recognised as non-current receivables in these financial statements (refer to Note 12).

## ISAAC REGIONAL COUNCIL

### Notes to the Financial Statements For the year ended 30 June 2023

		2023	2022
		\$	\$
<b>29 Correction for assets not previously recognised</b>			
During the financial year a comprehensive revaluation was undertaken on the water, wastewater and waste asset classes. Upon completion of the valuation no additional assets were recognised.			
Summary details of assets not previously recognised are as follows			
Gross value of property, plant and equipment		-	39,142,079
Less accumulated depreciation		-	(268,075)
Gross value of right of use assets		-	124,316
Less: Accumulated depreciation		-	(24,070)
Gain from assets not previously recognised	16	<u>-</u>	<u>38,974,250</u>
Summary details of liability not previously recognised are as follows			
Lease liability not previously recognised		-	(100,246)
Loss on liability not previously recognised	19 (ii)	<u>-</u>	<u>(100,246)</u>
Net result of recognised/derecognised assets		<u>-</u>	<u>38,874,004</u>

In the 2022 financial year, Council's roads, bridges and drainage asset class were revalued. Council undertook asset data review by cross checking to various database files, studying aerial mapping and Hawkeye software. Upon completing the assessment and revaluation, a number of underground assets had been found that were not identified previously. These assets had various differing construction dates and it was impracticable to determine the period-specific effects of the error. Due to the revaluation, Council was able to quantify these assets and the corrections were taken up accordingly.

Notes to the Financial Statements  
For the year ended 30 June 2023

**30 Financial instruments and financial risk management**

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

- credit risk
- liquidity risk
- market risk
- interest rate 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	2023 \$	2022 \$
Financial assets	11	73,414,123	68,267,713
Financial receivables	12	21,210,364	15,538,321
Other credit exposure	25	2,312,240	2,217,180
		96,936,727	86,023,214

*Cash and cash equivalents*

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

*Other financial assets*

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

*Trade and other receivables*

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

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

By the nature of the Council's operations, there is a geographical concentration of risk in the Council's area. 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 2023 the exposure to credit risk (prior to any allowance for expected credit losses) for trade receivables by type of counterparty was as follows:

	2023 \$	2022 \$
Rates & utility	3,527,266	5,197,111
Other Debtors	3,361,888	2,235,436
Government debtors	8,948,272	4,556,284
Controlled entities	5,372,938	5,448,901
	21,210,364	17,437,732

**ISAAC REGIONAL COUNCIL**

**Notes to the Financial Statements  
For the year ended 30 June 2023**

**Expected credit loss assessment as at 30 June 2023**

As the historical loss rate observed in respect of rate and utility debtors (due to Council empowerment to sell property to recover debt as describe above) is not significant, no allowance in the 2023 financial year is made for expected credit losses against these classes of receivable. In 2021 financial year, an allowance was made for expected credit losses against rating receivables in relation to a stalled Residential Subdivision, with allowance increased in the 2022 financial year, due to further rating arrears. This matter has been finalised in the 2023 financial year.

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 fifteen 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).

2023						
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	2,083,113	570,873	645	54,333	652,924	
Expected credit loss	0.15%	0.36%	2.31%	30.00%	100.00%	
Expected credit loss allowance	3,091	2,081	15	16,300	652,924	674,411

2022						
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	1,633,051	48,134	518	16,914	536,819	
Expected credit loss	0.17%	0.43%	2.55%	28.26%	97.69%	
Expected credit loss allowance	2,743	207	13	4,779	524,394	532,136

**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.

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

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.

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

*Exposure to liquidity risk*

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC (see note 19 for contractual maturity disclosures).

**Market risk**

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

**Interest rate risk**

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

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

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

## ISAAC REGIONAL COUNCIL

### Financial Statements For the year ended 30 June 2023

	2023	2022
	\$	\$

#### 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 28.

The following transactions occurred with the controlled entities:

Controlled entity	Expenses paid	
Isaac Affordable Housing Trust	31,784	9,594
Moranbah Early Learning Centre	-	-
	31,784	9,594

Isaac Regional Council paid for expenses on behalf of Isaac Affordable Trust and Moranbah Early Learning Centre. These expenses are to be reimbursed. There are existing loans from Isaac Regional Council to both of these controlled entities (note 28) 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 27 August 2020 to 26 August 2023, a \$1 peppercorn lease exists between Isaac Regional Council and MELC for the property that the MELC is conducted from.

##### (b) Key Management Personnel (KMP)

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

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

Nature of Compensation		
Short-term employee benefits	3,015,545	2,597,681
Long-term benefits	42,739	50,638
Post-employment benefits	279,903	235,002
Termination benefits	115,000	-
	3,453,187	2,883,321

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:

Employee expenses for close family members of key management personnel (wages and superannuation)	110,447	143,351
Purchase of materials and services from entities controlled by key management personnel	11,872	29,083
Grants & sponsorships paid to community organisations where key management personnel have	21,587	29,500
	143,906	201,934

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

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

##### (d) Outstanding balances

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

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

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

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

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

ISAAC REGIONAL COUNCIL

FINANCIAL STATEMENTS

For the year ended 30 June 2023

---

MANAGEMENT CERTIFICATE

For the year ended 30 June 2023

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 36, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.



Mayor

Name: Cr Anne Baker

Date: 31 / 10 / 2023



Chief Executive Officer

Name: Mr Ken Gouldthorp

Date: 31 / 10 / 2023

## INDEPENDENT AUDITOR'S REPORT

To the councillors of Isaac Regional Council

### Report on the audit of the financial report

#### Opinion

I have audited the financial report of Isaac Regional Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2023, 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 2023, 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 material accounting policy information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

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

At the date of this auditor's report, the available other information in Isaac Regional Council's annual report for the year ended 30 June 2023 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 formed 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 material accounting policy information 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 2023:

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

#### **Prescribed requirements scope**

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



Lisa Fraser  
as delegate of the Auditor-General

31 October 2023

Queensland Audit Office  
Brisbane

ISAAC REGIONAL COUNCIL

Current-year Financial Sustainability Statement  
For the year ended 30 June 2023

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 2023 against key financial ratios:

	Operating surplus ratio	Asset sustainability ratio	Net financial liabilities ratio
Target	between 0% and 10%	greater than 90%	not greater than 60%
Actual	4.46%	70.47%	-18.20%

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 2023.

**Certificate of Accuracy**  
**For the year ended 30 June 2023**

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

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

  
\_\_\_\_\_

Mayor

Name: Cr Anne Baker

Date: 31 / 10 / 2023

  
\_\_\_\_\_

Chief Executive Officer

Name: Mr Ken Gouldthorp

Date: 31 / 10 / 2023

## INDEPENDENT AUDITOR'S REPORT

To the councillors of Isaac Regional Council

### Report on the current-year financial sustainability statement

#### Opinion

I have audited the accompanying current-year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2023, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Isaac Regional Council for the year ended 30 June 2023 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 2023 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 formed 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 material accounting policy information 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.



Lisa Fraser  
as delegate of the Auditor-General

31 October 2023

Queensland Audit Office  
Brisbane

ISAAC REGIONAL COUNCIL

Unaudited Long-Term Financial Sustainability Statement  
Prepared as at 30 June 2023

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 2023 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 2023		4.46%	70.47%	-18.20%
Projected for the years ended	30 June 2024	0.94%	70.54%	-5.54%
	30 June 2025	1.48%	94.71%	-5.99%
	30 June 2026	1.53%	102.88%	-7.60%
	30 June 2027	1.66%	98.04%	-9.65%
	30 June 2028	1.67%	97.18%	-11.49%
	30 June 2029	1.68%	97.17%	-13.03%
	30 June 2030	1.63%	97.17%	-14.58%
	30 June 2031	1.66%	97.17%	-16.26%
	30 June 2032	1.71%	97.16%	-18.15%

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 2023

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

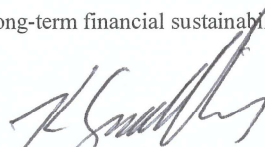
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Mayor

Name: Cr Anne Baker

Date: 31, 10, 2023



Chief Executive Officer

Name: Mr Ken Gouldthorp

Date: 31, 10, 23