

**Pormpuraaw Aboriginal Shire Council**  
**Financial Statements**  
**For the year ended 30 June 2020**



**Pormpuraaw Aboriginal Shire Council**  
**Financial Statements**  
For the year ended 30 June 2020

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**Pormpuraaw Aboriginal Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2020

	2020	2019
Note	\$	\$
<b>Income</b>		
<b>Revenue</b>		
<b>Recurrent revenue</b>		
Levies and charges	3(a) 317,810	384,349
Fees and charges	3(b) 432,764	437,491
Rental income	14 1,040,560	1,153,602
Interest received	446,311	657,868
Sales revenue	3(c) 6,708,862	5,445,485
Other income	3(d) 781,263	2,416,662
Grants, subsidies, contributions and donations	3(e) 6,421,203	7,506,057
	<u>16,148,773</u>	<u>18,001,514</u>
<b>Capital revenue</b>		
Grants, subsidies, contributions and donations	3(e) 5,181,683	3,583,356
<b>Total revenue</b>	<u>21,330,456</u>	<u>21,584,870</u>
<b>Total income</b>	<u>21,330,456</u>	<u>21,584,870</u>
<b>Expenses</b>		
<b>Recurrent expenses</b>		
Employee benefits	4 (3,685,911)	(3,603,671)
Materials and services	5 (7,232,836)	(6,501,273)
Finance costs	(43,452)	(55,804)
Depreciation and amortisation		
Property, plant and equipment	11 (5,455,938)	(4,795,575)
Other expenses	16 (7,082)	(50,690)
	<u>(16,425,219)</u>	<u>(15,007,013)</u>
<b>Capital expenses</b>	6 -	(583,771)
<b>Total expenses</b>	<u>(16,425,219)</u>	<u>(15,590,784)</u>
<b>Net result</b>	<u>4,905,237</u>	<u>5,994,087</u>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to net result</b>		
Increase/(decrease) in asset revaluation surplus	17 992,674	7,089,491
<b>Total other comprehensive income for the year</b>	<u>992,674</u>	<u>7,089,491</u>
<b>Total comprehensive income for the year</b>	<u>5,897,911</u>	<u>13,083,578</u>

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

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

**Pormpuraaw Aboriginal Shire Council**  
**Statement of Financial Position**  
As at 30 June 2020

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Current assets</b>			
Cash and cash equivalents	7	33,188,571	26,552,602
Receivables	8	827,320	1,469,399
Inventories	9	347,734	436,146
Contract assets	13	207,494	-
Other assets	10	54,899	21,130
Other financial assets	14	400,183	392,960
<b>Total current assets</b>		<b>35,026,201</b>	<b>28,872,237</b>
<b>Non-current assets</b>			
Property, plant and equipment	11	119,404,429	117,213,890
Other financial assets	14	12,521,959	12,147,804
<b>Total non-current assets</b>		<b>131,926,388</b>	<b>129,361,694</b>
<b>Total assets</b>		<b>166,952,589</b>	<b>158,233,931</b>
<b>Current liabilities</b>			
Payables	15	2,185,388	1,784,692
Contract liabilities	13	2,534,497	-
Provisions	16	243,556	222,486
<b>Total current liabilities</b>		<b>4,963,441</b>	<b>2,007,178</b>
<b>Non-current liabilities</b>			
Provisions	16	258,877	225,137
<b>Total non-current liabilities</b>		<b>258,877</b>	<b>225,137</b>
<b>Total liabilities</b>		<b>5,222,318</b>	<b>2,232,315</b>
<b>Net community assets</b>		<b>161,730,271</b>	<b>156,001,616</b>
<b>Community equity</b>			
Asset revaluation surplus	17	99,163,582	98,170,908
Retained surplus		62,566,689	57,830,708
<b>Total community equity</b>		<b>161,730,271</b>	<b>156,001,616</b>

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

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

**Pormpuraaw Aboriginal Shire Council**  
**Statement of Changes in Equity**  
For the year ended 30 June 2020

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
<b>Balance as at 1 July 2019</b>	98,170,908	57,830,708	156,001,616
Adjustment on initial application of AASB 15 / AASB 1058	23	(169,256)	(169,256)
Restated balance at 1 July 2019	<u>98,170,908</u>	<u>57,661,452</u>	<u>155,832,360</u>
Net result	-	4,905,237	4,905,237
Other comprehensive income for the year			
Increase in asset revaluation surplus	992,674	-	992,674
<b>Total comprehensive income for the year</b>	<u>992,674</u>	<u>4,905,237</u>	<u>5,897,911</u>
<b>Balance as at 30 June 2020</b>	<u><u>99,163,582</u></u>	<u><u>62,566,689</u></u>	<u><u>161,730,271</u></u>
<b>Balance as at 1 July 2018</b>	91,081,417	51,836,621	142,918,038
Net result	-	5,994,087	5,994,087
Other comprehensive income for the year			
Increase in asset revaluation surplus	7,089,491	-	7,089,491
<b>Total comprehensive income for the year</b>	<u>7,089,491</u>	<u>5,994,087</u>	<u>13,083,578</u>
<b>Balance as at 30 June 2019</b>	<u><u>98,170,908</u></u>	<u><u>57,830,708</u></u>	<u><u>156,001,616</u></u>

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

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

**Pormpuraaw Aboriginal Shire Council**  
**Statement of Cash Flows**  
For the year ended 30 June 2020

	<b>Note</b>	<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		11,372,752	5,464,401
Payments to suppliers and employees		<u>(11,565,685)</u>	<u>(10,431,463)</u>
		(192,933)	(4,967,062)
Interest received		446,311	657,868
Rental income		1,040,560	1,153,602
Non capital grants and contributions		<u>6,421,203</u>	<u>7,506,057</u>
<b>Net cash inflow/(outflow) from operating activities</b>	<b>22</b>	<u><u>7,715,141</u></u>	<u><u>4,350,465</u></u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(5,521,949)	(4,514,986)
Finance lease receipts	14	392,951	386,178
Grants, subsidies, contributions and donations		<u>4,049,826</u>	<u>3,583,356</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u><u>(1,079,172)</u></u>	<u><u>(545,452)</u></u>
<b>Net increase (decrease) in cash and cash equivalent held</b>		<u><u>6,635,969</u></u>	<u><u>3,805,013</u></u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		26,552,602	22,747,589
<b>Cash and cash equivalents at end of the financial year</b>	<b>7</b>	<u><u>33,188,571</u></u>	<u><u>26,552,602</u></u>

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

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

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**1 Significant accounting policies**

**1.A Basis of preparation**

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

The general purpose financial statements are for the period 1 July 2019 to 30 June 2020. They are prepared in accordance with the Local Government Act 2009 and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under historical cost convention except for the revaluation of certain classes of property, plant and equipment.

**1.B New and revised Accounting Standards adopted during the year**

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

Refer to the change in accounting policy Note 22 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of NFP Entities* and AASB 16 *Leases*.

**1.C Standards issued by the AASB not yet effective**

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for Council then further information has been provided in this note.

The following list identifies the new Australian Accounting Standards that were issued but not yet effective at the time of preparing these financial statements that could be applicable to Council.

**Effective for NFP  
annual report  
periods beginning  
on or after:**

AASB 1059 *Service Concession Arrangements: Grantors*

1 January 2020

**1.D Estimates and judgements**

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

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 11 and Note 12

Impairment of property, plant and equipment - Note 11

Valuation of financial assets - Note 14

Contract assets and liabilities - Note 13

Provisions - Note 16

Contingent liabilities - Note 19

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**1 Significant accounting policies**

**1.E Rounding and comparatives**

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

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

**1.F 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 7)

Receivables - measured at amortised cost (Note 8)

Other financial assets - measured at fair value (Note 14)

Financial liabilities

Payables - measured at amortised cost (Note 15)

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

**1.G Taxation**

Income of local authorities and public authorities is exempt from Commonwealth taxation. Council is subject to 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 2020

**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 :

**Community Services – 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 2020

**2 Analysis of results by function**

**2 (a) Components of Council functions (continued)**

**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.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**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 2020

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							
	\$	\$	\$	\$							
Community Services	1,440,880	203,408	224,203	-	1,868,492	(1,376,493)	-	267,796	\$	5,163,005	
Built Environment	98,903	6,340,133	4,957,480	-	11,396,516	(11,508,519)	-	(5,069,483)	(112,003)	88,188,339	
Natural Environment	930,336	278,133	-	-	1,208,469	(1,090,674)	-	117,794	117,794	19,847,935	
Economy	-	1,613,937	-	-	1,613,937	(1,805,329)	-	(191,392)	(191,392)	17,634,187	
Organisation	3,951,083	1,291,959	-	-	5,243,042	(644,204)	-	4,598,839	4,598,839	36,119,123	
<b>Total</b>	<b>6,421,203</b>	<b>9,727,570</b>	<b>5,181,683</b>	<b>-</b>	<b>21,330,456</b>	<b>(16,425,219)</b>	<b>-</b>	<b>(276,446)</b>	<b>4,905,237</b>	<b>166,952,589</b>	

Year ended 30 June 2019

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							
	\$	\$	\$	\$							
Community Services	1,372,646	102,932	40,000	1,028,950	2,544,528	(1,549,701)	(34,936)	(74,123)	\$	3,502,092	
Built Environment	1,275,594	5,005,085	1,882,481	453,625	8,616,784	(9,428,915)	(231,731)	(3,148,237)	(1,043,862)	88,707,300	
Natural Environment	934,156	647,619	-	-	1,581,775	(1,802,673)	(284,853)	(220,897)	(505,751)	19,331,102	
Economy	-	1,591,580	-	178,300	1,769,880	(1,461,393)	(32,251)	130,187	276,235	17,513,929	
Organisation	3,923,662	3,148,240	-	-	7,071,902	(764,334)	-	6,307,570	6,307,569	29,179,506	
<b>Total</b>	<b>7,506,057</b>	<b>10,495,456</b>	<b>1,922,481</b>	<b>1,660,875</b>	<b>21,584,869</b>	<b>(15,007,016)</b>	<b>(583,771)</b>	<b>2,994,497</b>	<b>5,994,087</b>	<b>158,233,931</b>	

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

	Note	AASB 15 \$	AASB 1058 \$
<b>3 Revenue</b>			
<b>Revenue recognised at a point in time</b>			
Levies and charges	3(a)	-	317,810
Fees and charges	3(b)	164,998	155,000
Grants, subsidies, donations and contributions	3(e)	-	6,883,195
Sales revenue	3(c)	1,193,539	-
Other income	3(d)	6,935	-
		<u>1,365,472</u>	<u>7,356,005</u>
<b>Revenue recognised over time</b>			
Fees and charges	3(b)	112,768	-
Grants, subsidies, donations and contributions	3(e)	669,866	4,049,826
Sales revenue	3(c)	5,515,321	-
		<u>6,297,955</u>	<u>4,049,826</u>
<b>Total revenue</b>		<u>7,663,427</u>	<u>11,405,831</u>
		<b>2020</b>	<b>2019</b>
		<b>\$</b>	<b>\$</b>
<b>(a) Levies and charges</b>			
Service levies		<u>317,810</u>	<u>384,349</u>
		<u>317,810</u>	<u>384,349</u>

2020 accounting policy: Service levies are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid service levies are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: Service levies are recognised as revenue at the start of the rating period. If a payer pays their service levies before the start of the rating period, they are recognised as revenue when they are received.

<b>(b) Fees and charges</b>			
Fees and charges		98,807	215,158
Commissions		100,520	90,188
Other revenue		233,437	132,145
		<u>432,764</u>	<u>437,491</u>

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy: Fees and charges are recognised when council is unconditionally entitled to those funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

**Porpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

	<u>2020</u>	<u>2019</u>
	\$	\$
<b>(c) Sales revenue</b>		
<b>Sale of services</b>		
Housing maintenance	5,426,179	4,007,331
Workshop	11,082	4,133
Powercard sales	23,298	34,527
Aged care	89,142	81,924
Other	<u>197,640</u>	<u>176,908</u>
	<u>5,747,341</u>	<u>4,304,823</u>
<b>Sale of goods</b>		
Fuel	519,795	488,652
Other	<u>441,726</u>	<u>652,010</u>
	<u>961,521</u>	<u>1,140,662</u>
<b>Total sales revenue</b>	<u><u>6,708,862</u></u>	<u><u>5,445,485</u></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.

<b>(d) Other income</b>			
Gain on revaluation of financial assets	14	774,328	1,967,661
Insurance claim		<u>6,935</u>	<u>449,001</u>
		<u>781,263</u>	<u>2,416,662</u>

**(e) Grants, subsidies, contributions and donations**

<b>(i) Recurrent</b>			
State government subsidies and grants		5,244,564	6,265,895
Commonwealth government subsidies and grants		1,130,324	1,145,995
Other operating grants		21,100	48,165
Contributions		<u>25,215</u>	<u>46,002</u>
		<u>6,421,203</u>	<u>7,506,057</u>

<b>(ii) Capital</b>			
Commonwealth subsidies and grants		226,435	183,306
State Government grants		3,823,391	1,739,175
Donated Assets & Non Cash Grants		<u>1,131,857</u>	<u>1,660,875</u>
		<u>5,181,683</u>	<u>3,583,356</u>

2020 accounting policy:

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include events, disability support services, purchase of a property, plant and equipment, etc. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements, there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

	2020	2019
	\$	\$

**3 Revenue (Continued)**

Grant income under AASB 1058

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

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

**Capital grants**

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

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

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

2019 accounting policy:

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.

**(iii) 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	2,368,665	1,665,356
Non-reciprocal grants for capital expenditure	338,711	179,676
	2,707,376	1,845,033

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		3,397,821
		3,397,821

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

	Note	2020 \$	2019 \$
<b>4 Employee benefits</b>			
Total staff wages, salaries and entitlements		3,107,374	3,008,415
Councillors' remuneration		340,400	354,690
Superannuation	20	341,609	334,928
		<u>3,789,383</u>	<u>3,698,033</u>
Other employee related expenses		99,581	118,328
		<u>3,888,964</u>	<u>3,816,361</u>
Less: Capitalised employee expenses		<u>(203,053)</u>	<u>(212,690)</u>
		<u><u>3,685,911</u></u>	<u><u>3,603,671</u></u>

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

Total Council employees at the reporting date:	2020	2019
Elected members	5	5
Administration staff	23	18
Depot and outdoors staff	49	48
Total full time equivalent employees	<u>77</u>	<u>71</u>

**5 Materials and services**

	\$	\$
Cost of enterprise sales	598,587	531,022
Administration supplies and consumables	781,188	795,633
Audit of annual financial statements by the Auditor-General of Queensland*	51,500	57,500
Communications and IT	32,052	32,843
Consultants	168,266	140,708
Contractors	152,268	185,084
Grant monies repaid	-	311,630
Plant hire	29,795	34,462
Power	205,755	227,979
Repairs and maintenance	3,882,902	3,139,580
Vehicle operating costs	78,578	62,508
Insurance	506,022	373,314
Travel	10,442	19,415
Other materials and services	735,481	589,595
	<u>7,232,836</u>	<u>6,501,273</u>

\* Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$51,500 (2018-19 actual: \$57,500).

**6 Capital expenses**

Capital write off	-	(583,771)
	<u>-</u>	<u>(583,771)</u>

**7 Cash and cash equivalents**

Cash at bank and on hand	1,941,793	1,237,153
Deposits at call	31,246,778	25,315,449
Balance per Statement of Cash Flows	<u>33,188,571</u>	<u>26,552,602</u>

Cash and cash equivalents in the statement of cash flows 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 3(e) (iii).

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

	2020	2019
	\$	\$
<b>8 Receivables</b>		
Receivables and advances are amounts owed to Council at year end. They are recognised at the amounts due at the time of sale or service delivery or advance. Settlement of these amounts is required within 30 days from invoice date.		
Receivables	665,267	1,376,187
Less impairment	(1,224)	(2,997)
Accrued income	163,277	91,876
Bond	-	4,333
	<u>827,320</u>	<u>1,469,399</u>

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

The loss is recognised in finance costs. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

No interest is charged on receivables.

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

Opening balance at 1 July	2,997	1,881
Impairment Debts written off during the year	-	(10,070)
Additional impairments recognised	413	11,186
Impairments reversed	(2,186)	-
Closing Balance at 30 June	<u>1,224</u>	<u>2,997</u>

Refer also to Note 27 for further information about credit risk.

**9 Inventories**

**Inventories held for sale**

Fuel	148,357	250,409
Other trading stocks	15,512	20,743
	<u>163,869</u>	<u>271,152</u>

**Inventories held for distribution**

Plant and equipment stores	183,865	164,994
	<u>183,865</u>	<u>164,994</u>
	<u>347,734</u>	<u>436,146</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.

**10 Other assets**

Prepayments	54,899	21,130
	<u>54,899</u>	<u>21,130</u>



**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2020**

**11 Property, plant and equipment**

30 June 2020

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2019

Additions

- Renewals

- Other additions

Revaluation adjustment to asset revaluation surplus

Transfers from work in progress

Closing gross value as at 30 June 2020

Accumulated depreciation and impairment

Opening balance as at 1 July 2019

Depreciation provided in period

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2020

Total written down value as at 30 June 2020

Range of estimated useful life in years

Furniture & Fittings	Buildings	Plant & Equipment	Infrastructure assets - Water		Infrastructure assets - Sewerage		Infrastructure assets - Other		Land	Work in Progress	Total
			Fair Value Level 3	Cost Level 2 & 3	Fair Value Level 3	Cost Level 3	Fair Value Level 3	Cost Level 3			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
416,116	68,983,950	6,437,219	8,556,653	12,245,613	75,298,891	374,179	206,449	172,519,071			
-	200,555	-	-	-	815,443	-	998,160	2,014,159			
-	292,095	638,346	-	-	2,734,065	-	975,141	4,639,647			
-	1,247,725	-	67,598	99,190	375,476	4,677	-	1,794,666			
-	-	-	-	-	178,568	-	(178,568)	-			
416,116	70,724,326	7,075,565	8,624,251	12,344,803	79,402,444	378,856	2,001,182	180,967,543			
391,704	36,561,583	3,738,050	1,869,248	1,963,601	10,780,999	-	-	55,305,185			
9,292	2,460,872	541,757	178,915	213,585	2,051,517	-	-	5,455,938			
-	704,208	-	16,180	17,635	63,969	-	-	801,992			
400,996	39,726,653	4,279,807	2,064,343	2,194,821	12,896,485	-	-	61,563,114			
15,120	30,997,663	2,795,758	6,559,908	10,149,981	66,505,959	378,856	2,001,182	119,404,429			
3 - 5	15 - 40	5 - 15	5 - 80	10 - 120	10 - 100	-	-	-			

Note

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**11 Property, plant and equipment**  
**30 June 2019**

Basis of measurement Fair value category	Furniture & Fittings		Buildings		Plant & Equipment		Infrastructure assets - Water		Infrastructure assets - Sewerage		Infrastructure assets - Other		Land		Work in progress		Total
	Cost	Fair Value Level 3	Cost	Fair Value Level 3	Cost	Fair Value Level 2 & 3	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Fair Value	Fair Value	Cost	Cost		
<b>Asset values</b>																	
Opening gross value as at 1 July 2018	663,287	68,051,447	5,956,139	12,428,938	11,561,953	72,197,263											171,090,199
Additions																	
- Renewals		813,160	-	-	233,560	1,567,169									67,491		2,681,380
- Other additions		1,927,200	663,056	-	-	303,234									123,136		3,390,805
Disposals	(247,171)	(176,171)	(181,976)	(2,397,901)	(5,214)	(243,606)									-		(3,252,040)
Revaluation adjustment to asset revaluation surplus	-	(1,631,686)	-	(1,474,383)	455,314	1,279,178									-		(1,371,577)
Transfers from work in progress	-	-	-	-	-	-									(195,654)		-
Write off of work in progress	-	-	-	-	-	-									(19,696)		-
<b>Closing gross value as at 30 June 2019</b>	<b>416,116</b>	<b>68,983,950</b>	<b>6,437,219</b>	<b>8,556,653</b>	<b>12,245,613</b>	<b>75,298,891</b>	<b>374,179</b>	<b>206,449</b>	<b>172,519,071</b>								

Note

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Revaluation adjustment to asset revaluation surplus  
Transfers from work in progress  
Write off of work in progress  
**Closing gross value as at 30 June 2019**

591,469	37,509,898	3,378,541	4,162,712	2,145,326	13,851,000												61,638,946
15,155	3,100,607	482,714	178,392	229,281	789,426												4,795,575
(214,920)	(141,235)	(123,206)	(2,113,049)	(5,214)	(70,646)												(2,668,270)
-	(3,907,687)	-	(358,807)	(405,792)	(3,788,781)												(8,461,069)
391,704	36,561,583	3,738,050	1,869,248	1,963,601	10,780,999												55,305,181

7

Opening balance as at 1 July 2018  
Depreciation provided in period  
Depreciation on disposals  
Revaluation adjustment to asset revaluation surplus  
**Accumulated depreciation as at 30 June 2019**

24,412	32,422,367	2,699,169	6,687,405	10,282,011	64,517,892	374,179	206,449	117,213,890
3 - 5	15 - 40	5 - 15	5 - 80	10 - 120	10 - 100			

**Total written down value as at 30 June 2019**  
Range of estimated useful life in years

## Pormpuraaw Aboriginal Shire Council

### Notes to the Financial Statements

For the year ended 30 June 2020

#### 11 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

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

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

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

##### Valuation

Buildings, Land, 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 engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every five years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, 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.

Details of valuers and methods of valuations are disclosed in Note 12.

##### 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 2020

**11 Property, plant and equipment (Continued)**

Depreciation

Land is not depreciated as it has an unlimited useful life. 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 this note.

**Key judgments and estimates:**

Straight line depreciation is used as that is consistent with the even consumption of service potential of these assets over their useful life to the Council.

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical obsolescence that may change the utility of certain software and IT equipment.

Impairment

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

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 341 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.

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 17 for further details.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**12 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 levels of the hierarchy during the year (2019: 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.

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

**Specific valuation techniques used to value Council assets comprise:**

**Land and improvements (level 2)**

Land was acquired in the year ended 30 June 2019 and fair values were determined by reference to the market value. A desktop valuation has been performed independently by Australis Asset Advisory Group, registered valuers for the year ended 30 June 2020 with an assessment performed to ensure that material changes in the condition of assets have been captured and recorded.

Level 2 valuation inputs were used to value land. Sales prices of comparable land are adjusted for differences in key attributes such as property size, location, topography, and other inherent attributes.

**Indexation considerations**

Land indexation was reviewed with reference to the market movements. Australis Asset Advisory Group has reviewed a number of sources including the price movements in local property market during the indexation year, valuers' general published data, where available, publicly available analysis data indicating market movements (such as Real Estate Institute of Queensland, property market reports and valuer's general reports) and registered sales data. Based on the valuer's understanding of the current state of the property market and the data available, the valuer's recommendation was that an increase of 1.25% is applicable to 30 June 2020. The indexation has been adopted and applied to the land and building asset located at 28 Scott Street, Parramatta Park, Cairns.

**Buildings (level 3)**

The fair value of buildings was derived from a comprehensive valuation exercise performed independently by Australis Asset Advisory Group, registered valuers as at 30 June 2019. A desktop valuation has been performed for the year ended 30 June 2020 with an assessment performed to ensure that material changes in the condition of assets have been captured and recorded.

With the exception of the property at 28 Scott Street, Cairns, 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. The approach determines the cost to acquire or construct a substitute asset of comparable utility or service potential, adjusted for obsolescence.

The fair value for the property at Scott Street has been determined by reference to market value.

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, during the previous comprehensive valuation 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. In order to determine the remaining service potential of an asset, the Valuer undertook a Remaining service potential score (RSP score) taking into account physical deterioration, functional obsolescence and economic obsolescence.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**12 Fair value measurements (Continued)**

The RSP Score methodology adopted by Australis is detailed below:

**Condition codes**

Condition Scale	Description of asset condition	Percentage of life remaining
1	New Asset	91 - 100%
2	New or refurbished asset.	81 - 90%
3	Excellent condition, minimal deterioration noted.	71 - 80%
4	Very good condition with early stages of deterioration.	61 - 70%
5	Good condition, some signs of deterioration.	51 - 60%
6	Good to fair condition, clear signs of deterioration evident.	41 - 50%
7	Fair to Poor condition with clear deterioration. Moderate maintenance requirements.	31 - 40%
8	Poor condition, clear deterioration, high maintenance requirements. Renewal required.	21 - 30%
9	Very poor condition with severe deterioration.	11 - 20%
10	Extremely poor or failed asset. Inhabitable.	0 - 10%

Those assets identified as major assets have been componentised, particularly where the separate components have remaining lives that are materially different from one another. Componentisation has been utilised for building assets.

**Indexation considerations**

Building asset indices have been calculated by assessing any movement in replacement costs since the previous valuation. The indices have been calculated based on the analysis of the indices input from the following sources: producer price indices, building cost indices, wage index, Architectural, Engineering and Technical services index and construction costs movements (sourced from Australian Institute of Quantity Surveyors and Rawlinson's). Based on the available information, the valuer recommended a 1.75% increase in Buildings (Residential), a 1.90% increase in Buildings (Commercial) and 1.25% increase in Buildings (Cairns' office) applicable to 30 June 2020. The indices have been adopted and applied to the respective buildings assets.

**Infrastructure Assets (Level 3)**

Council infrastructure assets have been recognised at fair valued using current replacement cost. This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. This involved determining a replacement cost for the asset and making an assessment on the condition, age and remaining life of the asset. The approach determines the cost to acquire or construct a substitute asset of comparable utility or service potential, adjusted for obsolescence.

The fair value of infrastructure was derived from a comprehensive valuation exercise performed independently by Australis Asset Advisory Group, registered valuers as at 30 June 2019. A desktop valuation has been performed for the year ended 30 June 2020 with an assessment performed to ensure that material changes in the condition of assets have been captured and recorded.

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 determining the most appropriate replacement cost of an asset, the nature of the asset, the nature of available comparative cost data and the purpose of the valuation has been taken into consideration along with the application of Greenfield unit rates and project cost assumptions.

Replacement cost has been calculated with reference to unit rates by the valuers in consultation with Council. The rates have been developed from a combination of sources, cost guides, contractor rates, future works and regional information.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**12 Fair Value Measurements (Continued)**

The major steps for using the current replacement cost approach for other infrastructure assets include:

Characteristics of assets

- Assets types
- Asset hierarchy
- Componentisation; and
- Additional global factors

Input

- Useful life (UL) assessment
- Remaining service potential assessment (RSP)
- Optimised replacement cost analysis (ORC) analysis
- Output fair value measurement

The infrastructure assets to be valued were reviewed for completeness of data and verified with site inspections. As part of the valuation exercise, Australis applied componentisation, asset type and system based hierarchy, the adopted systems includes, roads, stormwater, airport and other structures.

The economic useful life was assessed based on asset hierarchy, road type segregation and componentisation. The lives were initially measured utilising historical renewal data, regional aggregated data, published failure rates and supplied data.

The remaining service potential has been measured primarily on recent physical condition data for visible assets and chronic allogical construction dates for underground or inaccessible assets. The supplied condition data was verified through a comprehensive road condition survey that consisted of a physical inspection of over 90% of roads. The physical condition score was then combined with any relevant obsolescence factors to arrive at an adopted remaining useful life.

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.

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.

The major steps for using the current replacement cost approach for water and sewerage infrastructure assets include:

Characteristics of assets

- Assets types
- Identification of systems and sub-systems
- Componentisation; and
- Additional global factors

Input

- Useful life (UL) assessment
- Remaining service potential assessment (RSP)
- Optimised replacement cost analysis (ORC) analysis
- Output fair value measurement

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.

**Indexation considerations**

Infrastructure asset indices have been calculated by assessing any movement in replacement costs since the previous valuation. Infrastructure assets indices are based on the analysis of producer price indices, import indices, wage price index, local government and construction indices, consultation with local contractors and suppliers (local adjustment factor), as well as any currency fluctuations over the subject period. The valuer has analysed and developed a number of composite index factors, which include Civil, Mechanical, Electrical and Reticulation categories. Each composite index has been combined with an Engineering and Design Management Index, and split based on a notional total project cost breakdown. Based on the available information, the valuer recommended a 0.49% increase in Airport assets, a 0.81% increase in Sewer assets, a 0.79% increase in Water assets and a 0.50% in Other infrastructure assets applicable to 30 June 2020. The indices have been adopted and applied to the respective assets.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**12 Fair Value Measurements (Continued)**

**Finance lease assets (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 14.

**(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. 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**  
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For the year ended 30 June 2020

**13 Contract balances**

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

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

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

	<b>2020</b>
	<b>\$</b>
<b>(a) Contract assets</b>	<u><u>207,494</u></u>
<b>(b) Contract liabilities</b>	
Funds received upfront to construct Council controlled assets	2,467,457
Deposits received in advance of services provided	<u>67,040</u>
	<u><u>2,534,497</u></u>
Current contract liabilities	<u>2,534,497</u>
	<u><u>2,534,497</u></u>
Revenue recognised that was included in the contract liability balance at the beginning of the year	
Funds to construct Council controlled assets	760,000
Deposits received in advance of services provided	<u>69,965</u>
	<u><u>829,965</u></u>

**(c) Significant changes in contract balances**

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

**14 Leases**

**Council as a lessee**

Council previously had a lease in place over office space which expired during the current year. The balance as at 1 July 2019 would not have been material and therefore no adjustment has been necessary on the opening balances.

**Leases at significantly below market value - Concessionary / peppercorn leases**

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

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**14 Leases (Continued)**

**Council as a lessor**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

**Finance leases**

Leases of property under which the Council as lessor transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases.

Council has leased 124 dwellings and 1 lot as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year ranged between \$2,817 and \$3,132 (\$2,800 and \$3,085 for 2018-19) and \$6,090 (\$6,000 for 2018-19) for the Pormpuraaw Women's Centre. 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 (current 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).

	Note	2020 \$	2019 \$
<b>Current</b>			
Finance leases		400,183	392,960
		<u>400,183</u>	<u>392,960</u>
<b>Non-current</b>			
Finance leases		12,521,959	12,147,804
		<u>12,521,959</u>	<u>12,147,804</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		400,183	392,960
Later than one year but not later than five years		1,600,733	1,571,840
Later than five years		11,249,809	11,439,759
		<u>13,250,725</u>	<u>13,404,559</u>
Add: Estimated contingent rent		5,958,327	7,380,643
Less: Present value adjustment		<u>(6,286,910)</u>	<u>(8,244,438)</u>
Fair value of lease payments		<u>12,922,142</u>	<u>12,540,764</u>

The fair value of lease payments are receivable as follows:

Not later than one year		400,183	392,960
Between one and two years		399,598	391,394
Between two and three years		399,011	389,835
Between three and four years		398,426	388,282
Between four and five years		397,842	386,735
Later than five years		<u>10,927,082</u>	<u>10,591,558</u>
		<u>12,922,142</u>	<u>12,540,764</u>

Movements in finance leases were as follows:

Opening balance		12,540,764	10,855,607
Add: Initial recognition of new leases		-	103,674
Less: Lease receipts		(392,951)	(386,178)
Add: Gain on revaluation	3(d)	<u>774,328</u>	<u>1,967,661</u>
Closing balance		<u>12,922,142</u>	<u>12,540,764</u>

**Pormpuraaw Aboriginal Shire Council**  
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**14 Leases (Continued)**

The calculation of fair value has included an estimate of average annual CPI increases of 2.20% (2019: 2.50%) and a discount rate of 2.35% (2019: 2.91%).

Finance leases are to the State of Queensland, represented by the Department of Housing and Public Works. 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.

*Operating leases*

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases.

Rent from Council's commercial buildings and offices is recognised as income on a periodic straight line basis over the lease term.

Property income (excluding variable lease payments not dependent on an index or rate)	\$
	<u>1,040,560</u>
	<u><u>1,040,560</u></u>

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.

As mentioned above, Council leases out a number of commercial buildings and offices to third parties. As at 30 June 2020 all lease agreements are currently being reviewed and renegotiated. There are no signed agreements in place at the year end.

<b>15 Payables</b>	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Current</b>		
Creditors and accruals	1,914,850	1,582,167
Annual leave	220,704	200,914
Others	49,834	1,611
	<u>2,185,388</u>	<u>1,784,692</u>

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.

A liability for annual leave is recognised. Short-term benefits which are expected to be wholly settled within 12 months are calculated on current wage and salary levels and include related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values, 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**  
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	2020 \$	2019 \$
<b>16 Provisions</b>		
<b>Current</b>		
Long service leave	243,556	222,486
	<u>243,556</u>	<u>222,486</u>
<b>Non-current</b>		
Landfill restoration	208,116	201,034
Long service leave	50,761	24,103
	<u>258,877</u>	<u>225,137</u>
<b>Long service leave</b>		
Balance at beginning of financial year	246,589	218,990
Long service entitlement paid	(3,981)	(26,817)
Long service leave entitlement extinguished	(18,644)	(2,266)
Long service leave entitlement arising	70,353	56,682
Balance at end of financial year	<u>294,317</u>	<u>246,589</u>
<b>Landfill restoration</b>		
Balance at end of financial year	201,034	150,344
Increase/(decrease) in provision due to change in discount rate	7,082	50,690
Balance at end of financial year	<u>208,116</u>	<u>201,034</u>

Long service leave

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 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. This liability is reported as a provision.

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 provision. Otherwise it is classified as non-current.

Landfill restoration provision

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable Council will be liable, or required, to incur costs on the cessation of use of these facilities.

The provision represents the present value of the anticipated future costs associated with the closure of landfill sites in accordance with environmental licence conditions. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for landfill sites is reviewed at least annually and updated based on the facts and circumstances available at the time.

The total projected cost of \$208,116 is expected to be incurred between 2037 and 2067. The figure excludes rehabilitating landfill cells on existing sites that are yet to be constructed or used.

**Pormpuraaw Aboriginal Shire Council**  
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	2020	2019
	\$	\$
<b>17 Asset revaluation surplus</b>		
The closing balance of the asset revaluation surplus comprises the		
Land	4,677	-
Furniture & Fittings	434,944	434,944
Buildings	36,007,871	35,464,354
Infrastructure assets - Other	57,432,118	57,120,611
Infrastructure assets - Water	300,692	249,274
Infrastructure assets - Sewerage	2,760,374	2,678,819
Plant & equipment	2,222,905	2,222,905
	<u>99,163,582</u>	<u>98,170,908</u>
<b>18 Commitments for expenditure</b>		
<b>Contractual commitments</b>		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
IT management services		
Within one year	33,067	-
One to five years	68,457	-
	<u>101,524</u>	<u>-</u>

**19 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 2020 the financial results reported an accumulated surplus and it is not anticipated any liability will arise.

**20 Superannuation**

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
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**20 Superannuation (Continued)**

No changes have been made to prescribed employer contributions which remain at 9.5% for new employees on their first year of service and 12% on the following year of service for employee assets as per legislation, and there are no known requirements to change the rate of contributions.

The next actuarial investigation is recommended to be conducted prior to 1 July 2021.

The most significant risks that may result in LGIAsuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

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

	<u>Note</u>	<u>2020</u> \$	<u>2019</u> \$
Superannuation contributions made to the Regional Defined Benefits Fund	4	341,609	334,928
Total superannuation contributions paid by Council for employees		<u>341,609</u>	<u>334,928</u>

**21 Trust funds**

	<u>2020</u> \$	<u>2019</u> \$
Trust funds held for outside parties	44,094	35,594
	<u>44,094</u>	<u>35,594</u>

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held of outside parties. The funds held in trust relate to building retention amounts and commercial lease bonds. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not brought to account in the financial statements since Council has no control over the assets.

**Pormpuraaw Aboriginal Shire Council**  
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**22 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities**

Net result	4,905,237	5,994,087
Non-cash items:		
Depreciation	5,455,938	4,795,575
Impairment of debts	(1,773)	1,116
Non cash grants	(1,131,857)	(1,660,875)
(Gain)/Loss on revaluation of finance leases	(774,328)	(1,967,661)
Opening balance adjustment	(169,256)	-
	<u>3,378,724</u>	<u>1,168,155</u>
Investing and development activities (non-cash):		
Net (profit)/loss on disposal of non-current assets	-	583,771
Loss on WIP write off	-	19,696
Capital grants and contributions	(4,049,826)	(3,583,356)
	<u>(4,049,826)</u>	<u>(2,979,889)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	643,853	(574,431)
(Increase)/decrease in inventory	88,412	(81,628)
(Increase)/decrease in contract assets	(207,494)	-
(Increase)/decrease in other assets	(33,768)	16,262
Increase/(decrease) in payables	400,696	729,620
(Increase)/decrease in contract liabilities	2,534,497	-
Increase/(decrease) in other provisions	54,810	78,289
	<u>3,481,006</u>	<u>168,112</u>
Net cash inflow from operating activities	<u>7,715,141</u>	<u>4,350,465</u>

**23 Changes in accounting policy**

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

Adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019. In relation to AASB 16, Council has not recognised right-of-use assets and lease liabilities as at 1 July 2019 for the lease previously classified as operating lease as it was not material.

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

**Revenue standards - AASB 15 and AASB 1058**

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

*Changes in accounting policy on adoption of AASB 15 and AASB 1058*

The changes in accounting policies on adoption of AASB 15 and AASB 1058 are disclosed in Note 3.

**Pormpuraaw Aboriginal Shire Council**  
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**23 Changes in accounting policy (Continued)**  
*Opening contract balances on transition at 1 July 2019*

	Balance at 1 July 2019 \$
<b>Contract assets</b>	
- Under AASB 15	660,709
<b>Total contract assets</b>	<u>660,709</u>
<b>Contract liabilities</b>	
- Under AASB 15	829,965
<b>Total contract liabilities</b>	<u>829,965</u>

*Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards*

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

*Statement of financial position at 30 June 2020*

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied \$
Contract assets	207,494	(207,494)	-
Contract liabilities - current	(2,534,497)	2,534,497	-
Retained earnings	(57,661,452)	(2,327,003)	(59,988,455)
	<u>(59,988,455)</u>	<u>-</u>	<u>(59,988,455)</u>

*Statement of comprehensive income for the year ended 30 June 2020*

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied \$
Revenue - operating and capital	11,602,886	2,157,747	13,760,633
Grants	11,602,886	2,157,747	13,760,633
	<u>11,602,886</u>	<u>2,157,747</u>	<u>13,760,633</u>

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

*Statement of cash flows for the year ended 30 June 2020*

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





**Pormpuraaw Aboriginal Shire Council**  
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**26 Transactions with related parties**

**(a) Transactions with key management personnel (KMP)**

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

KMP include the Mayor, Councillors, Council's Chief Executive Officer and executive management. The compensation paid to KMP for 2019/20 comprises:

	2020 \$	2019 \$
Short-term employee benefits	973,432	951,513
Post-employment benefits	112,810	90,363
Long-term benefits	16,214	16,045
Termination benefits	39,532	-
<b>Total</b>	<b>1,141,988</b>	<b>1,057,921</b>

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	2020 \$	2019 \$
Rental income charged to entities controlled by KMP	24(b)(i)	24,244	45,760
Sale of goods & services to related parties	24(b)(i)	89,177	16,152
Employee expenses for close family members of key management personnel	24(b)(ii)	364,814	537,359
Purchase of material and services to close family members and entities controlled by KMP	24(b)(iii)	17,405	16,793
Release of monies to entity controlled by KMP	24(b)(iv)	-	71,015
Cash receipt from entity controlled by KMP	24(b)(v)	-	60,000
Bank payment to entity controlled by KMP	24(b)(v)	-	60,000
Donations from entities controlled by KMP	24(b)(vi)	15,500	20,000
ILUA payments to entity controlled by KMP	24(b)(vii)	26,330	27,448
Other income from entities controlled by KMP	24(b)(viii)	110,000	-

(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.

Council employs 72 (66 for 2018-19) staff of which only 14 (11 for 2018-19) 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) Ngokal Weendi is a cattle company operating out of the Pormpuraaw community. It is a separate legal entity from Council. In the previous reporting period, there was no board in place and the entity had no bank account. The cattle sales were arranged by a third party with the proceeds of the sales due to Ngokal Weendi paid to Council to hold in trust, until such time that the entity had an operational board and a bank account. In August 2018, the Board of Directors was finalised and formal request for the release of trust monies was issued to Council. All trust monies were released and there have been no further transactions. 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.

**Pormpuraaw Aboriginal Shire Council**  
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**26 Transactions with related parties**

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

(vi) In 2019-20, sponsorships were received for Pormpuraaw's Cultural Festival and Bullride held from the 21st and 22nd of September 2019. All sponsorships made were on a voluntary basis.

(vii) Indigenous Land Use Agreement (ILUA) payments are to be paid as per the 'Pormpuraaw Township Community Development Land Use Agreement' that are payable to the representative body as per agreement. Under the ILUA agreement, it is the Traditional Owners Implementation Group that acts as the agent for traditional owners. One Council KMP is currently a member of the Traditional Owners Implementation Group (TOIG).

(viii) Council entered into arrangement with Jobfind Centres Australia Pty Limited trading as RISE Ventures to work together to improve the education, training and employment outcomes for job seekers in the Pormpuraaw community, in which Council receives a contribution. We note that the related KMP ceased to be a KMP after the election.

**(c) Outstanding balances**

There are no material outstanding balances at the end of the reporting period in relation to transactions with related parties.

**(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 Pormpuraaw 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**  
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**27 Financial instruments and financial risk management**

**(a) Financial assets and financial liabilities**

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

- credit risk
- liquidity risk
- market risk

**Risk management framework**

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

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

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

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

Pormpuraaw Aboriginal Shire Council does not enter into derivatives.

**Credit risk**

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

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

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

No collateral is held as security relating to the financial assets held by Pormpuraaw Aboriginal Shire Council.

The carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council.

**Cash and cash equivalents**

The Council may be exposed to credit risk through its investments in the QTC Cash Fund or other financial institutions in Australia. 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.

**Trade and other receivables**

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

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

The Council does not require collateral in respect of trade and other receivables.

Refer to Note 8 for further details.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**27 Financial instruments and financial risk management (Continued)**

A summary of the Council's exposure to credit risk for trade receivables is as follows:

	2020 Not credit- impaired	2020 Credit-impaired	2019 Not credit- impaired	2019 Credit-impaired
Not past due	696,574	-	1,328,098	-
Past due 31-60 days	48,235	-	28,958	-
Past due 61-90 days	4,261	-	9,698	-
More than 90 days	78,250	1,224	98,311	2,997
Total gross carrying amount	<u>827,320</u>	<u>1,224</u>	<u>1,465,066</u>	<u>2,997</u>
Loss allowance	-	(1,224)	-	(2,997)
	<u>827,320</u>	<u>-</u>	<u>1,465,066</u>	<u>-</u>

**Expected credit loss assessment**

The Council uses an allowance matrix to measure the expected credit losses of trade and other receivables from individual customers, which comprise a very large number of small balances. Council believes the impact to be not material due to the current impairments of the trade and other debtors balance.

Loss rates are calculated using a specific percentage method based on the probability of a receivable progressing through successive stages of delinquency to write off.

**Liquidity risk**

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

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

**Exposure to liquidity risk**

Council is exposed to liquidity risk through its normal course of business.

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

The following table sets out the liquidity risk in relation to financial liabilities held by the Council. It represents the remaining contractual cashflows of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
<b>2020</b>					
Payables	1,914,850	-	-	1,914,850	1,914,850
	<u>1,914,850</u>	<u>-</u>	<u>-</u>	<u>1,914,850</u>	<u>1,914,850</u>
<b>2019</b>					
Payables	1,582,167	-	-	1,582,167	1,582,167
	<u>1,582,167</u>	<u>-</u>	<u>-</u>	<u>1,582,167</u>	<u>1,582,167</u>

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

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**27 Financial instruments and financial risk management (Continued)**

**Market risk**

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

*Interest rate risk*

Pormpuraaw Aboriginal Shire Council is exposed to interest rate risk through investments with QTC.

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

*Sensitivity*

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect profit or loss.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount \$	Effect on Net Result		Effect on Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
<b>2020</b>					
Deposits at call	31,246,778	312,468	(312,468)	312,468	(312,468)
<b>Total</b>	<b>(31,246,778)</b>	<b>(312,468)</b>	<b>312,468</b>	<b>(312,468)</b>	<b>312,468</b>
<b>2019</b>					
Deposits at call	25,315,449	253,154	(253,154)	253,154	(253,154)
<b>Total</b>	<b>(25,315,449)</b>	<b>(253,154)</b>	<b>253,154</b>	<b>(253,154)</b>	<b>253,154</b>

**(b) Fair value**

The fair value of receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

28 Tied Grants by Project

	Balance 1/07/2019 \$	Revenue \$	Council Contribution \$	Expense \$	Balance 30/06/2020 \$
<b>Commonwealth Government Grants</b>					
<b>Department of Infrastructure &amp; Regional Development</b>					
<i>Roads to Recovery</i>	-	321,203	-	(226,435)	94,768
<b>Total</b>	<b>-</b>	<b>321,203</b>	<b>-</b>	<b>(226,435)</b>	<b>94,768</b>
<b>Department of Social Services</b>					
<i>Consumer Directed Care Packages</i>	69,965	261,061	-	(269,206)	61,821
<i>CHSP Home Support Programme (HACC)</i>	-	314,298	-	(311,849)	2,449
<b>Total</b>	<b>69,965</b>	<b>575,359</b>	<b>-</b>	<b>(581,055)</b>	<b>64,270</b>
<b>Department of Health</b>					
<i>National Jobs Package - Aged Care</i>	16,442	503,894	-	(488,643)	31,694
<b>Total</b>	<b>16,442</b>	<b>503,894</b>	<b>-</b>	<b>(488,643)</b>	<b>31,694</b>
<b>Department of Human Services</b>					
<i>Centrelink Agent</i>	-	44,398	-	(44,398)	-
<b>Total</b>	<b>-</b>	<b>44,398</b>	<b>-</b>	<b>(44,398)</b>	<b>-</b>
<b>Department of the Prime Minister &amp; Cabinet</b>					
<i>RAS - Pormpuraaw Cafe &amp; Bakery</i>	190,000	-	-	(9,830)	180,170
<i>IAS - Playground Project</i>	40,000	-	-	-	40,000
<b>Total</b>	<b>230,000</b>	<b>-</b>	<b>-</b>	<b>(9,830)</b>	<b>220,170</b>
<b>Total - Commonwealth Govt Grants</b>	<b>316,407</b>	<b>1,444,854</b>	<b>-</b>	<b>(1,350,360)</b>	<b>410,901</b>
<b>State Government Grants</b>					
<b>Department of Environment &amp; Heritage Protection</b>					
<i>QIL&amp;S Ranger Program</i>	49,266	734,801	23,651	(802,014)	5,704
<b>Total</b>	<b>49,266</b>	<b>734,801</b>	<b>23,651</b>	<b>(802,014)</b>	<b>5,704</b>
<b>Department of Emergency Services</b>					
<i>State Emergency Services</i>	-	13,551	-	(13,551)	-
<b>Total</b>	<b>-</b>	<b>13,551</b>	<b>-</b>	<b>(13,551)</b>	<b>-</b>
<b>Department of Justice</b>					
<i>Community Justice Group</i>	34,828	119,271	-	(90,203)	63,895
<i>CJG DJV Funding</i>	-	75,000	-	-	75,000
<b>Total</b>	<b>34,828</b>	<b>194,271</b>	<b>-</b>	<b>(90,203)</b>	<b>138,895</b>
<b>State Library of Queensland</b>					
<i>Tech Savvy Seniors Grant</i>	-	10,000	-	-	10,000
<i>Indigenous Libraries</i>	5,442	14,737	22,101	(42,279)	-
<i>Library Refurbishment</i>	-	30,000	-	(15,091)	14,909
<i>First Five Forever Program</i>	1,851	1,851	-	(3,331)	372
<i>Deadly Digital Communities</i>	-	3,840	-	-	3,840
<b>Total</b>	<b>7,293</b>	<b>60,428</b>	<b>22,101</b>	<b>(60,701)</b>	<b>29,121</b>

**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

**28 Tied Grants by Project**

	Balance 1/07/2019	Revenue	Council Contribution	Expense	Balance 30/06/2020
	\$	\$	\$	\$	\$
<b>Department of Transport and Main Roads</b>					
<i>ATSI TIDS Projects</i>	(56,291)	1,876,161	20,276	(2,047,640)	(207,494)
<b>Total</b>	<b>(56,291)</b>	<b>1,876,161</b>	<b>20,276</b>	<b>(2,047,640)</b>	<b>(207,494)</b>
<b>Department of Health</b>					
<i>ATSI Public Health Program</i>	-	171,935	-	(171,935)	-
<b>Total</b>	<b>-</b>	<b>171,935</b>	<b>-</b>	<b>(171,935)</b>	<b>-</b>
<b>Queensland Reconstruction Authority</b>					
<i>NDRRA Grant Restoration 2018</i>	(63,127)	63,127	-	-	-
<i>NDRRA Grant Restoration 2017</i>	(251,441)	251,441	-	-	-
<i>NDRRA Grant Emergent 2019</i>	(25,445)	25,445	-	-	-
<i>NDRP Natural Disaster Resilience Program</i>	(48,415)	48,415	-	-	-
<i>DRFA 2019 Restoration</i>	(11,200)	1,267,753	-	(990,271)	266,282
<i>Get Ready Qld</i>	(1,356)	7,458	-	(6,780)	(678)
<b>Total</b>	<b>(400,984)</b>	<b>1,663,639</b>	<b>-</b>	<b>(997,051)</b>	<b>265,604</b>
<b>Department of Education &amp; Training</b>					
<i>First Start Program</i>	-	15,000	-	-	15,000
<b>Total</b>	<b>-</b>	<b>15,000</b>	<b>-</b>	<b>-</b>	<b>15,000</b>
<b>Department of Aboriginal &amp; Torres Strait Islander Partnerships</b>					
<i>Splashpark</i>	(14,754)	224,203.00	2,171	(211,621)	-
<i>DAT Pormpuraaw AMP Community Safety Plan 2020</i>	-	50,000.00	-	-	50,000
<b>Total</b>	<b>(14,754)</b>	<b>274,203</b>	<b>2,171</b>	<b>(211,621)</b>	<b>50,000</b>
<b>Department of Communities, Child Safety &amp; Disability Services</b>					
<i>Qld Community Support Scheme</i>	-	51,046	-	(51,046)	-
<i>Community Transport</i>	-	4,746	-	(4,746)	-
<b>Total</b>	<b>-</b>	<b>55,792</b>	<b>-</b>	<b>(55,792)</b>	<b>-</b>
<b>Department of Housing &amp; Public Works</b>					
<b>Total</b>	<b>-</b>	<b>641,711</b>	<b>-</b>	<b>(58,459)</b>	<b>583,252</b>
<b>Department of Infrastructure, Local Government &amp; Planning</b>					
<i>Financial Assistance Grant</i>	-	1,882,861	-	(1,882,861)	-
<i>State Govt Financial Assistance</i>	-	1,496,222	-	(1,496,222)	-
<i>Revenue Replacement Program</i>	-	477,000	-	(477,000)	-
<i>Indigenous Employment Development</i>	-	80,000	-	(80,000)	-
<i>Works for Queensland 2017-2019</i>	(225,023)	695,000	-	(469,977)	-
<i>Works for Queensland 2019-2021</i>	720,000	-	-	(45,771)	674,229
<i>ICCIP</i>	715,356	731,573	-	(916,965)	529,964
<i>DILGP Program</i>	1,882	73,458	-	(75,340)	-
<b>Total</b>	<b>1,212,215</b>	<b>5,436,114</b>	<b>-</b>	<b>(5,444,136)</b>	<b>1,204,193</b>
<b>Total - State Govt Grants</b>	<b>831,573</b>	<b>11,137,606</b>	<b>68,199</b>	<b>(9,953,103)</b>	<b>2,084,275</b>



**Pormpuraaw Aboriginal Shire Council**  
**Notes to the Financial Statements**  
For the year ended 30 June 2020

28 Tied Grants by Project

	Balance 1/07/2019	Revenue	Council Contribution	Expense	Balance 30/06/2020
	\$	\$	\$	\$	\$
<b>Other Grant Providers</b>					
<b>Cape York Natural Resource Management</b>					
<i>Nest to Ocean (Turtle Program) CY219 R4</i>	-	21,100		(17,073)	4,027
Total	-	21,100	-	(17,073)	4,027
<b>Total Other Grant Providers</b>	-	21,100	-	(17,073)	4,027
<b>Total Grants</b>	<u>1,147,980</u>	<u>12,603,560</u>	<u>68,199</u>	<u>(11,320,536)</u>	<u>2,499,203</u>
<b>Add back negative (unclaimed ) grant balances</b>	697,052				208,172
<b>Unspent grant revenue</b>	<u>1,845,032</u>				<u>2,707,376</u>
<b>Total Grants</b>		12,603,560			
<b>Adjustments as a result of the implementation of the New Accounting Standards</b>		(2,157,746)			
<b>Total Grants as Adjusted</b>		<u>10,445,814</u>			


**Pompuuraaw Aboriginal Shire Council  
Notes to the Financial Statements  
For the year ended 30 June 2020**


**Management Certificate  
For the year ended 30 June 2020**

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, 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  
Richard Tarpencha  
Date: 8, 9, 20

  
\_\_\_\_\_  
Chief Executive Officer  
Edward Natera  
Date: 8, 9, 20

## 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 (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2020, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the *Local Government Regulation 2012* and *Australian Accounting Standards*.

The financial report comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

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

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

The councillors are responsible for the other information.

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

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

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

#### **Responsibilities of the councillors for the financial report**

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

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

#### **Auditor's responsibilities for the audit of the financial report**

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

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

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

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

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

#### **Report on other legal and regulatory requirements**

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

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



Sri Narasimhan  
as delegate of the Auditor-General

10 September 2020

Queensland Audit Office  
Brisbane

**Pompuraaw Aboriginal Shire Council**  
**Financial Statements**  
For the year ended 30 June 2020

**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 Unaudited Long Term Financial Sustainability Statement
- 5 Long Term Certificate of Accuracy

**Porpuraaw Aboriginal Shire Council**  
**Current Year Financial Sustainability Statement**  
 For the year ended 30 June 2020

**Measures of Financial Sustainability**

Council's performance at 30 June 2020 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)	-2%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	41%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-185%	not greater than 60%

**Note 1 - Basis of Preparation**

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2020.

**Pompuraaw Aboriginal Shire Council  
Current Year Certificate of Accuracy  
For the year ended 30 June 2020**

**Certificate of Accuracy  
For the year ended 30 June 2020**

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

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



Mayor  
Richard Tarpencha

Date: 8, 9, 20



Chief Executive Officer  
Edward Natera

Date: 8, 9, 20



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Pormpuraaw Aboriginal Shire Council

### Report on the current year financial sustainability statement

#### Opinion

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

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

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

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

The councillors are responsible for the other information.

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

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

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

#### **Responsibilities of the councillors for the current year financial sustainability statement**

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

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

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

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

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

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

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

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



Sri Narasimhan  
as delegate of the Auditor-General

10 September 2020

Queensland Audit Office  
Brisbane

**Pornpuraaw Aboriginal Shire Council  
Unaudited Long Term Financial Sustainability Statement  
For the year ended 30 June 2020**

**Measures of Financial Sustainability**

Measure	Target	Projected for the years ended										
		Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	
Operating surplus ratio	Between 0% and 10%	-2%	-6%	-6%	-7%	-7%	-7%	-7%	-7%	-7%	-7%	-7%
Asset sustainability ratio	greater than 90%	41%	76%	46%	55%	41%	24%	24%	55%	23%	23%	23%
Net financial liabilities ratio	not greater than 50%	-185%	-211%	-240%	-268%	-315%	-359%	-412%	-467%	-516%	-570%	-570%

**Financial Management Strategy**

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

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 2020**

**Certificate of Accuracy  
For the long-term financial sustainability statement prepared as at 30 June 2020**

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

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



\_\_\_\_\_  
Mayor  
Richard Tarpencha

Date: 8, 9, 20



\_\_\_\_\_  
Chief Executive Officer  
Edward Natera

Date: 8, 9, 20