

Pormpuraaw Aboriginal Shire Council
Financial Statements
For the year ended 30 June 2017



Pormpuraaw Aboriginal Shire Council
Financial Statements
For the year ended 30 June 2017

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Pormpuraaw Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2017

		2017	2016
	Note	\$	\$
Income			
Revenue			
Recurrent revenue			
Levies and charges		235,714	235,097
Fees and charges	3(a)	484,878	639,299
Rental income	3(b)	1,087,305	1,120,170
Interest received		326,246	266,576
Sales revenue	3(c)	3,099,655	3,256,099
Other income	3(d)	879,629	492,318
Grants, subsidies, contributions and donations	4(a)	7,694,929	5,551,394
		<u>13,808,356</u>	<u>11,560,952</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	5,764,199	8,158,839
Total revenue		<u>19,572,554</u>	<u>19,719,791</u>
Total income		<u>19,572,554</u>	<u>19,719,791</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(3,735,702)	(4,224,771)
Materials and services	6	(3,834,646)	(3,840,776)
Finance costs		(72,521)	(10,591)
Depreciation	12	(4,540,654)	(3,519,283)
Other expenses	11	(155,089)	-
		<u>(12,338,610)</u>	<u>(11,595,421)</u>
Capital expenses	7	(1,576,767)	(3,947,199)
Total expenses		<u>(13,915,377)</u>	<u>(15,542,620)</u>
Net result		<u>5,657,178</u>	<u>4,177,171</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase/(decrease) in asset revaluation surplus		(1,366,188)	6,577,141
Total other comprehensive income for the year		<u>(1,366,188)</u>	<u>6,577,141</u>
Total comprehensive income for the year		<u>4,290,990</u>	<u>10,754,312</u>

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

Pormpuraaw Aboriginal Shire Council
Statement of Financial Position
As at 30 June 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	8	18,218,341	10,446,406
Trade and other receivables	9	549,114	986,676
Inventories	10	380,992	382,790
Other financial assets	11	371,927	365,194
Total current assets		19,520,373	12,181,065
Non-current assets			
Property, plant and equipment	12	100,002,445	101,267,857
Other financial assets	11	11,072,332	11,599,348
Total non-current assets		111,074,777	112,867,205
Total assets		130,595,150	125,048,271
Current liabilities			
Trade and other payables	14	2,254,695	1,106,904
Provisions	15	193,734	103,692
Total current liabilities		2,448,429	1,210,596
Non-current liabilities			
Trade and other payables	14	5,100	5,100
Provisions	15	87,726	69,671
Total non-current liabilities		92,826	74,771
Total liabilities		2,541,255	1,285,366
Net community assets		128,053,895	123,762,905
Community equity			
Asset revaluation surplus	16	85,982,539	87,348,727
Retained surplus		42,071,356	36,414,178
Total community equity		128,053,895	123,762,905

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

Pormpuraaw Aboriginal Shire Council
Statement of Changes in Equity
For the year ended 30 June 2017

Note	Asset revaluation surplus 16	Retained Surplus	Total
	\$	\$	\$
Balance as at 1 July 2016	87,348,727	36,414,178	123,762,905
Net operating surplus	-	5,657,178	5,657,178
Other comprehensive income for the year			
Decrease in asset revaluation surplus	(1,366,188)	-	(1,366,188)
Total comprehensive income for the year	(1,366,188)	5,657,178	4,290,990
Balance as at 30 June 2017	85,982,539	42,071,356	128,053,895
Balance as at 1 July 2015	80,771,586	32,237,007	113,008,593
Net operating surplus	-	4,177,171	4,177,171
Other comprehensive income for the year			
Increase in asset revaluation surplus	6,577,141	-	6,577,141
Total comprehensive income for the year	6,577,141	4,177,171	10,754,312
Balance as at 30 June 2016	87,348,727	36,414,178	123,762,905

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

Pormpuraaw Aboriginal Shire Council
Statement of Cash Flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers		6,153,520	5,498,031
Payments to suppliers and employees		(7,401,262)	(8,464,002)
		(1,247,742)	(2,965,971)
Interest received		326,246	266,576
Rental income		1,087,305	1,120,170
Non capital grants and contributions		7,694,929	5,551,394
Net cash inflow/(outflow) from operating activities	22	7,860,738	3,972,169
Cash flows from investing activities			
Payments for property, plant and equipment		(6,235,925)	(5,334,782)
Proceeds from sale of property plant and equipment		17,728	123,527
Finance lease receipts		365,194	359,136
Grants, subsidies, contributions and donations		5,764,199	3,857,979
Net cash inflow (outflow) from investing activities		(88,804)	(994,139)
Net increase (decrease) in cash and cash equivalent held		7,771,935	2,978,030
Cash and cash equivalents at the beginning of the financial year		10,446,406	7,468,376
Cash and cash equivalents at end of the financial year	8	18,218,341	10,446,406

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

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board. 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.

These financial statements have been prepared under the historical cost convention except for certain current and non-current assets which are measured at fair value.

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

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

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 non-cash contributions which are usually buildings or infrastructure assets.

The following transactions are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses:

- disposal of non-current assets
- revaluations of property and property, plant and equipment.

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

1.B Constitution

The Pormpuraaw Aboriginal Shire Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

1.C Adoption of new and revised Accounting Standards

This year Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 24.

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

Standard and impact

**Date council will
apply the
standard**

AASB 9 Financial Instruments

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and will change the classification, measurement and disclosures of financial assets.

1-Jul-18

As a result, Council will measure its financial assets at fair value. Council is still reviewing its financial instruments to determine whether there will be any material impact arising from this new standard.

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.C Adoption of new and revised Accounting Standards (Continued)

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation
Guidance for Not-for-Profit Entities

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

1-Jul-19

AASB 16 Leases

Council has some leases that are not on its statement of financial position. These will need to be included on the statement of financial position when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Council is still reviewing leases to determine whether there will be any material impact arising from this new standard.

1-Jul-19

1.D Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

Valuation and depreciation of property, plant and equipment - Note 12
Impairment of property, plant and equipment - Note 12
Valuation of finance leases - Note 11
Provisions - Note 15
Contingent liabilities - Note 18

1.E Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Pormpuraaw Aboriginal Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 8)
Receivables - measured at amortised cost (Note 9)
Other financial assets (finance leases) - measured at fair value (Note 11)

Financial liabilities

Payables - measured at amortised cost (Note 14)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

1.F Taxation

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

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

2 Analysis of Results by Function

2 (a) Components of Council functions

The activities relating to the Council's components reported on in Note 2(b) are as follows :

There has been a reassessment of the components of Council functions during the current year resulting in a different analysis. The new split ties in with both the Corporate and Operational plans and is considered more appropriate for reporting purposes.

Community – The Way We Want To Live Together

The key objective is to promote outcomes which encourage a healthy, supportive, contributing and proactive community where appropriate services and facilities are available and accessible by all. This function advocates and supports: participation of men in community programs; sport, art & culture; aged community members are provided with quality of life; and community access to justice through an active Justice Group.

The community function includes:

- Work and support programs of education, training and rehabilitation;
- Increase community awareness and engagement in public activities and special events;
- Encouraging leadership and stewardship through regular community discussions; and
- Providing quality aged care facilities by highly trained staff.

Built Environment – Shaping Our Surroundings

The key objective is to plan for the future development of the community in ways which actively value the heritage and the character of our community with access for all.

This function manages and provides, to a standard that ensures a minimum legislative compliance and equitable standard:

- Development and maintenance of urban and rural roads;
- Maintain and extend the program for roads, drainage and pathways;
- Advocate and supports the development of housing & the refurbishment of existing housing.

Natural Environment – It Begins With Each Of Us

The key objective is to ensure the natural environment is protected in a way that is not compromised for future generations and is managed so as to minimise our impact on non renewable resources.

This function manages and provides:

- The Land & Sea Ranger programs;
- Supports and develops feral animal and plant pest control;
- Public Health programs:
- The development and monitoring of the West Coast Turtle Threat Abatement Program; and
- Water, waste and sewerage services.

Economy – Creating Our Future

The key objective is to facilitate a vibrant local economy which enjoys sustainable business investments and the benefits of a skilled and diverse workforce.

The goal of this function is to advocate and develop:

- Tourism infrastructure, a local tourism economy and employment opportunities;
- Diverse sustainable business opportunities;
- New businesses are established and/or developed in Pormpuraaw which generate a substantial flow of funds into the community; and
- the increase of training and employment opportunities for residents.

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

2 Analysis of Results by Function

Organisation – Developing Our Capacity

The key objective is to strengthen the capacity of the council organisation and its people to serve our community and to pursue positive outcomes in partnership with community business and government bodies.

This function manages and provides:

- The longevity and sustainability of local government and its benefits to the community;
- Councillors that are actively engaged in the affairs of the community;
- Value the benefits of good financial management and accountability; and
- Community benefits which result from good governance.

The organisation function achieves its objectives by: transparency and accountability in business dealings, probity in purchasing; adhering to reporting timeframes and active communication to our stakeholders.

Components of Council functions 2016

Representation and participation functions

The goal of this function is for Council to be open, transparent and deliver value for money community outcomes through strategic and operational planning, risk management, information services and sound financial management. The function includes activities and services related to corporate governance, management of financial and information technology processes and corporate communication. The Council and elected members have a duty to represent and act in the interests of the community. Council provides channels for community participation in policy and decisions affecting the local community.

Regulatory functions

The goal of this function is to protect and enhance the health and safety of Pormpuraaw through control and administration of laws, noxious weeds, public health and animal management. The function includes services related to community justice, effective responses to public safety threats, best practice food safety, promotion of responsible pet ownership, mosquito and pest control.

Community planning and coordinating functions

The goal of this function is to provide opportunities for all residents, workers and visitors to have access to government agencies in community and to participate in cultural and recreational activities which foster inclusion and stronger community. Council plays an important role in providing a focus for planning and coordination of services and facilities provided by government agencies. The function includes activities and services relating to Centrelink, banking agency, arts and culture, sports and recreation, disaster awareness and community radio.

Service function

The goal of this function is to ensure Pormpuraaw is a healthy, vibrant, contemporary and connected community. Council's service function provides well managed and maintained community facilities and ensures the effective delivery of the following services:

- Roads
- Essential Services (Water, Waste & Sewerage)
- Environmental Health
- Parks & Gardens
- Aged Care
- Disability Services
- Library
- Aerodrome
- Building & Maintenance Services
- Community & Business Services (Fuel, Accommodation, Mechanical Workshop, etc.)

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

2 Analysis of results by function

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

Year ended 30 June 2017

Functions	Gross Program Income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$							
Organisation	4,321,977	1,274,193	-	-	5,596,170	(1,936,809)	-	(1,936,809)	3,659,361	3,659,361	19,720,650
Economy	-	1,960,615	-	-	1,960,615	(1,605,666)	-	(1,605,666)	354,949	354,949	6,729,049
Community Services	1,383,476	95,428	-	-	1,478,904	(1,406,682)	-	(1,406,682)	72,222	72,222	3,475,074
Natural Environment	989,846	324,526	-	-	1,314,372	(1,850,062)	-	(1,850,062)	(535,689)	(535,689)	16,706,798
Built Environment	999,630	2,458,665	5,764,199	-	9,222,493	(5,539,392)	(1,576,767)	(7,116,159)	(2,081,097)	2,106,336	83,963,579
Total	7,694,929	6,113,427	5,764,199	-	19,572,554	(12,338,610)	(1,576,767)	(13,915,377)	1,469,745	5,657,178	130,595,150

Year ended 30 June 2016

Year ended 30 June 2019

Functions	Gross Program Income				Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurrent		Capital			Recurring	Capital				
	Grants	Other	Grants	Other							
	\$	\$	\$	\$		\$	\$				
Representation and participation function	2,516,947	-	-	-	2,516,947	(2,516,947)	-	(2,516,947)	-	-	6,237,906
Regulatory	224,630	-	-	-	224,630	(217,143)	-	(217,143)	7,487	7,487	649,782
Community planning & coordination	81,095	194,265	-	-	275,360	(304,879)	-	(304,879)	(29,519)	(29,519)	40,286,479
Service function	2,728,722	5,815,294	8,158,839	-	16,702,855	(8,556,452)	(3,947,199)	(12,503,651)	(12,436)	4,199,204	77,874,103
Total Council	5,551,394	6,009,559	8,158,839	-	19,719,791	(11,585,421)	(3,947,199)	(15,542,620)	(34,468)	4,177,172	125,048,271

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
3 Revenue analysis			
Fees, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.			
(a) Fees and charges			
Fees and charges		76,388	63,526
Commissions		184,087	120,617
Other revenue		224,403	455,155
		<u>484,878</u>	<u>639,299</u>

Revenue from the provision of services is recognised as the service is rendered.

(b) Rental income			
Property rental		602,914	694,267
Accommodation revenue		484,391	425,863
		<u>1,087,305</u>	<u>1,120,170</u>

Rental revenue from other property is recognised as income on a periodic straight line basis over the lease term.

(c) Sales revenue			
Sale of services			
Housing maintenance		1,687,413	1,662,146
Workshop		18,393	17,035
Powercard sales		112,191	111,400
Aged care		94,827	136,178
Other		296,002	236,022
		<u>2,208,825</u>	<u>2,162,781</u>
Sale of goods			
Fuel		631,374	674,099
Other		259,456	419,219
		<u>890,830</u>	<u>1,093,317</u>
Total sales revenue		<u>3,099,655</u>	<u>3,256,099</u>

The Council generates revenues from a number of services including housing maintenance, fuel sales and powercard sales. Revenue from housing maintenance generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

Revenue from sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of goods and the cessation of all involvement in the goods.

(d) Other income			
Gain on revaluation of finance leases		-	492,318
Insurance claim		879,629	-
		<u>879,629</u>	<u>492,318</u>

Other income in the year relates to the gain recognised on the revaluation of finance lease assets at 30 June. See Note 11 for further details. Other income in the prior year also includes the lease incentive amount received in relation to the 40 year lease assets.

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017	2016
Note	\$	\$
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants (State)	2,572,928	2,516,947
State government subsidies and grants	3,875,292	1,978,360
Other operating grants	-	-
Commonwealth government subsidies and grants	1,205,707	1,044,837
Contributions	41,002	11,250
	<u>7,694,929</u>	<u>5,551,394</u>
(b) Capital		
Commonwealth subsidies and grants	1,339,915	453,124
State Government grants	4,424,284	3,404,855
Donated Assets & Non Cash Grants	-	4,300,860
	<u>5,764,199</u>	<u>8,158,839</u>

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them.

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

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for recurrent expenditure	2,457,429	185,484
Non-reciprocal grants for capital expenditure	94,896	-
	<u>2,552,324</u>	<u>185,484</u>

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

Non-reciprocal grants for expenditure on services and infrastructure	185,484	2,328,875
	<u>185,484</u>	<u>2,328,875</u>

Non-cash contributions

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

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

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

		2017	2016
	Note	\$	\$
5 Employee benefits			
Total staff wages and salaries		3,209,393	3,502,973
Councillors' remuneration		335,162	283,265
Annual, sick and long service leave entitlements		136,277	29,713
Superannuation	19	348,820	399,807
		<u>4,029,652</u>	<u>4,215,758</u>
Other employee related expenses		117,893	158,014
		<u>4,147,545</u>	<u>4,373,772</u>
Less: Capitalised employee expenses		(411,843)	(149,002)
		<u><u>3,735,702</u></u>	<u><u>4,224,771</u></u>

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

Total Council employees at the reporting date:

Elected members	5	5
Administration staff	19	18
Depot and outdoors staff	59	53
Total full time equivalent employees	<u>83</u>	<u>76</u>

6 Materials and services

Cost of enterprise sales	635,526	657,308
Administration supplies and consumables	645,366	792,864
Audit of annual financial statements by the Auditor-General of Queensland	62,250	63,500
Communications and IT	6,276	12,485
Consultants	187,295	264,917
Contractors	241,167	191,954
Plant hire	7,460	77,756
Power	234,271	174,716
Repairs and maintenance	452,428	546,423
Vehicle operating costs	69,510	64,592
Insurances	531,801	286,193
Travel	29,281	49,088
Other materials and services	732,015	658,981
	<u><u>3,834,646</u></u>	<u><u>3,840,776</u></u>

7 Capital expenses

Gain/(loss) on disposal of non-current assets		
Proceeds from Sale Property, plant & equipment	17,728	123,527
Less: Book Value of property, plant & equipment disposed of	(29,792)	(1,812,162)
	<u>(12,064)</u>	<u>(1,688,635)</u>
Capital write off	(1,564,703)	(2,258,564)
	<u>(1,564,703)</u>	<u>(2,258,564)</u>
	<u><u>(1,576,767)</u></u>	<u><u>(3,947,199)</u></u>

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017	2016
Note	\$	\$
8 Cash and cash equivalents		
Cash at bank and on hand	1,315,132	419,832
Deposits at call	16,903,209	10,026,574
Balance per Statement of Cash Flows	<u>18,218,341</u>	<u>10,446,406</u>

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, term deposits and deposits held at call with financial institutions.

Councils cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. Externally imposed expenditure restrictions at the reporting date are disclosed in Note 4.

The Council may be exposed to credit risk through its investments in the QTC Cash Fund. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Other bank accounts are held with financial institutions, which are rated AA- based on rating agency Fitch Ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote. All investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

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

9 Trade and other receivables

Trade and other debtors	443,593	947,873
Less impairment	(5,942)	(6,302)
Accrued income	68,293	30,214
Bond	4,333	4,333
Prepayments	38,837	10,557
	<u>549,114</u>	<u>986,676</u>

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / contract price. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

All known bad debts were written-off at 30 June.

No interest is charged on other debtors. There is no concentration of credit risk for utility charges, fees and other debtors receivable.

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July	6,302	26,576
Impairment Debts written off during the year	-	(17,842)
Additional impairments recognised	-	5,856
Impairments reversed	(360)	(8,288)
Closing Balance at 30 June	<u>5,942</u>	<u>6,302</u>

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

By the nature of the Councils operations, there is a geographical concentration of risk in the Council's area.

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

Not past due	314,000	794,019
Past due 31-60 days	33,875	54,646
Past due 61-90 days	17,729	8,551
More than 90 days	150,615	125,204
Impaired	(5,942)	(6,302)
Total	<u>510,277</u>	<u>976,118</u>

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017	2016
Note	\$	\$
10 Inventories		
Inventories held for sale		
Fuel	174,926	153,820
Other trading stocks	37,996	33,465
	<u>212,921</u>	<u>187,285</u>
Inventories held for distribution		
Plant and equipment stores	168,070	195,505
	<u>168,070</u>	<u>195,505</u>
	<u>380,992</u>	<u>382,790</u>

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

Inventories held for distribution are:

- goods to be supplied at no or nominal, charge, and
- goods to be used for the provision of services at no or nominal, charge.

These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

11 Other financial assets

Current		
Finance leases	371,927	365,194
	<u>371,927</u>	<u>365,194</u>
Non-current		
Finance leases	11,072,332	11,599,348
	<u>11,072,332</u>	<u>11,599,348</u>

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

Gross minimum lease payments receivable:

Not later than one year	371,927	365,194
Later than one year but not later than five years	1,487,707	1,460,776
Later than five years	11,528,446	11,684,954
	<u>13,388,080</u>	<u>13,510,924</u>
Add: Estimated contingent rent	7,924,030	8,303,749
Less: Present value adjustment	<u>(9,867,851)</u>	<u>(9,850,131)</u>
Fair value of lease payments	<u>11,444,259</u>	<u>11,964,542</u>

Pormpuraaw Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

		2017	2016
	Note	\$	\$
11 Other financial assets (Continued)			
The fair value of lease payments are receivable as follows:			
Not later than one year		371,927	365,194
Later than one year but not later than five years		1,453,864	1,435,826
Later than five years		<u>9,618,468</u>	<u>10,163,522</u>
		<u>11,444,259</u>	<u>11,964,542</u>
Movements in finance leases were as follows:			
Opening balance		11,964,542	11,831,360
Less: Lease receipts		(365,194)	(359,136)
Add: Gain on revaluation	3	-	492,318
Less: Loss on revaluation		<u>(155,089)</u>	<u>-</u>
Closing balance		<u>11,444,259</u>	<u>11,964,542</u>

Council has leased 123 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year ranged between \$2,847 and \$2,978 (\$2,800 and \$2,888 for 2015-16). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value).

The calculation of fair value has included an estimate of average annual CPI increases of 2.5% (2016: 2.5%) and a discount rate of 3.45% (2016: 3.21%).

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council or accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

Finance leases are to the State of Queensland, represented by the Department of Communities. The likelihood of this counterparty not having capacity to meet its financial commitments is considered low.

Movements on revaluation of finance lease assets are recognised as other income/expenses.

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council or accumulated allowance for uncollectible minimum lease payments receivable recognised as income applicable to the leases.

Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

12 Property, plant and equipment

30 June 2017

Basis of measurement

Asset values

Opening gross value as at 1 July 2016

Additions

Disposals

Revaluation adjustment to asset revaluation

Capital write off

Transfers from work in progress

Closing gross value as at 30 June 2017

Accumulated depreciation and impairment

Opening balance as at 1 July 2016

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation

Impairment adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2017

Total written down value as at 30 June 2017

Range of estimated useful life in years

Additions comprise:

Infrastructure Renewals

Other additions

Total additions

Note	Furniture & Fittings	Buildings	Plant & Equipment	Infrastructure assets - Water	Infrastructure assets - Sewerage	Infrastructure assets - Other	Work in Progress	Total
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$
	676,500	62,342,338	5,399,710	8,380,613	10,905,705	61,883,693	147,096	149,735,656
	-	5,848	279,230	-	-	5,452,788	498,059	6,235,925
7	-	-	(67,500)	-	-	-	-	(67,500)
	-	1,442,555	-	167,612	218,114	1,856,511	-	3,684,793
7	-	(5,848)	-	-	-	(1,558,855)	-	(1,564,703)
	-	-	-	-	-	147,096	(147,096)	-
	676,500	63,784,893	5,611,440	8,548,225	11,123,819	67,781,233	498,059	158,024,169
	540,923	29,758,771	2,543,164	3,618,292	1,626,260	10,380,388	-	48,467,798
	32,748	3,055,731	431,698	163,677	203,063	653,738	-	4,540,654
7	-	-	(37,708)	-	-	-	-	(37,708)
	-	763,482	-	75,639	36,586	331,024	-	1,206,732
	-	-	-	-	-	3,844,249	-	3,844,249
	573,671	33,577,984	2,937,154	3,857,608	1,865,909	15,209,399	-	58,021,725
	102,829	30,206,909	2,674,286	4,690,617	9,257,910	52,571,834	498,059	100,002,445
	3 - 5	20 - 60	5 - 15	15 - 70	20 - 70	15 - 100	-	
	\$	\$	\$	\$	\$	\$	\$	\$
	-	5,848	-	-	-	4,076,232	-	4,082,080
	-	-	279,230	-	-	1,523,652	350,963	2,153,846
	-	5,848	279,230	-	-	5,599,884	350,963	6,235,925

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

12 Property, plant and equipment
30 June 2016

Basis of measurement

Asset values

Opening gross value as at 1 July 2015

Additions

Disposals

Revaluation adjustment to asset revaluation

Capital write off

Closing gross value as at 30 June 2016

Accumulated depreciation and impairment

Opening balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation

Accumulated depreciation as at 30 June 2016

Total written down value as at 30 June 2016

Range of estimated useful life in years

Additions comprise:

Infrastructure Renewals

Other additions

Total additions

Note	Furniture & Fittings	Buildings	Plant & Equipment	Infrastructure assets - Water	Infrastructure assets - Sewerage	Infrastructure assets - Other	Leasehold Improvement	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	676,500	60,132,100	5,920,708	6,804,500	11,278,200	51,249,357	99,994	-	136,161,359
	-	1,814,791	538,702	2,700,310	37,336	4,397,407	-	147,096	9,635,642
7	-	(887,300)	(1,059,700)	(1,025,200)	-	(50,600)	(99,994)	-	(3,122,794)
	-	1,282,747	-	(98,997)	(372,495)	8,508,757	-	-	9,320,012
7	-	-	-	-	(37,336)	(2,221,228)	-	-	(2,258,564)
	676,500	62,342,338	5,399,710	8,380,613	10,905,705	61,863,693	-	147,096	149,735,656
	464,219	24,885,230	2,763,596	3,841,548	1,426,939	10,134,743	-	-	43,516,275
	76,704	1,935,654	473,193	157,589	203,584	672,559	-	-	3,519,283
7	-	(129,424)	(693,625)	(475,944)	-	(11,638)	-	-	(1,310,631)
	-	3,067,311	-	95,099	(4,263)	(415,276)	-	-	2,742,871
	540,923	29,758,771	2,543,164	3,618,292	1,626,260	10,380,388	-	-	48,467,798
	135,577	32,583,567	2,856,546	4,762,321	9,279,445	51,503,305	-	147,096	101,267,857
	3 - 5	20 - 60	5 - 15	15 - 70	20 - 70	15 - 100	-	-	-
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	-	2,700,310	37,336	2,221,228	-	-	4,958,874
	-	1,814,791	538,702	-	-	2,176,179	-	147,096	4,676,768
	-	1,814,791	538,702	2,700,310	37,336	4,397,407	-	147,096	9,635,642

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

12 Property, plant and equipment (Continued)

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Acquisition of assets

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

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

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

Valuation

Buildings, Water, Sewerage and other infrastructure are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant & Equipment* and AASB 13 *Fair Value Measurement*. Plant & Equipment, Furniture & Fittings and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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

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

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

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.

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

Details of valuers and methods of valuations are disclosed in Note 13.

Capital work in progress

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

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

12 Property, plant and equipment (Continued)

Depreciation

Depreciation on property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in the table in Note 12.

Deed of Grant in Trust Land

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 34I of the Land Act 1994. It comprises an area of approximately 466,000 hectares.

The land is administered by the Department of the Environment and Resource Management and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

Impairment of non-current assets

Each non-current physical assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Asset revaluation surplus

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

Increases and decreases on revaluation are offset within a class of assets.

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

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus. Refer to Note 16 for further details.

Pompuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Fair Value Measurements

(i) Recognised fair value measurements

In accordance with AASB 13 fair value measurements are categorised on the following basis:

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

There were no transfers between categories during the year (2016: none).

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

13 Fair Value Measurements (Continued)

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

Specific valuation techniques used to value Council assets comprise:

Buildings (level 3)

The fair value of buildings was derived from a comprehensive valuation exercise performed independently by AssetVal Pty Ltd, registered valuers as at 30 June 2016. A desktop valuation has been performed by AssetVal for the year ended 30 June 2017.

There is no market for Council's buildings as these assets are of a specialist nature and there is no active market as they are held to provide essential services to the community. For the purpose of assessing the fair value for financial reporting purposes value has been determined primarily by using the current replacement cost methodology. This involved determining a replacement cost for the asset and making an assessment on the condition, age and remaining life of the asset.

Replacement costs have been determined by using Rawlinsons 2016 Australian Construction Handbook. Where buildings in the Pompuraaw Shire have been recently constructed, and this information has been made available, this has also been taken into consideration.

Considerations in the calculations have been the type and the size of the structure, construction materials used, level of finish, fixtures installed within, and the location of the asset. As the subject structures are located in a regional area, somewhat removed from the nearest provincial city of Cairns, and far removed from Queensland's capital city of Brisbane, a cost increase over and above that applicable to the nearest provincial city or in relation to Brisbane Cost Index is necessary to account for the increase in replacement cost due to transportation of labour and materials from the nearest supply centre and also the cost of housing specialised labour and contractors necessary for the construction work.

To accurately assess the value of the properties, the valuer carried out an inspection of the assets, where possible. The general condition and total life expectancy for the buildings have been established as a result of the inspections carried out.

Buildings were assessed by AssetVal Pty Ltd by analysing data which has been derived from information from Rawlinsons Australian Construction Handbook 2017, Costweb 2017 and the Australian Bureau of Statistics 2017.

The indexation assessment for Residential Buildings was based on inputs from producer price data, construction indices and recent construction cost guides. These were analysed by determining the movement between 1 July 2016 and 30 June 2017 and include the Residential, and Other Residential categories from Costweb, together with the regional building price index for all construction from Rawlinsons' Australian Construction Handbook. Research has shown an overall movement of 3.9% according to Rawlinsons' Australian Construction Handbook, 2.1% according to Costweb and 3.5% according to the Australian Bureau of Statistics non-residential construction indices. Further analysis of this data and cross-referencing with shires that reflect similar characteristics to Pompuraaw have resulted in an increase of 2.5%.

The indexation assessment for Commercial Buildings was based on inputs from producer price data, construction indices and recent construction cost guides. These were analysed by determining the movement between 1 July 2016 and 30 June 2017 and include building types such as Child Care Centres, Offices, Car Parks and Commercial Warehousing from Costweb, together with the regional building price index for all construction from Rawlinsons' Australian Construction Handbook. Research has shown an overall movement of 3.9% according to Rawlinsons' Australian Construction Handbook, 2.1% according to Costweb and 4.8% according to the Australian Bureau of Statistics non-residential construction indices. Further analysis of this data and cross-referencing with shires that reflect similar characteristics to Pompuraaw result in an increase of 2.0%.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Fair Value Measurements (Continued)

Condition codes

Condition Scale	Description of asset condition	Percentage of life remaining
1	Brand new or rehabilitated to new with no visible deterioration.	100 - 80%
2	Excellent overall condition early stages of deterioration.	80 - 60%
3	Fair overall condition, obvious deterioration, some serviceability loss.	60 - 40%
4	Poor overall condition, obvious deterioration, some serviceability loss, high maintenance costs.	40 - 20%
5	Extremely poor condition, severe serviceability problems. Renewal required immediately.	60%

Infrastructure (level 3)

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

CRC was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the council's planning horizon.

The fair value of infrastructure was derived from a comprehensive valuation exercise performed independently by AssetVal Pty Ltd, registered valuers as at 30 June 2016. A desktop valuation has been performed by AssetVal for the year ended 30 June 2017.

There is no market for Council's water and sewerage assets and other infrastructure assets (including roads) as these are held to provide essential services to the community. For the purpose of assessing the fair value for financial reporting purposes value has been determined primarily by using the current replacement cost methodology. Considerations in the calculations have been the type and the size of the individual infrastructure assets, construction materials used, level of finish, fixtures installed within, and the location of the assets. As the subject assets are located in a regional area, somewhat removed from the nearest provincial city of Cairns, and far removed from Queensland's capital city of Brisbane, a cost increase over and above that applicable to the nearest provincial city or in relation to a Brisbane Cost Index is necessary to account for the increase in replacement cost due to transportation of labour and materials from the nearest supply centre, and also the cost of specialised labour and contractors necessary for the construction work.

In relation to the assessment of the estimation of the remaining useful life of each structure it is considered that the calculations should be done on the basis of the overall structure, with individual elemental depreciation figures being acceptable and included where considered appropriate. This is due to the nature of the structures whereby it is considered that the different identifiable construction elements making up the total structure would not depreciate at the same rate per annum or have the same overall total life expectancy.

When considering the estimated remaining life of each of the assets, consideration has been given to the construction; present age; condition; serviceability; climate conditions, and present and potential utilisation. Investigations have been made into the lifespan of the infrastructure assets to better understand the factors influencing sustainable physical, functional and economic asset life-expectancy. This has been combined with general information collated by AssetVal.

To accurately assess the value of the infrastructure assets, the valuer carried out an inspection of the assets (where practical), calculated the size of each asset, and recorded structural details. The general condition and total life expectancy for the infrastructure assets have also been established as a result of the inspections carried out.

Reference asset replacement costs for the water and sewerage and other infrastructure assets have been compiled by reference to actual costs incurred for some of the subject assets, for similar asset improvements constructed within the North Queensland Region, and also supported by reference to available data prepared and provided by construction cost consultants and quantity surveyors. Costs have been indexed to account for the location of the subject properties being away from the major supply centres or due to being in a different location to some of the other assets recently constructed.

Current replacement cost for water and sewerage was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Certain items of water and sewerage infrastructure which have only recently been constructed were valued directly relative to actual construction costs.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

13 Fair Value Measurements (Continued)

Consistent with roads, it is assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.

The Water and Sewerage Assets were assessed by applying a composite civil index. This is developed by combining the Road and Bridge Index, the Engineering Design and Management Index and the Concrete Product Manufacturing Index. The weighting of each index is based on an estimated project cost breakdown at 40%, 30% and 30% respectively.

The Road Assets were assessed by applying a Road and Bridge Index. This has been developed by assessing the Australian Bureau of Statistics Road and Bridge Queensland Construction Index.

Based on advice from AssetVal, Council has adopted a 3.0% increase in road and bridge assets and a 2.0% increase for water and sewerage assets.

Finance lease assets (Level 3)

These assets relate to the housing leases in place to the Queensland Government for 40 years. Whilst the lease payment amounts are documented in the lease agreements (level 2), the calculation of the fair value of these assets is at the net present value incorporating an average annual CPI increase and discount rate which are both unobservable inputs (level 3). It is considered that these other inputs are significant to the valuation therefore overall valuation has been classified as level 3.

Finance leases are recognised at the present value of the expected future lease payments receivable (fair value). Council's current policy for the valuation of finance leases is set out in note 11.

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

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

(iv) Valuation processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer and Finance Officer. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment (recurring fair value measurements) is set out in note 12. Non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
14 Trade and other payables			
Current			
Creditors and accruals		1,988,803	869,192
Annual leave		265,892	237,712
		<u>2,254,695</u>	<u>1,106,904</u>
Non-current			
Security Deposit Held		5,100	5,100
		<u>5,100</u>	<u>5,100</u>

The following table sets out the liquidity risk in relation to financial liabilities held by the Council.

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2017					
Trade and other payables	1,988,803	-	5,100	1,993,903	1,993,903
	<u>1,988,803</u>	<u>-</u>	<u>5,100</u>	<u>1,993,903</u>	<u>1,993,903</u>
2016					
Trade and other payables	869,192	-	5,100	874,292	874,292
	<u>869,192</u>	<u>-</u>	<u>5,100</u>	<u>874,292</u>	<u>874,292</u>

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price net of applicable discounts other than contingent discounts. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits detailed below.

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and include related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values, if considered material. As council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability. This liability represents an accrued expense and is reported as a payable.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
15 Provisions			
Current			
Long service leave		193,734	103,692
		<u>193,734</u>	<u>103,692</u>
Non-current			
Long service leave		87,726	69,671
		<u>87,726</u>	<u>69,671</u>

A liability for long service leave is measured as 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 value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value.

Where employees have met the prerequisite length of service and council does not have an unconditional right to defer this liability beyond 12 months, long service leave is classified as a current liability. Otherwise it is classified as non-current.

16 Asset revaluation surplus

The closing balance of the asset revaluation surplus comprises the

Furniture & Fittings	434,944	434,944
Buildings	32,484,160	31,805,087
Infrastructure assets - Other	48,134,001	50,452,763
Infrastructure assets - Water	1,205,603	1,113,630
Infrastructure assets - Sewerage	1,500,926	1,319,398
Plant & equipment	2,222,905	2,222,905
	<u>85,982,539</u>	<u>87,348,727</u>

17 Commitments for expenditure

Operating leases

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

Within one year	29,201	28,350
One to five years	17,328	46,529
	<u>46,529</u>	<u>74,879</u>

There were no contractual commitments at balance date not recognised in the financial statements.

18 Contingent liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Local Government Mutual

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

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

19 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has three elements referred to as:

- The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund;
- The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
- The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date, the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 72 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 councils. Pormpuraaw Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

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

	Note	2017 \$	2016 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5	348,820	399,807

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees.

Pompuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
20 Operating lease income			
Not later than one year		71,000	74,467
One to five years		3,200	68,200
Later than five years		24,800	25,600
		<u>99,000</u>	<u>168,267</u>

The Council leases out a number of commercial buildings and offices to third parties.

21 Trust funds

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

10	10
<u>10</u>	<u>10</u>

The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

22 Reconciliation of net result for the year to net cash inflow (outflow)

Net result	5,657,178	4,177,171
Non-cash items:		
Depreciation	4,540,654	3,519,283
Impairment of debts	(50,279)	(17,842)
Non cash grants	-	(4,300,860)
Loss/(Gain) on revaluation of finance leases	155,089	(492,318)
	<u>4,645,464</u>	<u>(1,291,737)</u>
Investing and development activities:		
Net (profit)/loss on disposal of non-current assets	1,576,767	3,947,199
Capital grants and contributions	(5,764,199)	(3,857,979)
	<u>(4,187,431)</u>	<u>89,220</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	516,121	910,570
(Increase)/decrease in prepayment	(28,280)	652
(Increase)/decrease in bond	-	(3,133)
(Increase)/decrease in inventory	1,799	76,935
Increase/(decrease) in payables	1,147,791	(32,164)
Increase/(decrease) in other provisions	108,097	44,656
	<u>1,745,528</u>	<u>997,515</u>
Net cash inflow from operating activities	<u>7,860,738</u>	<u>3,972,169</u>

23 Events after the reporting period

There were no material adjusting events after the balance date.

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2016/17 comprises:

	2017
	\$
Short-term employee benefits	864,901
Post-employment benefits	95,978
Long-term benefits	19,999.26
Termination benefits	-
Total	980,878

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with 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:

Details of Transaction	Additional information	2017
		\$
Sales revenue received on behalf of entities controlled by KMP	39(b)(iv)	103,644
Rental income charged to entities controlled by KMP	39(b)(i)	63,377
Sale of goods & services to related parties	39(b)(i)	29,896
Cash receipt from entity controlled by KMP	39(b)(v)	50,000
Bank payment to entity controlled by KMP	39(b)(v)	50,000
Expenditure paid on behalf of entities controlled by KMP	39(b)(iv)	69,011
Purchase of material and services to close family members and entities controlled by KMP	39(b)(iii)	3,459
Employee expenses for close family members of key management personnel	39(b)(ii)	580,450

(i) Rental income and sales income charged to entities controlled by key management personnel and related parties were on an arm's length basis in accordance with the lease agreement or the terms of the sale.

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

The council employs 83 staff of which only 11 are close family members of key management personnel.

(iii) The Council purchased material and services from a related party of members of key management personnel. All purchases were at arm's length and were in the normal course of council operations.

(iv) Council has received sales income from cattle sales and incurred expenditure on behalf of the cattle station, Ngokal Weendi throughout the year. As at 30 June a liability has been recognised to reflect the surplus income received over the expenditure incurred.

Ngokal Weendi is a cattle company operating out of the Pormpuraaw Community. It is a separate legal entity from Council. Throughout the reporting period and up to the date of management certification, there is no board in place and the entity has no bank account. The cattle sales are arranged by a third party with the proceeds of the sales due to Ngokal Weendi paid to Council until such time that the entity has an operational Board and a bank account. A Council KMP is currently acting in the role of Secretary.

On the basis of the arrangements detailed above, Council has included the entity as a related party and full disclosure of the transactions and balances has been made.

Pompuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

24 Transactions with related parties

(v) Community Enterprise Queensland operate the retail store in Pompuraaw. A KMP of Council is currently on the Board of CEQ.

During the year Council obtained cash from CEQ in order to stock the ATM and post office cash. This was due to a one off cash shortage in the Community and necessary due to the remote location of Pompuraaw. The transaction was made on the terms that the funds would be repaid via bank transfer immediately. A bank transfer was made from Council within seven days to repay the entity.

(c) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Amounts owed by KMP	Amounts owed by entities controlled by KMP	Amounts owed by close family member of KMP
Not past due	-	\$10,610	\$400
Past due 31-60 days	-	\$12,213	\$200
Total Owning	\$0	\$22,823	\$600

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

Payables	Amounts owed to KMP	Amounts owed to entities controlled by KMP	Amounts owed to close family member of KMP
Not past due	-	\$34,633	-
Total Owning	\$0	\$34,633	\$0

(d) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(e) Commitments to/from other related parties

Council does not have any commitments to/from related parties.

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

The majority of the entities and people that are related parties of Council live and operate within the Pompuraaw community. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. The payment by community residents of utility charges, fees and charges and rental charges are considered to be an ordinary citizen transaction.

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

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

25 Tied Grants by Project

	Balance 1/07/2016 \$	Revenue \$	Council Contribution \$	Expense \$	Balance 30/06/2017 \$
Commonwealth Government Grants					
Department of Infrastructure & Regional Development					
<i>Roads to Recovery</i>	(5,761)	599,915	5,761	(599,915)	-
<i>RAAP - Remote Airstrip Upgrade</i>	-	-	-	-	-
Total	(5,761)	599,915	5,761	(599,915)	-
Department of Social Services					
<i>Consumer Directed Care Packages</i>	-	382,663	-	(375,838)	6,825
<i>CHSP Home Support Programme (HACC)</i>	20,254	282,881	-	(294,306)	8,830
Total	20,254	665,544	-	(670,144)	15,655
Department of Health					
<i>National Jobs Package - Aged Care</i>	116,098	490,076	-	(444,567)	161,607
Total	116,098	490,076	-	(444,567)	161,607
Department of Human Services					
<i>Centrelink Agent</i>	-	45,088	-	(45,088)	-
Total	-	45,088	-	(45,088)	-
Department of the Prime Minister & Cabinet					
<i>IAS - National Reconciliation Week</i>	-	5,000	-	(5,000)	-
<i>RASP - PASC Hub Rebuild</i>	-	740,000	-	-	740,000
Total	-	745,000	-	(5,000)	740,000
Total - Commonwealth Govt Grants	130,591	2,545,622	5,761	(1,764,713)	917,262
State Government Grants					
Department of Environment & Heritage Protection					
<i>QIL&S Ranger Program</i>	22,570	695,060	-	(659,522)	58,108
Total	22,570	695,060	-	(659,522)	58,108
Department of Emergency Services					
<i>State Emergency Services</i>	-	13,442	-	(13,442)	-
Total	-	13,442	-	(13,442)	-
Department of Justice					
<i>Community Justice Group</i>	40,681	61,000	-	(59,822)	41,859
Total	40,681	61,000	-	(59,822)	41,859

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

25 Tied Grants by Project

	Balance 1/07/2016	Revenue	Council Contribution	Expense	Balance 30/06/2017
	\$	\$	\$	\$	\$
State Library of Queensland					
<i>Indigenous Libraries</i>	-	22,886	17,000	(35,002)	4,884
<i>First Lego League Robotics</i>	-	1,500	-	(500)	1,000
<i>Tech Savvy Seniors</i>	10,645	-	-	(10,645)	-
Total	10,645	24,386	17,000	(46,147)	5,884
Department of Transport and Main Roads					
<i>TIDS - Access Road Design</i>	-	1,284,000	-	(2,261,797)	(977,797)
<i>CYRP Community Works Program - CIMA</i>	(16,904)	1,201,435	-	(1,185,075)	(544)
Total	(16,904)	2,485,435	-	(3,446,872)	(978,341)
Department of Health					
<i>ATSI Public Health Program</i>	-	158,786	-	(158,786)	-
Total	-	158,786	-	(158,786)	-
Queensland Reconstruction Authority					
<i>NDRRA Grant 2014</i>	(462,824)	447,061	15,763	-	-
<i>NDRRA Grant 2015</i>	(108,259)	1,362,634	-	(1,558,855)	(304,480)
<i>NDRRA Grant Emergent 2016</i>	(28,871)	28,411	-	460	-
<i>NDRRA Grant Restoration 2016</i>	(9,225)	100,743	-	3,377	94,896
Total	(609,178)	1,938,849	15,763	(1,555,018)	(209,585)
Department of State Development					
<i>Building Our Regions</i>	-	-	-	(79,688)	(79,688)
Total	-	-	-	(79,688)	(79,688)
Department of Education & Training					
<i>First Start Program</i>	-	37,500	-	(15,781)	21,719
Total	-	37,500	-	(15,781)	21,719
Department of Communities, Child Safety & Disability Services					
<i>Disability Week</i>	-	2,000	-	(2,000)	-
<i>Queensland Seniors Week</i>	1,000	-	-	(1,000)	-
Total	1,000	53,046	-	(54,046)	-
Department of Infrastructure, Local Government & Planning					
<i>Financial Assistance Grant</i>	-	2,418,178	-	(1,594,486)	823,692
<i>State Govt Financial Assistance</i>	-	1,281,740	-	(1,281,740)	-
<i>Revenue Replacement Program</i>	-	477,000	-	(477,000)	-
<i>Indigenous Employment Development</i>	-	80,000	-	(80,000)	-
<i>Get Ready Qld</i>	(684)	7,143	-	(7,177)	(718)
<i>Works for Queensland</i>	-	846,000	-	(349,011)	496,989
<i>CRF 0036 - Strathgordon Road Materials</i>	-	30,780	-	(34,921)	(4,141)
<i>NDRP 0037 - Strathgordon Road Drainage</i>	-	122,850	-	(34,439)	88,411
Total	(684)	5,263,691	-	(3,858,774)	1,404,233
Total - State Govt Grants	(551,870)	10,731,196	32,763	(9,947,899)	264,190

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

25 Tied Grants by Project

	Balance 1/07/2016 \$	Revenue \$	Council Contribution \$	Expense \$	Balance 30/06/2017 \$
Other Grant Providers					
QLD Remote Aboriginal Media Association					
BRACS	(3,750)	18,750	-	(15,000)	-
Total	(3,750)	18,750	-	(15,000)	-
Cape York Natural Resource Management					
Nest to Ocean (Turtle Program) CY148 R3	-	31,500	-	(33,826)	(2,326)
Nest to Ocean (Turtle Program) CY135 R2	(21,331)	87,500	-	(62,664)	3,504
Targeted Vertebrate Pest Program CY154	-	10,000	-	(13,200)	(3,200)
Targeted Vertebrate Pest Program CY159	-	7,000	-	(10,000)	(3,000)
Total	(21,331)	136,000	-	(119,690)	(5,021)
Total Other Grant Providers	(25,081)	154,750	-	(134,690)	(5,021)
Total Grants	(446,360)	13,431,568	38,525	(11,847,303)	1,176,431
Add back negative (unclaimed) grant balances					1,375,894
Unspent grant revenue					2,552,324
Recurrent		7,694,929		Recurrent	2,457,429
Capital		5,764,199		Capital	94,896
Per Note 4		13,459,127		Total	2,552,324
Less: Subsidies not included		(27,560)			
		13,431,568			

Pormpuraaw Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2017

Management Certificate
For the year ended 30 June 2017

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.

For

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, 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
Ralph Kendall

Date: 18, 9, 17



Chief Executive Officer
Edward Natera

Date: 18, 9, 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Pormpuraaw Aboriginal Shire Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of Pormpuraaw Aboriginal Shire Council

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, 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 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended 30 June 2017, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other Information

Other information comprises the information included in Pormpuraaw Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the Current Year Financial Sustainability Statement and the Long-Term Financial Sustainability Statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the *Local Government Regulation 2012*, I have expressed a separate audit 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 approved by the Councillors and, in doing so, consider whether the other information is materially

inconsistent with the financial report or my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the council for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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




C G STRICKLAND CA
as Delegate of the Auditor-General

Queensland Audit Office
Brisbane

Pormpuraaw Aboriginal Shire Council
Financial Statements
For the year ended 30 June 2017

Measures of Financial Sustainability

- 1 Current Year Financial Sustainability Statement
- 2 Current Year Certificate of Accuracy
- 3 Independent Auditors Report (Current Year Financial Sustainability Statement)
- 4 Long Term Financial Sustainability Statement
- 5 Long Term Certificate of Accuracy

Pormpuraaw Aboriginal Shire Council
Current Year Financial Sustainability Statement
For the year ended 30 June 2017

Measures of Financial Sustainability

Council's performance at 30 June 2017 against key financial ratios and targets:

	How the measure is calculated	Actual - Council	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	11%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	100%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-123%	not greater than 60%

For the year ended 30 June 2017

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 2017.

Pormpuraaw Aboriginal Shire Council
Current Year Certificate of Accuracy
For the year ended 30 June 2017

Certificate of Accuracy
For the year ended 30 June 2017

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
Ralph Kendall

Date: 18, 9, 17



Chief Executive Officer
Edward Natera

Date: 18, 9, 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Pormpuraaw Aboriginal Shire Council

Opinion

I have audited the accompanying current year financial sustainability statement of Pormpuraaw Aboriginal Shire Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Pormpuraaw Aboriginal Shire Council for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Pormpuraaw Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the Current Year Financial Sustainability Statement and my auditor's report thereon. At the date of this auditor's report, the other information prepared and approved by the Councillors was the general purpose financial statements and the Long-Term Financial Sustainability Statement.

My opinion on the Current Year Financial Sustainability Statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the *Local Government Regulation 2012*, I have expressed a separate audit opinion on the general purpose financial report.

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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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

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




C G STRICKLAND CA
as Delegate of the Auditor-General

Queensland Audit Office
Brisbane

Pormpuraaw Aboriginal Shire Council
Long Term Financial Sustainability Statement
For the year ended 30 June 2017

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2017	Projected for the years ended							
				30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	11%	-17%	-8%	-6%	-6%	-6%	-6%	-6%	-6%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	100%	97%	96%	88%	82%	80%	79%	78%	77%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-123%	-155%	-148%	-135%	-148%	-164%	-181%	-197%	-213%

For the year ended 30 June 2017

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.


The future operating position is continuously addressed by Council during and strategies are being considered to reduce expenditure where possible and seek alternative sources of revenue in future years.

Pormpuraaw Aboriginal Shire Council
Long Term Certificate of Accuracy
For the year ended 30 June 2017


Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2017

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
Ralph Kendall
Date: 18, 9, 17



Chief Executive Officer
Edward Natera
Date: 18, 9, 17