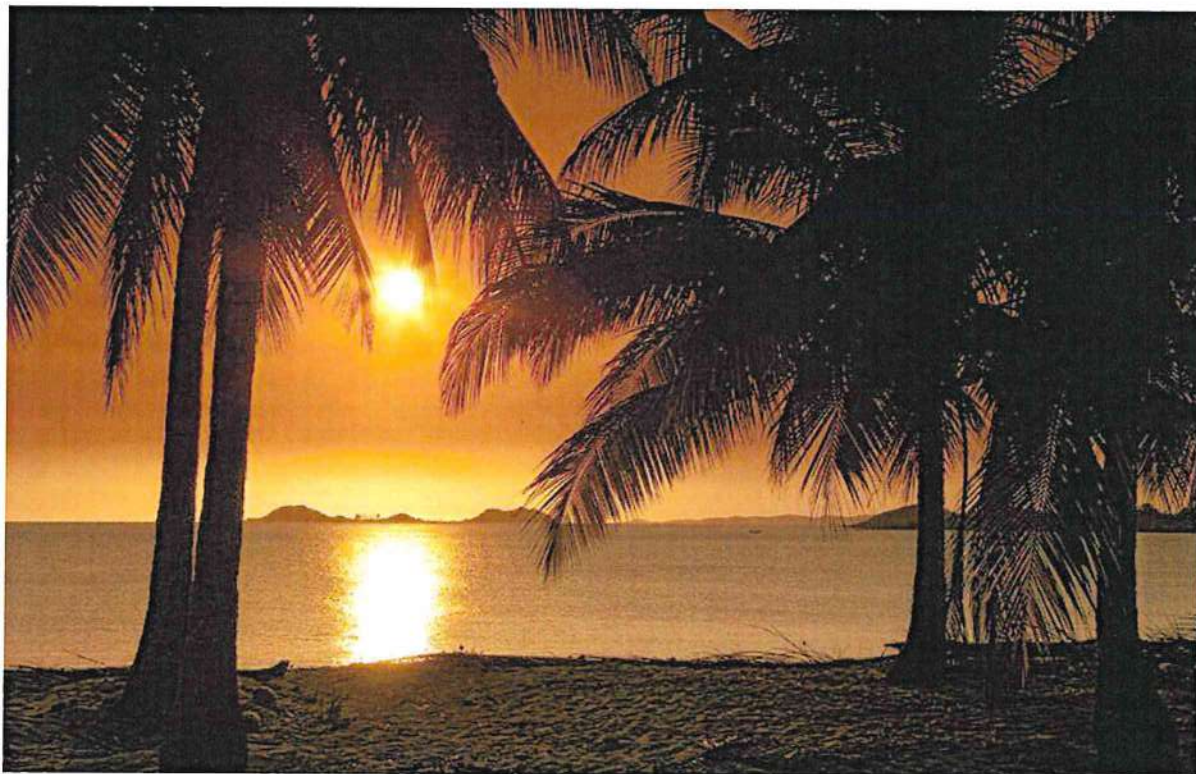


NORTHERN PENINSULA AREA REGIONAL COUNCIL



Annual Report 2020/2021

Welcome

to the

Northern Peninsula Area Regional Council 2020/2021 Annual Report

Our 2020/2021 Annual Report is an important component of Council's performance management process. It informs the community on how the Council has performed during the financial year and captures the achievements, hopes, aspirations, priorities and goals of our community.

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INTRODUCTION AND OVERVIEW

The Northern Peninsula Area Regional Council's Annual Report provides an account of the organisation's performance, activities and other information for the financial year 1 July 2020 to 30 June 2021.

The Annual Report is an important document by which Council is transparently accountable for its financial and operational performance throughout the year. It contains important information for residents and ratepayers, Councillors, staff, community groups, government, developers / investors and other interested parties on Council's operations, achievements, challenges, culture, purposes and plans for the future.

Council is strongly committed to serving the NPA community and provides this Annual Report in accordance with relevant local government legislation.

Availability of Documents

Objectives and strategies addressed in this Annual Report are contained in the Northern Peninsula Area Regional Council 2018-2022 Corporate Plan and 2020–2021 Operational Plan. Copies of both the Corporate Plan and this Annual Report are available from:

Northern Peninsula Area Regional Council, 180 Adidi Street, Bamaga.

Council's website at : www.nparc.qld.gov.au

In written request to : Northern Peninsula Area Regional Council,
PO Box 200, Bamaga, Qld, 4876

Feedback

Feedback and suggestions for any improvement to this Annual Report are welcomed by the Northern Peninsula Area Regional Council and maybe forwarded by emailing info@nparc.qld.gov.au or by phoning 07 4090 4100.

MESSAGE FROM OUR MAYOR

It is with great pleasure that I present the Northern Peninsula Area Regional Council Annual Report for the financial year ending 30 June 2021.

2020-21 represents the first full year of the current Council following the March 2020 local government elections. For the elected Councillors it also represented a year of:

- understanding the workings of a Council and the role the governing body,
- addressing a range of amalgamation legacy issues,
- formulating the strands from which the Council can move forward and
- laying down the foundations from which the Council can lead, support and all our communities can grow and thrive

The Council and the NPARC community we represent continue to face a range of challenges including an inherited significant poor financial position. The Council for many years has been running operating deficits with 2020-21 being no exception. It cannot continue.

Like many remote and indigenous communities, NPARC continues to struggle with providing an expanded range of community services on a fiscally sustainable basis. Our 2020-21 financial results are indicative of a broader structural fault which must be addressed urgently at the State and Federal government levels. Through our planning and budget processes we are aiming to navigate to a more sustainable position over the medium term.

In 2020-21 we took steps and put much effort into improving the systems that will give us timely and accurate financial information. This will enable us to make better income and expenditure decisions. We have commenced a review of many of our activities. My Council knows that there may need to be difficult decisions made in the future. Our commitment is that we will be transparent with the information and explain to the communities the reasons for our decisions.

The Council has begun a journey of transformation. Work to shape and put in the capabilities post-amalgamation is ongoing. A new Chief Executive was recruited and new executives with experience in local government and working in remote communities are in place. The Executive changes will mean that staffing and performance management processes will be put in place to improve the services we deliver to the communities.

Evidence of this is starting to occur.

Contracts have been awarded for the upgrading and maintenance of our key roads. The foundations have been laid to deliver further resealing of the Peninsula Development Road in the 2021--22 financial year.

The walking/bicycle track between Injinoo and Umagico has been formed and prepared for sealing and extension in 2021-22.

The Council has completed a full review of its by-laws with a primary focus on improving the quality of community living. A key feature of those laws is in support of the Council's newly adopted Animal Management Plan which has gone out for public consultation and will be implemented in the coming year. Already, significant numbers of stallions and dogs have been desexed and treated.

We have identified blocks of land in the community where we will be building much needed housing in the 5 communities. This will be the first significant boost to our housing stock for some years.

The Council has been at the forefront in encouraging the community to vaccinate against COVID-19. Despite the Council's best efforts however, it is disappointing that the community's vaccination rate is still well below the Queensland average and creates a significant risk when border restrictions are relaxed. The Council continued in 2021 to work with TCHHS and Queensland Health to encourage and support the community to get vaccinated. This will be crucial for us when borders open in mid-December.

Over recent months the Council has embarked on developing a new strategic plan in consultation with the community. Once completed, the plan will provide a blueprint for sustainable development of the NPARC communities which is respectful of our cultural and environment.

In summary, 2020-21 has been a year of getting a full picture of our current state and putting together the capabilities, plans and resourcing to improve the services we provide to the community. The Council is looking forward to 2021-22 when many of our plans will be implemented.

Finally, I would like to thank my fellow Councillors, Senior Executive Staff and all of the workers of Council who are providing the services to our communities.

Mayor Patricia Yusia

PROFILE OF OUR REGION

Northern Peninsula Area Regional Local Government Area (LGA) includes the communities of Seisia, New Mapoon, Bamaga, Umagico and Injinoo.

The Northern Peninsula Area Regional Council has a strong and productive relationship with State and Australian government, industry, community, private sector, community and traditional owner groups. In the context of traditional owner groups, the Apudthama Land Trust is the representative body established to act as a custodian for the Injinoo land.

The Land Trust is committed to high quality natural resource management programs which lead to self-sustaining indigenous-owned enterprises.

The Council is directly involved with a significant part of the local economy through providing customary civic services, operating local enterprises, and administering government assistance programs in support of the strategic themes of our region.

The area receives a significant influx of visitors and tourists during the dry season, via road, air and sea links which boosts the population by thousands of people and provides a huge economic boost to the economy.

STATISTICS

Size	1,061.1 sq/km	Average Rainfall	1,838 mm per annum
Population	2,773 based on ABS 2016 Census individual communities Bamaga - 1,164 Injinoo - 561 New Mapoon - 361 Seisia - 260 Umagico - 427	Average Daily Temperature	range of 23.5 to 30.2 degrees Celsius

FACILITIES

Seisia is the main seaport for the NPA and Bamaga is the commercial and administrative centre for government services. Community services in Bamaga include a hospital, police station, health centre and ambulance service, a family resource centre, a healing centre, a healthy lifestyle centre, Home and Community Care, a women's shelter, a crisis shelter, magistrate's court services, and child safety services and support. The health centre provides primary health care and general nursing service.

Community service facilities found in other communities include Indigenous Knowledge Centres at Seisia, New Mapoon, and Injinoo and a health service in Injinoo.

OUR ELECTED REPRESENTATIVES

Current councillors elected on 28 March 2020 are:



Mayor Patricia Yusia



Gina Nona

Division 1 – Injinoo



Cr Robert Tamwoy

Division 2 - Umagico



Cr Kitty Gebadi
Deputy Mayor
Division 3 - Bamaga



Cr Eric Cottis
Division 4 - New Mapoon



Cr Francis Elu
Division 5 - Seisia

STRATEGIC DIRECTION

Our Vision

With respect and pride we will build a future for our children based on unity, equitable self-governance, education and culture.

Our Mission

- To provide unity and cohesion across the Northern Peninsula Area five communities, and
- To establish the unified NPA community as a single point of accountability, with Government and service providers as enablers (not the implementers)

Our Goals

- Community Ownership:** A unified NPA, leaving a legacy of pride and respect,
- Accountability:** Trust, transparency and confidence in thought, word and behaviour,
- Community Engagement:** Connecting and communicating with everyone, with mutual respect,
- Respect:** For yourself, family, community and culture,
- Working Together:** We encourage everyone to be creative and innovative.

Strategic Themes

- Infrastructure Services
- Community Wellbeing
- Community Economics
- Local Environment
- Leadership

Strategic Corporate Outcomes

- Organisational Management and Corporate Governance
- Fiscal Management
- Infrastructure Lifestyle
- Community Development
- Environmental
- Land Use Planning
- Quality assurance

THE YEAR IN REVIEW

CORPORATE SERVICES

The NPARC Corporate Services Department consists of providing the following services:.

Property and Leasing

- The Property and Leasing Unit continues to coordinate leasing and tenancy management across commercial leases, land leases, community social housing and staff accommodation. This also involves the provision of maintenance requirements for existing council housing as well as Council controlled buildings

Apudthama Ranger Operations

- Council continues to manage the Ranger program in conjunction with support from the Apudthama Land Trust. The area that is patrolled by the Rangers covers approx. 250,000 hectares including 300km of coastline.
- Rangers continue to undertake work activities on country such as checking roads for fallen trees, checking fence lines, putting up signage to identify areas where camping is not allowed, checking camp grounds, patrols for croc sightings, monthly biosecurity activities, turtle monitoring and coastal surveillance collecting data on ghost nets, marine debris on the beach and dugong/dolphin monitoring.

Aged Care Services

- NPARC continues to provide care services to support NPARC's many aged residents.
- The Council is looking to reinvigorate the service provided in 2021-22 and a number of years of neglect.

Community Events.

- Despite the impact of Covid restrictions NPARC supported a range of Community, Cultural and Sporting Events throughout the year.
- The number and size of these activities will be expanded during 2021-22.

Economic Development and Tourism

- NPARC is keen to support investment in the Community which provides opportunities for local employment and business development.
- The Council is looking to expand its support of local business during 2021-22.

Corporate Affairs

- Services provided by this team include governance, Information technology and Records.
- The Council will be investing in suitable technology enhancement to its business operations to provide access to efficient and effective services.

Human Resources

- Council is undertaking a reorganisation of its workforce and work practices to ensure that community services are provided in an efficient and effective manner. Over the next 12 months the Council will continue to invest in developing a focused skilled and dedicated workforce through implementation of a performance management framework that supports individual development.

Finance

- Services include: External Financial Reporting, Management Reporting, Grant Management, Accounts Payable, Debtors, Receipting, Banking and Investment, Procurement Policy and Support, Budget and payroll Services
- Significant time has been spent over the past 12 months in improving the timeliness, efficiency and quality of service in support of front-line service delivery.
- Asset management, and investment in systems and staff training are the key deliverables for the team during 2021-22.

OPERATIONS

Water Supply

- Trility and Council have continued to provide potable water in compliance with drinking water guidelines to the five communities of the NPA.
- The asbestos trunk main replacement project started and will continue to be delivered in the 21-22 FY and 22-23FY

Waste & Waste water

- Council new transfer station facility was opened to Public use along with the operation of the new waste facility South of Injinoo.
- Abandoned and unwanted cars have also been collected and transported to Cairns for disposal.
- Waste water services have continued to maintain and operate the sewerage system within the NPA

Roads and Infrastructure

- Work continued on NDRRA road restoration works projects within the region based on assessments of damage following declared natural disaster events. Council maintains a good cooperative relationship with the Queensland Reconstruction Authority.
- Design works have commenced for the sections of road South and North of the Jardine River Ferry, utilising funds from the Cape York Regional Package Round 2.
- Works commenced on the Bicycle path between Injinoo and Bamaga, further works including sealing are programmed to continue in the 21-22 FY

Parks and Gardens

- Continued to provide assistance with funerals, maintain parks and open spaces, litter collection, repair existing fences and install new fences.

Housing and Building

- Construction commenced on the 5 new houses funded under the \$2.35 million from the Queensland Government for housing purposes for indigenous councils.
- A new toilet facility was constructed at Summerset, Large fans were installed in the Injinoo and Umagico Community halls along with verandas on the Umagico Community Hall.
- Council building team continued to provide maintenance services to both internal and external customers.

Animal Control

- Council Animal control officers continued to work with Skydog Vets to provide a veterinary service to the NPA communities.
- A Horse yard was established at Umagico to safely keep horses that owners want kept secure

ENTERPRISES

Injinoo Batching Plant

- Provides concrete for all building and civil projects being undertaken within the Northern Peninsula Area.

Injinoo Service Station

- The Injinoo Service Station provides fuel supplies and basic grocery items for local residents as well as tourists visiting the area.
- Planned works of an up-grade of the building to allow for increased retail space has been completed. A further review of services and opportunities has identified possible capability increases which are being investigated.

Jardine River Ferry

- The ferry was reviewed by AMSA and some minor concerns were raised which Council promptly addressed. Due to travel restrictions throughout Australia, the number of vehicles transported was larger than expected. A system review was undertaken and highlighted areas where the Council can improve services to those utilising the Ferry. Planned maintenance is being prepared for the down time when the Ferry will be closed.

Umagico Supermarket

- The Alau Supermarket continues to provide an essential service to not only the residents of Umagico but the whole of the NPA. The supermarket is operated in conjunction with ALPA from the Northern Territory who provides management and commercial expertise.

NPARC Stores

- The Stores is an integral component of the Council operations providing materials and supplies for all Council operations. It also provides sales of materials to private contractors and community residents.

Bamaga Post Office

- An important community service providing mail collection and delivery, parcel collection as well as banking services.

STATUTORY INFORMATION

The following information provides the details required by the Local Government Act 2009 and the Local Government Regulation 2012.

SECTION 185 LGR 2012 - COUNCILLOR EXPENSES REIMBURSEMENT AND FACILITIES POLICY

As required to report in accordance with section 250 (1) of the Local Government Regulation 2012, Council did not pass a resolution to amend the Councillor Expenses Reimbursement and Facilities Policy during the financial year.

SECTION 206 (2) LGR 2012 – NON CURRENT ASSETS

This process is noted in the Council's Procurement Policy which was in place during the 2020/2021 financial year.

SECTION 186 LGR 2012 - COUNCILLORS

Councillor Meeting Attendance and Remuneration

Councillor	General Meetings	Special Meetings	Remuneration	Superannuation Contribution	Expenses
Mayor Patricia Yusia	11	2	104,059.50	10,273.42	5,219.85
D/Mayor Kitty Gebadi	11	2	60,033.75	5,926.91	5,911.25
Cr Gina Nona	10	2	52,722.47	5,277.94	4,043.60
Cr Robert Tamwoy	10	1	49,716.35	4,992.33	3,207.75
Cr Eric Cottis	8	1	52,722.47	5,277.94	1,466.71
Cr Francis Elu	9	2	51,219.41	5,135.15	652.05

Facilities provided to Councillors -

Mayor – Vehicle, office space and fittings at Bamaga

Deputy Mayor – Office space and fittings at Bamaga

Councillors – Office space and fittings at office in each division

Conduct and Performance of Councillors

Compliance with S186 of the Local Government Regulation 2012 under Sections 186 (1)(d)-(f) and Section 353 of the Local Government Regulation 2012, the Council performance against set standards were as follows:

Orders made under section 150I(2) of the LGA	Nil
Orders made under section 150AH(1) of the LGA	Nil
Decisions, orders and recommendations made under section 150AR(1) of the LGA	Nil
Name of each Councillor for whom a decision, order or recommendation was made under section 150I(2), 150AH(1) or 150AR(1) of the LGA	Nil
A description of the unsuitable meeting conduct, inappropriate conduct or misconduct engaged in by each councillor	Nil
A summary of the decision, order or recommendation made for each councillor	Nil
Complaints referred to the assessor under section 150P(2)(a) of the LGA: a councillor and the chief executive officer	Nil
Matters, mentioned in section 150(P)(3) of the LGA, notified to the Crime and Corruption Commission	Nil
Notices given under section 150R(2) of the LGA	Nil
Notices given under section 150S(2)(a) of the LGA	Nil
Decisions made under section 150W(1)(a)(b)(d) of the LGA (1 July 2019 to 31 August 2019)	1
Decisions made under section 150W(1)(a)(b)(e) of the LGA (1 September 2019 to 30 June 2020)	Nil
Referral notices accompanied by a recommendation mentioned in section 150AC(3)(a) of the LGA	Nil
Occasions information was given under section 150AF(4)(a) of the LGA	Nil
Occasions the local government asked another entity to investigate, under chapter 5A, part 3, division 5 of the LGA for the local government, the suspected inappropriate conduct of a councillor	Nil
Applications heard by the conduct tribunal about the alleged misconduct of a councillor (1 July 2019 to 31 August 2020)	Nil
Applications heard by the conduct tribunal under chapter 5A, part 3, division 6 of the Act about whether a councillor engaged in misconduct or inappropriate conduct (1 September 2019 to 30 June 2020)	Nil

SECTION 187 LGR 2012 – ADMINISTRATIVE ACTION COMPLAINTS

The Northern Peninsula Area Regional Council is committed to dealing fairly and promptly with administrative action complaints. Council has an Administrative Action Complaints Policy to ensure there is a framework to receive, resolve and report upon any administrative action complaints. The policy is available in the policies section of Council's website. This policy will be reviewed during 2020/2021.

There were no administrative action complaints made during the financial year.

SECTION 188 LGR 2012 – OVERSEAS TRAVEL

There was no overseas travel undertaken by Councillors or staff during the 2020-2020 financial year

SECTION 189 LGR 2012 – EXPENDITURE ON GRANTS TO COMMUNITY ORGANISATIONS

There were no funds granted to community organisations

SECTION 189 LGR 2012 – DISCRETIONARY FUNDS

Council does not have discretionary funds available to individual Councillors.

SECTION 190 (a) (b) LGR 2012 – ASSESSMENT OF CORPORATE PLAN AND OPERATIONAL PLAN

Assessments are undertaken as part of monthly reports presented to Council by individual Departments

SECTION 190 (c) & SECTION 190 (2) LGR 2012 – COMMERCIAL BUSINESS UNITS

Council operated the following enterprises during the year however none of these activities were deemed "significant commercial business units" in terms of the Local Government Regulation. The code of competitive conduct was not applied to any of these business activities.

- Jardine River Ferry
- Injinoo Service Station
- Injinoo Batching Plant
- Umagico Supermarket
- Bamaga Post Office

SECTION 190 (d) LGR 2012 – OTHER LOCAL GOVERNMENTS AND SPECIAL RATES AND CHARGES

There were no instances where Council was involved in any activities relating to other local governments during the 2019-2020 financial year, or for which special rates and charges have been levied.

SECTION 190 (e) LGR 2012 – INVITATIONS TO CHANGE TENDERS

There were no instances where Council invited tenderers to change tenders under Section 228(7) during the financial year.

SECTION 190 (f) LGR 2012 – LIST OF REGISTERS

The List of Registers as required by the *Local Government Regulation 2012*, s190, maintained by Council and open for inspection, is as set out hereunder:

SECTION OF ACT	NAME OF REGISTER	HELD BY
Local Government Regulation 2012, S290	Register of Interests of the CEO and a person who is related to the CEO	Mayor
Local Government Regulation 2012, S290	Councillors' Registers of Interests and a person who is related to a Councillor	CEO
Local Government Regulation 2012, S290	Senior Executive employees and a person who is related to a senior executive employee	CEO
S125 -137 LGA 2009	Authorised Persons	CEO
S260 of LGA 2009 S305 of Local Government Regulation 2012	Register of Delegations by Chief Executive Officer to Employees	CEO
Local Government Act 2009 S181 A(1)	Councillor Conduct Register	CEO
Local Government Act 2009 S181 A(1)	Register of written complaints received by the Office of the CEO, outcome of each complaint including any disciplinary action taken in relation to the complaint.	CEO
S98 of LGA 2009	Register of Planning & Sustainable Development Fees	Operations
S74 of LGA 2009 S57 of the Local Government Regulation 2012	Map and Register of Roads	Operations
Local Law No. 2 (Animal Management) 2011	Impounded Animals	Operations
S51 of Animal Management (Cats and Dogs) Act 2008	Cat and Dog Register	Operations
S172 of Animal Management (Cats and Dogs) Act 2008	Regulated Dog Register	Operations
S540 of Environmental Protection Act 1994	Environmentally Relevant Activities—Development Approvals	Operations
S540 of Environmental Protection Act 1994	Environmental Authorities	Operations
S540 of Environmental Protection Act 1994	Environmental Development Approvals and Registrations	Operations
S31 of LGA 2009 S14 of the Local Government Regulation 2012	Register of Local and Subordinate Local Laws	Corporate Services
Local Government Regulation 2012 S56	Register of Business Activities to which competitive neutrality applies	Corporate Services

SECTION 190 (g) LGR 2012 – CONCESSIONS FOR RATES AND CHARGES

Council granted concessions for rates and charges for the 2020-2021 financial year for Churches on application to the CEO as per Council's policy.

SECTION 190 (h) LGR 2012 – INTERNAL AUDIT FUNCTION

An internal audit function helps Council to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness or risk management, control and governance processes in relation to:

- Effectiveness and efficiency of operations
- Reliability and integrity of financial and operational information
- Safeguarding of assets
- Compliance with laws, regulations and contracts

Council's internal audit function was undertaken by Altius Advisors (Chartered Accountants) in Cairns.

The focus for this financial year was in the following 3 areas:

1. Review on status of general ledger balances
2. Review on status of previous internal audit recommendations
3. Review of ferry operations

SECTION 190 (i) LGR 2012 – COMPETITIVE NEUTRALITY COMPLAINTS

Council did not receive any notices under S49 for competitive neutrality complaints.

SECTION 190 (i) LGR 2012 – RESPONSES TO QCA RECOMMENDATIONS – COMPETITIVE NEUTRALITY

As there were no competitive neutrality complaints, there were no responses to QCA under Section 52(3).

SECTION 201 LGA 2009 – SENIOR CONTRACT EMPLOYEES

The total remuneration payable to senior contract employees during the financial year was \$1,455,996

The following list identifies the number of senior contract employees who are each being paid remuneration in the package ranges identified:

Five senior management employees with a total remuneration package in the range of \$100,000 to \$200,000

COMMUNITY FINANCIAL REPORT

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Comprehensive Income

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COMMUNITY FINANCIAL REPORT 2020 - 2021

The purpose of this Community financial Statement is to provide the member of the Community an understanding of NPARC's Financial performance and its Financial position as of

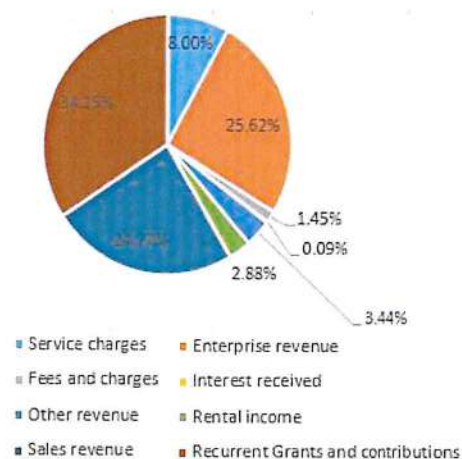
The Community Financial report is prepared and presented in accordance with Section 179 of the Local Government Regulation 2012.

Comprehensive Income & Expenditure

For the year ended 30 June 2021

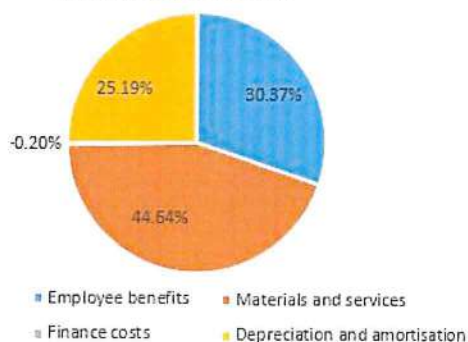
	Actual 2021	% of sub-total
	\$	%
Income		
Service charges	2,598,930	8.00%
Enterprise revenue	8,326,860	25.62%
Fees and charges	472,924	1.45%
Interest received	29,889	0.09%
Other revenue	1,119,608	3.44%
Rental income	935,496	2.88%
Sales revenue	7,887,147	24.27%
Recurrent Grants and contributions	11,133,308	34.25%
Total revenue	32,504,163	100.00%

Operating Income 2020-2021



Expenses		
Employee benefits		
Materials and services	(12,645,859)	30.37%
Finance costs	(18,587,338)	44.64%
Depreciation and amortisation	82,075	-0.20%
	(10,489,752)	25.19%
Total expenses	(41,640,874)	100.00%

Operating Expenses 2020-2021



NPARC total recurrent income for the financial year 2020 -2021 was \$32.5 M. The major portion of total income represents Grants from state and federal Governments which is 34.2%. Our main sources of own revenue are Service Charges 8% and Enterprise revenue 25.6%. Other revenue 9.4% is primarily fees from Airport operations and the Sales revenue 24.3% is the income generated from contract works carried out by the Council for the Department of Housing and Public works.

Statement of Comprehensive Income

Statement of Comprehensive Income shows us the results of the Council operation for the last financial year 2020-2021 with comparative financial information for the previous financial year 2019-2020. As NPARC's normal business operations carried out consistent with previous financial year, the significant event occurred that positively impacted the financial result for the previous year was the transfer of Water Assets from the Department of Local Government, Racing and Multicultural Affairs. NPARC received \$46.2Mn worth of water assets from the Department.

NPARC's Financial Position

NPARC's total assets as of the last financial year ended 30 June 2021 was \$231.7 M offset by total liabilities of the date was \$11.4 M.

The Council did not include any adjustment to its Property, Plant and Equipment fair value base at 30 June 2021 as indicators of market movement were immaterial. Council will be undertaking a full comprehensive valuation process in 2021-22.

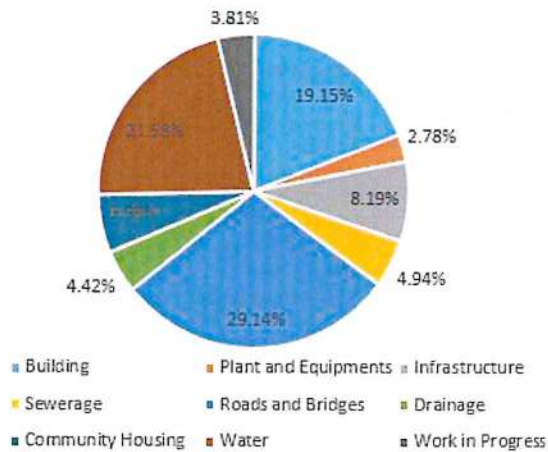
The assets base of the Council includes various categories assets as outlined below.

Property, Plant and Equipments

For the year ended 30 June 2021

Asset Category	Actual 2021	% of sub-
	\$	total %
Building	38,643,799	19.15%
Plant and Equipments	5,605,578	2.78%
Infrastructure	16,531,061	8.19%
Sewerage	9,974,427	4.94%
Roads and Bridges	58,794,619	29.14%
Drainage	8,908,569	4.42%
Community Housing	12,071,207	5.98%
Water	43,530,165	21.58%
Work in Progress	7,695,226	3.81%
Total Assets value	201,754,651	100.00%

NPARC's Assets by category

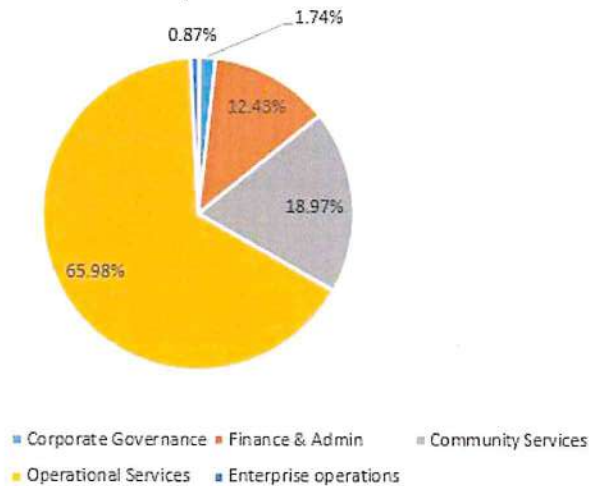


Property, Plant and Equipments

For the year ended 30 June 2021

Asset Category	Actual 2021	% of sub-
	\$	total %
Corporate Governance	4,030,116	1.74%
Finance & Admin	28,811,966	12.43%
Community Services	43,958,466	18.97%
Operational Services	152,894,608	65.98%
Enterprise operations	2,025,717	0.87%
Total Assets value	231,720,873	100.00%

NPARC's Assets by function



Measures of Financial Sustainability

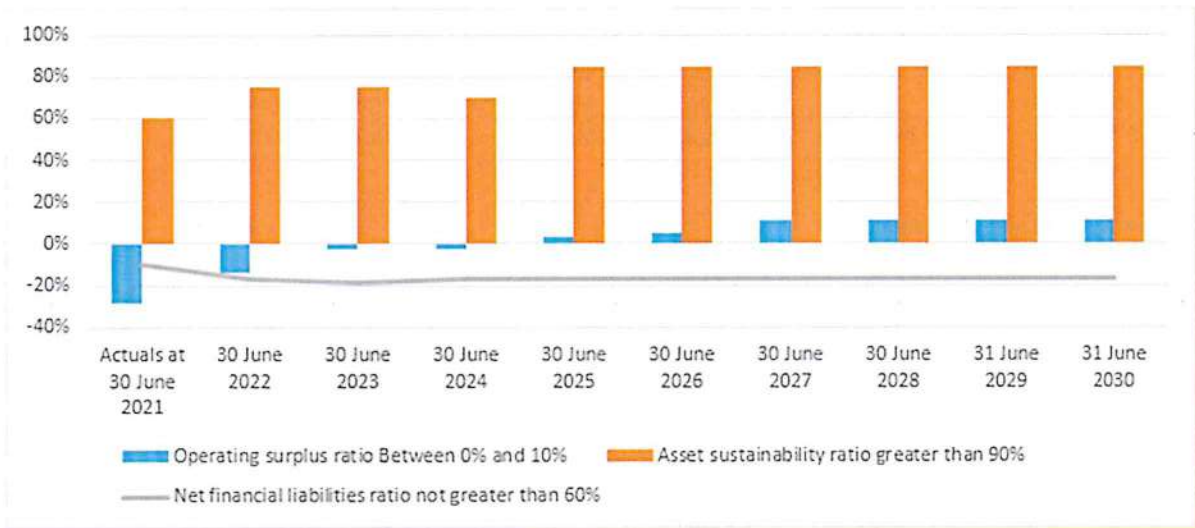
The Council's Measures of financial sustainability are calculated and published in accordance with the Local Government Regulation 2012.

The sustainability Ratios are measures as follows.

- ⚡ Operating Surplus Ratio – Net result divided by total operating revenue
- ⚡ Asset sustainability Ration – Capital expenditure on the replacement of assets divided by depreciation expense.
- ⚡ Net Financial Liabilities Ration – Total Liabilities less Current assets divided by total operation revenue.

Measures of Financial Sustainability

Key Indicator	Target	Actuals at 30 June 2021	Projected for the years ended								
			30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	31 June 2029	31 June 2030
Operating surplus ratio	Between 0% and 10%	-28%	-14%	-3%	-3%	3%	5%	11%	11%	11%	11%
Asset sustainability ratio	greater than 90%	61%	75%	75%	70%	85%	85%	85%	85%	85%	85%
Net financial liabilities ratio	not greater than 60%	-10%	-17%	-19%	-17%	-17%	-17%	-17%	-17%	-17%	-17%



Northern Peninsula Area Regional Council

Financial Statements

for the year ended 30 June 2021



Northern Peninsula Area Regional Council

Financial statements

For the year ended 30 June 2021

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Management Certificate

Independent Auditor's Report (General Purpose Financial Statements)

Current Year Financial Sustainability Statement (audited)

Certificate of Accuracy (Current Year Financial Sustainability Statement)

Independent Auditor's Report (Current Year Financial Sustainability Statement)

Long Term Financial Sustainability Statement (unaudited)

Certificate of Accuracy (Long Term Financial Sustainability Statement)

**Northern Peninsula Area Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
Income			
Revenue			
Recurrent revenue			
Service charges	3(a)	2,598,930	2,721,484
Enterprise revenue	3(e)	8,326,860	8,132,784
Fees and charges	3(b)	472,924	529,910
Interest received		29,889	72,635
Other revenue	3(f)	1,119,608	3,373,560
Rental income	3(c)	935,496	627,548
Sales revenue	3(d)	7,887,147	9,006,904
Grants, subsidies, contributions and donations	3(g)(i)	11,133,308	11,394,384
Total recurrent revenue		<u>32,504,163</u>	<u>35,859,208</u>
Capital revenue			
Grants, subsidies, contributions and donations	3(g)(ii)	2,220,676	54,092,712
Total capital revenue		<u>34,724,839</u>	<u>89,951,920</u>
Total income		<u>34,724,839</u>	<u>89,951,920</u>
Expenses			
Recurrent expenses			
Employee benefits	4	(12,645,859)	(12,816,329)
Materials and services	5	(18,587,338)	(20,694,279)
Finance costs	7	82,075	(1,331,488)
Depreciation and amortisation			
Property plant and equipment	10	(10,489,752)	(9,147,084)
Other expenses			(136,345)
		<u>(41,640,874)</u>	<u>(44,125,525)</u>
Capital expenses	6	-	-
Total expenses		<u>(41,640,874)</u>	<u>(44,125,525)</u>
Net result		<u>(6,916,035)</u>	<u>45,826,395</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	16	-	4,507,242
Total other comprehensive income for the year		<u>-</u>	<u>4,507,242</u>
Total comprehensive income for the year		<u>(6,916,035)</u>	<u>50,333,637</u>

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

**Northern Peninsula Area Regional Council
Statement of Financial Position
as at 30 June 2021**

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	8	11,255,465	10,569,307
Receivables	9	1,444,710	2,711,946
Inventories		1,154,258	1,052,597
Contract assets	12	220,254	220,254
Lease receivable	13	524,257	510,751
Total current assets		<u>14,598,944</u>	<u>15,064,856</u>
Non-current assets			
Property, plant and equipment	10	201,754,650	204,886,131
Lease receivable	13	15,367,280	15,853,860
Right of use assets	13	-	-
Total non-current assets		<u>217,121,930</u>	<u>220,739,991</u>
Total assets		<u>231,720,874</u>	<u>235,804,846</u>
Current liabilities			
Payables	14	3,808,507	3,795,022
Contract liabilities	12	5,778,209	2,905,995
Lease liabilities	13	-	-
Provisions	15	1,255,473	1,271,404
Total current liabilities		<u>10,842,189</u>	<u>7,972,421</u>
Non-current liabilities			
Provisions	15	564,018	601,725
Total non-current liabilities		<u>564,018</u>	<u>601,725</u>
Total liabilities		<u>11,406,207</u>	<u>8,574,146</u>
Net community assets		<u>220,314,666</u>	<u>227,230,700</u>
Community equity			
Asset revaluation surplus	16	62,006,651	62,006,651
Retained surplus		158,308,015	165,224,050
Total community equity		<u>220,314,666</u>	<u>227,230,701</u>

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

**Northern Peninsula Area Regional Council
Statement of Changes in Equity
For the year ended 30 June 2021**

	Asset revaluation surplus	Retained Surplus	Total
Note	16 \$	\$	\$
Balance as at 1 July 2020	62,006,651	165,224,050	227,230,701
Net result	-	(6,916,035)	(6,916,035)
Other comprehensive income for the year	-	-	-
Increase / (decrease) in asset revaluation surplus	10 -	-	-
Total comprehensive income for the year	-	(6,916,035)	(6,916,035)
Balance as at 30 June 2021	62,006,651	158,308,015	220,314,666
Balance as at 1 July 2019	57,499,409	121,618,503	179,117,912
Adjustment on initial application of AASB 15/AASB 1058	-	(2,220,848)	(2,220,848)
Restated balances	57,499,409	119,397,655	176,897,064
Net result	-	45,826,395	45,826,395
Other comprehensive income for the year	-	-	-
Increase / (decrease) in asset revaluation surplus	4,507,242	-	4,507,242
Total comprehensive income for the year	4,507,242	-	50,333,637
Balance as at 30 June 2020	62,006,651	165,224,050	227,230,701

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

**Northern Peninsula Area Regional Council
Statement of Cash Flows
For the year ended 30 June 2021**

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		17,757,542	26,121,041
Payments to suppliers and employees		(24,060,412)	(36,209,195)
		<u>(6,302,870)</u>	<u>(10,088,154)</u>
Interest received		29,889	72,635
Rental income		935,496	627,548
Non capital grants and contributions	3(g)	11,133,308	11,076,069
Net cash inflow (outflow) from operating activities	20	<u>5,795,823</u>	<u>1,688,098</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(7,838,109)	(9,915,383)
Finance lease receipts	13	507,768	500,222
Grants, subsidies, contributions and donations	3(g)	2,220,676	7,853,440
Proceed from sale of property, plant and equipment	6	-	-
Net cash inflow (outflow) from investing activities		<u>(5,109,665)</u>	<u>(1,561,721)</u>
Cash flows from financing activities			
Repayment of borrowings		-	-
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalent held		<u>686,158</u>	<u>126,377</u>
Cash and cash equivalents at the beginning of the financial year		10,569,307	10,442,930
Cash and cash equivalents at end of the financial year	8	<u>11,255,465</u>	<u>10,569,307</u>

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

1 Information about these financial statements

1.A Basis of preparation

Northern Peninsula Area Regional Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia.

These general purpose financial statements are for the period 1 July 2020 to 30 June 2021 and have been prepared in compliance with the requirements of 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). The Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

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

Recurrent/capital classification

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

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

Capital Expenses includes the impairment of property, plant and equipment.

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

- Disposal of non-current assets

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

1.B Date of authorisation

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

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

Northern Peninsula Area Regional Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2020, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

1.D Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021, these standards have not been adopted by the Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for the 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 the Council.

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

AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards. The Council has yet to assess the impact of this standard. 1 January 2023

1.E Estimates and judgements

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

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

Revenue recognition - Note 3
Impairment of receivables - Note 9
Valuation and depreciation of property, plant and equipment - Notes 10 and 11
Impairment of property, plant and equipment - Note 10
Valuation of leases - Note 13
Provisions - Note 15
Contingent liabilities - Note 17

1.F 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. Comparative information is prepared on the same basis as prior year.

1.G 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.

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

Financial assets

Cash and cash equivalents (Note 8)
Receivables - measured at amortised cost (Note 9)
Lease receivables (other financial assets) - measured at fair value (Note 13)

Financial liabilities

Payables - measured at amortised cost (Note 14)

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

1.H Taxation

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

1.I Divestment of business activities

During the amalgamation process in 2008, the then Minister for Local Government stated that viable enterprises existing at the time of amalgamation, should be returned to the Communities that created them.

At the time the Northern Peninsula Area Regional Council supported those views and subsequently it was agreed that a number of business operations would be divested from the Council to the Seisia Community Torres Strait Islander Corporation (SCTSIC), commonly known as Seisia Enterprises.

The Council, pursuant to an Enterprise Divestment Agreement dated 10 June 2011, transferred the management, ownership and responsibility of the Enterprise known as Tarzali Farm, together with land, improvements, and plant and equipment to SCTSIC for consideration of \$1. The transfer of Tarzali Farm was effected as and from 1 July 2010.

Remaining Seisia Enterprises, including property, plant and equipment required in the operations of those Enterprises, are managed by the SCTSIC under an Enterprise Licence Agreement dated 10 June 2011, entered into between the Council and SCTSIC and subject to payment of a monthly licence fee of \$10,450.86 which is interest free. Management of these Enterprises by SCTSIC commenced on 1 July 2010, at which time current assets and liabilities including TSRA loans were assumed by SCTSIC in accordance with the Enterprise Licence Agreement.

Divestment of the remaining Seisia Enterprises, property, plant and equipment has been suspended pending the outcome of court proceedings relating to the original divestment licence agreement conditions and legal basis for the transactions and Council decisions and actions at the time of entering into the Enterprise Licence Agreement. Recent negotiations have centred around achieving the divestment outcome and a Binding Terms Sheet has been entered into with that intention. The terms sheet provides that the divestment will proceed along similar lines to that originally envisaged with some agreed changes including that rent will now be payable for the leases once they are granted. Council's position in the litigation is that divestment has not occurred and the relevant plant and equipment and buildings are still the property of NPARC.

It is noted that this is currently an active Court case. It is being managed by the Court and regular review dates are set so that the Court can keep track of how the settlement is proceeding. A review date had been planned for December 2020 however this was postponed as a result of the COVID-19 pandemic and the next review date has not been set.

As at 30 June 2021, the relevant conditions contained under the Enterprise Licence Agreement have not been fulfilled and the basis upon which the Council decisions were made at the time is currently being challenged. The Council is currently involved in court proceedings to negate the divestment licence agreement and to have the decisions relating to the divestment and sale of the amalgamated Council assets by the previous Council declared beyond one's legal power or authority.

The matter is still ongoing as Treasury consent is required under the *Statutory Bodies Financial Arrangements Act 1982* (Qld) to give effect to the divestment of enterprises. This is currently being dealt with by the Council's legal representatives. The Council does not expect a contingent liability arising relating to this.

1.J COVID-19

Council's operations for the year ended 30 June 2021 have been impacted by the COVID-19 pandemic. Refer to Note 22 for more details.

**Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021**

2 Analysis of results by function

2.A Components of council functions

The activities relating to the Council's components reported in Note 2.B are as follows :

Corporate governance

The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This function includes strategic and operational planning, risk management, legal and administrative support. This department also manages the Human Resources and Workplace Health and Safety function.

Finance and information

Finance and information provides professional finance and information services across all of council. This function includes budget support, financial accounting and ATO obligations. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Community services

The goal of community services is to ensure Northern Peninsula Area Regional Council is a healthy, vibrant, contemporary and connected community. Community services provides well managed and maintained community facilities, and ensures the effective delivery of cultural, health, welfare and recreational services.

This function includes:

- Community Development
- Arts Culture & Heritage facilities and events
- Sports & recreational facilities and events
- Libraries & Indigenous Knowledge Centres
- Aged and Home care facilities and services
- Disaster Management

Operational services

This function incorporates the management of the transport infrastructure ensuring the community is serviced by a high quality and effective road network. Waste services protect and support our community and natural environment by sustainably managing refuse collection and disposal services, mosquito and other pest management programs. Water and sewerage services protects and supports the health of our community by sustainably managing water and sewerage infrastructure. This function also manages NDDRA disaster relief programs and the housing maintenance program for Building Assets Services.

Education, employment and development

The goal of this function is to provide assistance and guidance to enable the community to access educational, employment and development opportunities to ensure the ongoing sustainability of the local community.

Enterprise operations

The function incorporates the operation of a local supermarket, service station, post office, concrete mixing plant and the Jardine Ferry and Roadhouse.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

2.B Analysis of results by function

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

Year ended 30 June 2021

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							
	2021	2021	2021	2021		2021	2021				
\$	\$	\$	\$	\$	\$	\$	\$	\$			
Corporate governance					-	(1,914,805)		(1,914,805)	(1,914,805)	(1,914,805)	4,030,116
Finance and information	9,136,553	1,553,567			10,690,120	(4,526,180)		(4,526,180)	6,163,940	6,163,940	28,811,966
Community services	1,135,728	253,813	47,433		1,436,973	(2,092,003)		(2,092,003)	(702,462)	(655,030)	43,958,466
Operational services	758,458	10,579,083	2,173,243		13,510,784	(23,576,045)		(23,576,045)	(12,238,504)	(10,065,261)	152,894,608
Education, employment & development	102,569	657,531			760,100	(1,748,004)		(1,748,004)	(987,904)	(987,904)	-
Enterprise operations		8,326,860			8,326,860	(7,783,836)		(7,783,836)	543,024	543,024	2,025,717
Total Council	11,133,308	21,370,855	2,220,676	-	34,724,838	(41,640,873)	-	(41,640,873)	(9,136,711)	(6,916,035)	231,720,873

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							
	2020	2020	2020	2020		2020	2020				
\$	\$	\$	\$	\$	\$	\$	\$	\$			
Corporate governance	-	-	-	-	-	(1,596,825)	-	(1,596,825)	(1,596,825)	(1,596,825)	4,274,125
Finance and information	8,121,403	2,162,447	-	-	10,283,850	(6,572,261)	-	(6,572,261)	3,711,588	3,711,588	29,866,120
Community services	1,095,878	600,674	163,736	-	1,860,289	(1,136,262)	-	(1,136,262)	560,291	724,027	43,912,601
Operational services	927,517	13,161,373	53,928,976	-	68,017,865	(24,322,409)	-	(24,322,409)	(10,233,520)	43,695,456	155,553,139
Education, employment & development	1,249,586	369,174	-	-	1,618,760	(3,008,329)	-	(3,008,329)	(1,389,570)	(1,389,570)	-
Enterprise operations	-	8,171,156	-	-	8,171,156	(7,489,438)	-	(7,489,438)	681,718	681,718	2,198,862
Total Council	11,394,384	24,464,823	54,092,712	-	89,951,919	(44,125,524)	-	(44,125,524)	(8,266,317)	45,826,395	235,804,847

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

3 Revenue

(a) Service charges

Service charges are recognised as revenue at the point in time when the Council obtains control over the assets comprising these receipts which is the beginning of the period to which they relate.

	2021 \$	2020 \$
Water	1,689,474	1,719,058
Sewerage	468,930	563,438
Waste management	440,526	438,988
	<u>2,598,930</u>	<u>2,721,484</u>

(b) Fees and charges

Revenue arising from fees and charges is recognised at the point in time when 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, for example caravan parks. 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.

Airport landing fees	205,234	462,222
Other fees and charges	267,691	67,688
	<u>472,924</u>	<u>529,910</u>

(c) Rental income

Community housing	233,248	318,103
Other rental income	702,247	309,445
	<u>935,496</u>	<u>627,548</u>

Rental income is recognised as income at the point in time when due and payable in accordance with the lease terms.

(d) Sales Revenue

Rendering of services		
BAS/Qbuild revenue	6,928,131	8,230,911
Contract and recoverable works	-	5,786
	<u>6,928,131</u>	<u>8,236,697</u>
Sale of goods		
Airport fuel sales	371,778	218,580
Store sales	582,425	538,594
Other sales	4,814	13,033
	<u>959,016</u>	<u>770,207</u>
Total sales and recoverable works revenue	<u>7,887,147</u>	<u>9,006,904</u>

Sale of goods revenue is recognised at the point in time that the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered.

Revenue from services is recognised when the service is rendered. The amount recognised as revenue for contract and recoverable works during the financial year is the amount receivable in respect of invoices issued during the period. The contract work carried out is not subject to retentions.

Revenue from contracts and recoverable works and Building Asset Services generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. 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. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

3 Revenue (Continued)		2021	2020
		\$	\$
(e) Enterprise revenue			
Jardine Ferry and Roadhouse		1,016,490	903,000
Bamaga Post Office		367,153	469,224
Injinoo Ready-mix		701,620	1,118,812
Injinoo Service Station		1,305,389	859,087
Umagico Supermarket		4,936,208	4,782,660
		<u>8,326,860</u>	<u>8,132,784</u>

Enterprise revenue consists of the sale of goods and services. Sale of goods revenue is recognised at the point in time that the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered.

(f) Other revenue			
Commission		71,876	151,956
Gain on revaluation of finance leases	13	29,979	979,512
Gain on revaluation of landfill restoration	15	-	1,214,094
Insurance claim		515,464	523,430
Other income		502,290	504,568
		<u>1,119,608</u>	<u>3,373,560</u>

Other income is recognised on an accrual basis when the Council is entitled to it.

(g) Grants, subsidies, contributions and donations			
(i) Operating			
General purpose grants		4,205,094	4,340,321
State government subsidies and grants		5,791,458	4,905,604
Commonwealth government subsidies and grants		1,136,756	1,830,144
Non cash grants	15	-	318,315
		<u>11,133,308</u>	<u>11,394,384</u>
(ii) Capital			
Commonwealth government subsidies and grants		163,656	681,880
State government subsidies and grants		2,057,020	7,171,560
Non cash capital contributions	10	-	46,239,272
		<u>2,220,676</u>	<u>54,092,712</u>

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

	Note	2021		2020	
		Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
		\$	\$	\$	\$
Grants and subsidies	3(g)	7,493,690	5,860,294	8,174,558	11,073,266
Donations	3(g)	-	-	-	-
Contributions	3(g)	-	-	-	46,239,272
		<u>7,493,690</u>	<u>5,860,294</u>	<u>8,174,558</u>	<u>57,312,538</u>

During the 2019/20 financial year, the Council recognised non-cash revenue totalling \$46,239,272 for the receipt of water infrastructure assets transferred from the Department of Local Government, Racing and Multicultural Affairs on 1 October 2019. See Note 10 for further details.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

3 Revenue (Continued)

Grant income under AASB 15

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

The performance obligations vary in each agreement but include events, disability support services, etc. Payment terms vary depending on the terms of the grant with cash received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is assessed 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, revenue is recognised using either costs or time incurred.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the assets' fair value when the asset is received. 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 grants revenue is recognised when a grant is received to enable the 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 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.

Donations and contributions

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

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

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

4 Employee benefits

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

	2021	2020
Note	\$	\$
Total staff salaries and wages	9,387,355	9,516,604
Councillors' remuneration	370,474	379,678
Annual, sick and long service leave entitlements	1,501,989	1,487,950
Superannuation	1,127,626	1,199,576
	12,387,444	12,583,808
Other employee related expenses	258,415	232,521
	12,645,859	12,816,329

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

	2021	2020
	Number	Number
Total Council employees at the reporting date:		
Elected members	6	6
Administration and indoors staff	37	55
Depot and outdoors staff	119	85
Total full time equivalent employees	162	146

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

	2021	2020
	\$	\$
5 Materials and services		
Expenses are recorded on an accruals basis as Council receives the goods or services.		
Audit of annual financial statements by the Auditor-General of Queensland*	139,265	160,820
Consultants and project management	865,793	510,891
Contractors and contract services	6,336,900	8,495,977
Electricity light and power	309,840	325,838
Insurances	1,045,897	798,201
Materials and consumables	2,367,410	2,631,307
Plant and vehicle operation and maintenance	1,380,705	1,840,006
Grants refunded	-	106,183
Telecommunications	446,599	484,528
	<u>12,892,409</u>	<u>15,353,751</u>
Total audit fees quoted by the Queensland Audit Office relating to the 2020-21 financial statements are \$165,000 (2020: \$202,400 audit expense shown in the table about should be the amount quoted by Queensland Audit Office in the external audit plan.,		
Enterprise expenditure		
Jardine Ferry and Roadhouse	181,948	265,566
Post Office	233,717	218,494
Injinoo Readymix	450,937	647,198
Injinoo Service Station	1,032,970	570,748
Umagico Supermarket	3,795,358	3,876,973
Other Expenses	-	9,699
	<u>5,694,929</u>	<u>5,588,678</u>
Less capitalised internal charges	-	(248,150)
	<u>5,694,929</u>	<u>5,340,528</u>
Total materials & services	<u>18,587,338</u>	<u>20,694,279</u>
6 Capital expenses		
Loss on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment	-	-
Less: Carrying value of property, plant and equipment disposed of	-	-
	<u>-</u>	<u>-</u>
7 Finance costs		
Bank charges	101,834	19,592
Impairment of receivables	9 (183,909)	1,257,103
Movement on provisions	15 -	11,548
Debt collection costs	-	43,245
	<u>(82,075)</u>	<u>1,331,488</u>
8 Cash and cash equivalents		
Cash at bank and on hand	7,801,966	7,137,250
Deposits at call	3,453,499	3,432,057
Balance per Statement of Financial Position / Cash Flows	<u>11,255,465</u>	<u>10,569,307</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, deposits held at call with financial institutions and bank overdrafts.		
The Council may be exposed to credit risk through its investments in Queensland Treasury Corporation (QTC). 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.		
Cash and cash equivalents	11,255,465	10,569,307
Less: Externally imposed restrictions on cash	(i) (7,704,084)	(8,331,063)
Unrestricted cash	<u>3,551,381</u>	<u>2,238,244</u>
Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary or future use. These include:		
(i) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	7,704,084	8,331,063
Total unspent restricted cash	<u>7,704,084</u>	<u>8,331,063</u>
(ii) Internal allocations of cash at the reporting date:		
Future capital works	7,704,084	8,331,063
Future asset replacement	-	-
Future constrained works	-	-
Future recurrent expenditure	-	-
Total internally allocated cash	<u>7,704,084</u>	<u>8,331,063</u>

Northern Peninsula Area Regional Council
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9 Receivables

Current

Trade debtors	4,129,078	4,993,707
Other debtors	-	380,082
Less impairment	(2,801,442)	(2,985,352)
GST receivable	117,074	259,716
Prepayments	-	63,793
	<u>1,444,710</u>	<u>2,711,946</u>

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

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

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

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.

The exposure to credit risk for receivables by type of counterparty was as follows:

	2021	2020
	\$	\$
Service Charges	1,629,937	1,889,679
State & Commonwealth Government	494,094	413,458
Community organisations	-	9,738
Other	2,005,046	2,680,832
Total	<u>4,129,078</u>	<u>4,993,707</u>

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

	2021	2021	2020	2020
	Not credit-	Credit-impaired	Not credit-	Credit-impaired
	impaired		impaired	
	\$	\$	\$	\$
Not past due	484,700	-	811,224	-
Past due 31-60 days	41,668	-	215,594	-
Past due 61-90 days	65,159	-	215,374	-
More than 90 days	736,109	2,801,442	1,146,225	2,985,352
Total gross carrying amount	<u>1,327,636</u>	<u>2,801,442</u>	<u>2,388,417</u>	<u>2,985,352</u>
Loss allowance	-	(2,801,442)	-	(2,985,352)
	<u>1,327,636</u>	<u>-</u>	<u>2,388,417</u>	<u>-</u>

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

Opening balance at 1 July	2,985,352	1,714,068
Additional impairments recognised	(183,910)	1,271,284
Impairments reversed	-	-
Closing Balance at 30 June	<u>2,801,442</u>	<u>2,985,352</u>

Refer to Note 24 for further information about credit risk.

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

10 Property, plant and equipment

30 June 2021
Basis of measurement
Fair value category

Asset values
Opening gross value as at 1 July 2020
Additions
- Renewals
- Other additions
Donated assets
Disposals
Impairment
Transfer of work in progress
Closing gross value as at 30 June 2021

Note	Buildings	Plant and equipment	Infrastructure	Sewerage	Roads and bridges	Drainage	Community housing	Water	Work in progress	Total
	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 3		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	81,903,730	7,231,667	35,166,780	15,150,015	91,093,530	12,927,303	29,066,754	96,540,547	3,640,764	372,721,090
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	37,925	-	-	-	5,907,139	5,945,064
	28,640	662,160	15,591	-	-	10,643	5,774	90,766	682,618	1,496,192
3(g)	-	-	-	-	-	-	-	-	-	-
	(78,413)	-	-	-	-	-	-	-	-	(78,413)
	-	-	-	-	-	-	-	(4,572)	-	(4,572)
	919,807	-	335,673	-	354,761	925,055	-	-	2,535,295	-
	82,773,764	7,893,827	35,518,044	15,150,015	91,486,216	13,863,001	29,072,528	96,626,741	7,695,226	380,079,361

Accumulated depreciation and impairment

Opening balance as at 1 July 2020
Depreciation expense
Depreciation on disposal
Donated assets
Adjustment to asset revaluation for assets not previously recognised*
De-recognition of assets to asset revaluation reserve**
Revaluation adjustment to asset revaluation surplus
Revaluation adjustment to expense
Accumulated depreciation as at 30 June 2021

	41,344,044	1,587,827	17,941,267	4,893,680	30,270,030	4,710,896	16,255,077	50,832,138	-	167,834,959
	2,785,920	700,422	1,045,716	281,908	2,421,567	243,535	746,244	2,264,438	-	10,489,752
	-	-	-	-	-	-	-	-	-	-
3(g)	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
16	-	-	-	-	-	-	-	-	-	-
8	-	-	-	-	-	-	-	-	-	-
	44,129,965	2,288,249	18,986,983	5,175,588	32,691,596	4,954,431	17,001,321	53,096,576	-	178,324,711

Total written down value as at 30 June 2021

Range of estimated useful life in years

	38,643,799	5,605,578	16,531,061	9,974,427	58,794,619	8,908,569	12,071,207	43,530,165	7,695,226	201,754,650
	10-50	3-50	5-80	20-60	10-80	20-60	5-50	5-100	-	

Northern Peninsula Area Regional Council
Notes to the Financial Statements
For the year ended 30 June 2021

10 Property, plant and equipment (Continued)

30 June 2020

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2019

Additions

Donated assets*

Revaluation adjustment to asset revaluation

Adjustment to asset revaluation for assets not previously recognised*

De-recognition of assets to asset revaluation reserve**

Transfer of work in progress

Closing gross value as at 30 June 2019

Accumulated depreciation and impairment

Opening balance as at 1 July 2019

Depreciation expense

Donated assets*

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2019

Total written down value as at 30 June 2019

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

Note	Buildings	Plant and equipment	Infrastructure	Sewerage	Roads and bridges	Drainage	Community housing	Water	Work in progress	Total
	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 3		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	79,411,875	5,768,791	30,151,512	14,780,502	83,386,223	12,280,956	28,279,378	-	5,998,660	260,057,897
	-	770,639	5,250	-	-	339,323	80,392	-	8,719,780	9,915,384
3(g)	-	-	-	-	-	-	-	94,185,899	-	94,185,899
16	1,985,297	-	753,789	369,513	2,084,655	307,024	706,984	2,354,648	-	8,561,910
	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
	506,558	692,237	4,256,229	-	5,622,652	-	-	-	(11,077,676)	-
	81,903,730	7,231,667	35,166,780	15,150,015	91,093,530	12,927,303	29,066,754	96,540,547	3,640,764	372,721,090
	37,835,989	1,028,427	16,587,296	4,495,833	27,446,099	4,370,606	14,922,330	-	-	106,686,580
	2,499,664	559,400	916,381	278,489	2,085,638	225,417	936,393	1,645,702	-	9,147,084
3(g)	-	-	-	-	-	-	-	47,946,627	-	47,946,627
16	1,008,391	-	437,590	119,358	738,293	114,873	396,354	1,239,809	-	4,054,668
	41,344,044	1,587,827	17,941,267	4,893,680	30,270,030	4,710,896	16,255,077	50,832,138	-	167,834,959
	40,559,686	5,643,840	17,225,513	10,256,335	60,823,500	8,216,407	12,811,677	45,708,409	3,640,764	204,886,131
	10-50	3-50	5-80	20-60	10-80	20-60	5-50	5-100	-	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	-	-	-	-	-	80,392	-	3,467,452	3,547,844
	-	770,639	5,250	-	-	339,323	-	-	5,252,328	6,367,540
	-	770,639	5,250	-	-	339,323	80,392	-	8,719,780	9,915,384

* In accordance with the Deed of Agreement between the Department of Local Government, Racing and Multicultural Affairs ("DLGRMA") and the Northern Peninsula Area Regional Council the transfer of the ownership of the Northern Peninsula Area Regional Council water supply system from the Department to the Council took place on 1 October 2019. The water assets have been incorporated into Council's asset register as at 1 October 2019 at a fair value of \$46,239,272 and recognised as a donated capital grant. See Note 3(g) (ii) for further detail.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

10 Property, plant and equipment (Continued)

(a) Recognition

Purchases of property, plant and equipment are recognised as assets unless they are below the asset recognition threshold or maintenance expenditure. 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.

Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds the title or financial lease over the asset. As land where Council is located on is assigned to it under various Deeds of Grant in Trust (DOGIT), NPARC has no such land holdings.

Deed of Grant in Trust land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 34I of the Land Act 1994. The land comprises an area of approximately 101,824.46 hectares, as follows:

Injinoo - 80,159.20 hectares
Umagico - 5,228.40 hectares
Bamaga - 6,622.30 hectares
New Mapoon - 9,557.60 hectares
Seisia - 256.96 hectares

(b) Measurement

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

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

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

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.

(c) Depreciation

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

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

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

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.

Key judgments and estimates:

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.

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.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

10 Property, plant and equipment (Continued)

(d) Impairment

Property, plant and equipment held at cost 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.

(e) Valuation

Key judgments and estimates:

Some of the Council's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Council uses market-observable data to the extent it is available and other inputs as necessary.

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

The Council considers the carrying amount of its property, plant and equipment on an annual basis compared to fair value and makes adjustment where these are materially different. 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.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 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.

Revaluation increases are recognised in the asset revaluation surplus unless they are reversing a previous decrease which was taken through the statement of comprehensive income, in that case the increase is taken to the statement of comprehensive income to the extent of the previous decrease.

Revaluation decreases are recognised in the asset revaluation surplus, where there is a sufficient amount available in the asset revaluation surplus relating to that asset class. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income.

Where the class of asset has previously decreased in value and this reduction was recognised as an expense, an increase in the value of the class is recognised in the statement of comprehensive income.

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 11.

No adjustment to values was booked for 2020-21 as management determined that movement in relevant indices were not material. The Council intends to complete a comprehensive valuation in 2021-22.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

11 Fair value measurements

(i) Recognised fair value measurements

Fair values are classified into three levels as follows:

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

There were no transfers between categories during the year (2020: nil).

The 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 3 valuations

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

Specific valuation techniques used to value Council assets comprise:

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in Index recognised this year)	Other interim revaluation adjustment
Buildings (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers	<p>The gross current values have been derived from reference to cost data for recent projects and researched costing guides. Reference asset replacement costs for the assets were compiled by reference to actual costs incurred for some of the subject assets and by reference to similar asset improvements established within the North Queensland Region, and also supported by reference to detailed Construction Cost Data. Buildings were assessed by analysing cost data which has been derived from information from Rawlinsons Australian Construction Handbook, Costweb and the Australian Bureau of Statistics.</p> <p>Considerations in the calculations have been the type and the size of the asset, construction materials used, level of finish, inherent attributes, and the location of the asset. Costs have been indexed to account for the location of the subject assets being away from the major supply centres and/or due to being in a different location to that for which researched cost data has been sourced. Differences associated with time factors (date of construction of other similar improvements and date of compilation of cost data) in comparison to valuation date have also been accounted for. New building assets since the date of the valuation have been valued by reference to actual costs incurred in establishing such assets.</p> <p>The valuation as assessed is based on the consideration of asset life expectancy. The remaining life of the asset has been determined by inspection, reference to data provided, and by reference to its general physical condition, design, and economic and functional utility. Obsolescence as well as physical depreciation has been considered.</p>	NII	
Roads, Drainage and Bridge Network (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers	<p>The road infrastructure was categorised into urban and rural roads and then further sub-categorised into sealed and unsealed roads. All road segments are componentised into formation, pavement and seal (where applicable). The Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. The Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.</p> <p>Current replacement cost was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. It is assumed that base raw materials can be sourced from the local quarries where possible. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, cost was based on the average of completed similar projects over the last few years. The road cost has been established from general recorded cost data and also by way of consultation with NPARC Operations Department personnel who are engaged in the establishment and maintenance of such roads. Cost information used by Natural Disaster Relief and Recovery Arrangements ("NDRRA") in remedial works have been sourced for assistance with the costing of roads. Reference was also made to recent costs for construction works within the subject district or other remote regions.</p> <p>In determining the level of accumulated depreciation, roads and bridges were apportioned into significant components which exhibited different useful lives and based on that applicable and observed for roads in the wet tropical area of Queensland.</p>	NII	

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

11 Fair value measurements (Continued)

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in index recognised this year)
Infrastructure (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers	For infrastructure and 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 such 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.	NII
Water and Sewerage infrastructure assets (level 3)	Current replacement cost (CRC)	31-Mar-19	GRC Quantity Surveyors	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. 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 road assets. Asset Advance Valuers cost models were derived from various sources including Asset Advance Valuers database, schedule rates for construction of asset or similar assets, building price Index tables, recent contract and tender data and Rawlinson's rates for building and construction. Factors taken into account in determining replacement costs include development factors relating to the area in which development takes place (e.g. rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control) and soil factors such as the types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).	NII
Community housing (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers	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. The gross current values have been derived from reference to cost data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's Australian Construction Handbook. 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.	NII

11.C Changes in fair value measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring and non recurring fair value measurements are detailed in Note 13 (finance leases) and note 11 (property, plant and equipment). There have been no transfers between level 1, 2 or 3 measurements during the year.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

12 Contract balances

Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amounts that Council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor amounts in excess of what it has incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

	2021	2020
	\$	\$
(a) Contract assets	<u>220,254</u>	<u>220,254</u>
(b) Contract liabilities		
Funds received upfront to construct Council controlled assets	5,447,656	2,200,113
Deposits received in advance of services provided	330,553	705,882
Non-capital performance obligations not yet satisfied	-	-
	<u>5,778,209</u>	<u>2,905,995</u>
Current contract liabilities	<u>5,778,209</u>	<u>2,905,995</u>
	<u>5,778,209</u>	<u>2,905,995</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	923,225	2,485,936
Non-capital performance obligations	-	-
	<u>923,225</u>	<u>2,485,936</u>

(c) Significant changes in contract balances

Significant movements in contract assets and contract liabilities that have occurred during the year were due to the change in the timing of the work, impairment of a contract asset and significant monies received in advance.

13 Leases

Council as a lessee

Where Council assesses that an agreement contains a lease, a right of use asset and lease liability is recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

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

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

Council believes that the right-of-use asset and the lease liability in relation to the existing lease are not material. Therefore no further disclosure on depreciation charge and carrying amount of right-of-use assets at the end of the reporting period is necessary. The same principle applies to for the lease liability disclosure requirement.

Exception to lease accounting

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

Northern Peninsula Area Regional Council
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13 Leases (continued)

Terms and conditions of leases

Council has a lease contract in place with Lou-An (Qld) Pty Ltd for the lease on the Northern Peninsula Area Regional Council Cairns office space. The annual rental fee amounts to \$30,000. The lease initially commenced on 10 December 2014 and expired on 9 December 2017. Council exercised the option to extend the lease for 3 more years with the lease expiring on 9 December 2020. A new lease agreement has yet to be signed and the Council is currently using the space on a month by month basis.

Liabilities not recognised - extension options

For the office space lease, Council excludes the extension option as it is not yet certain whether it will exercise the option at this stage. At each reporting date Council assesses whether it is reasonably certain that the extension options will be exercised based on current operations and Council strategy.

Leases at significant below market value / Concessionary leases

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

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.

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 562 dwellings (2019-20: 562) as lessor to the Queensland Government for 40 years. The average lease payment per dwelling in the current year was \$902 (2019-20: \$890). 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). Gains/(Loss) on revaluation of finance lease assets are recognised as capital income (expense).

Northern Peninsula Area Regional Council
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For the year ended 30 June 2021

13 Leases (continued)

	2021	2020
	\$	\$
Current other financial assets	524,257	510,751
Finance leases	<u>524,257</u>	<u>510,751</u>
Non-current other financial assets	15,367,280	15,853,860
Finance leases	<u>15,367,280</u>	<u>15,853,860</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	524,257	510,751
Later than one year but not later than five years	2,078,172	2,043,008
Later than five years	<u>13,920,549</u>	<u>14,195,759</u>
	16,522,978	16,749,518
Add: Estimated contingent rent	6,273,165	7,443,271
Less: Present value adjustment	<u>(6,904,996)</u>	<u>(7,828,178)</u>
Fair value of lease payments	<u>15,891,147</u>	<u>16,364,611</u>

The fair value of lease payments is receivable as follows:

Not later than one year	524,257	510,751
Between one and two years	518,222	510,003
Between two and three years	516,904	509,256
Between three and four years	515,590	508,510
Between four and five years	514,270	507,765
Later than five years	<u>13,301,904</u>	<u>13,818,326</u>
	<u>15,891,147</u>	<u>16,364,610</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
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13 Leases (Continued)	2021 \$	2020 \$
Movements in finance leases were as follows:		
Opening balance	16,364,613	15,885,322
Less: Lease receipts	(503,055)	(500,222)
(Loss)/Gain on revaluation	29,979	979,512
Closing balance	<u>15,891,537</u>	<u>16,364,613</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2% in the current year (2.2% in the prior year) and a discount rate of 2.26% in the current year (2.35% in the prior year).

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 and relate to the lease of Council's properties.

The assets are included in the statement of financial position as property, plant and equipment, where the rental is incidental or the asset is held to meet Council's service delivery objectives.

Rent from Council's building assets is recognised as income on a periodic straight line basis over the lease term.

	2021	2020 \$
Rental income (excluding variable lease payments not dependent on an index or rate)	935,496	627,548

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.

14 Payables

Current

Creditors and accruals	3,252,723	3,099,539
Annual leave	555,785	695,483
GST payable	-	-
	<u>3,808,507</u>	<u>3,795,022</u>

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

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and include related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported as a payable.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

	2021 \$	2020 \$
15 Provisions		
Current		
Long service leave	590,348	606,279
Landfill restoration	665,125	665,125
	<u>1,255,473</u>	<u>1,271,404</u>
Non-current		
Long service leave	163,647	201,354
Landfill restoration	400,371	400,371
	<u>564,018</u>	<u>601,725</u>
Landfill restoration		
Opening balance	1,065,496	2,586,357
Change in provision due to change in discount rate	7 -	11,548
Change in provision due to change in estimate of costs	3(f) -	(1,214,094)
Settlement during the year	3(g) (i) -	(318,315)
Balance at end of financial year	<u>1,065,496</u>	<u>1,065,496</u>

Long Service Leave

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

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

Landfill restoration provision

A provision is made for the cost of rehabilitation and future restoration costs where it is probable the Council will be liable, or required, to do this when the use of the facilities is complete.

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 \$1,065,496 is expected to be incurred between 2019 and 2051 with the closure occurring in October 2020 and the maintenance required for a period of 30 years. The figure excludes rehabilitating landfill cells on existing sites that are yet to be constructed or used.

There has been an decrease to the estimate of costs as at 30 June 2020 of \$1,214,094. This is a result of more accurate information now being available due to the imminent closure of the site.

Work to close the existing landfill site commenced prior to 30 June 2020. This work is included as part of the Council waste facility project which is funded by TSRA and managed by external consultants. As described in Note 19, the funds are held in trust and the new waste facility assets associated with the project will be transferred to Council on completion. As part of the funds relate to the settlement of the provision for the closure of the existing site, the expenditure incurred prior to 30 June 2020 of \$318,315 was reported as a decrease to the landfill restoration provision and a non cash grant. See note 3g (i).

No adjustment to the provision has been applied for 2020-21 as management has determined that any movement would be immaterial. A comprehensive review will be undertaken during 2021-22.

Northern Peninsula Area Regional Council
Notes to the financial statements
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	Note	2021 \$	2020 \$
16 Asset revaluation surplus			
<p>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.</p> <p>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.</p> <p>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.</p>			
Balance at beginning of financial year		62,006,651	57,499,409
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings	10	-	976,906
Plant & equipment	10	-	-
Infrastructure	10	-	316,199
Sewerage	10	-	250,155
Roads & bridges	10	-	1,346,362
Drainage	10	-	192,151
Community housing	10	-	310,630
Water	10	-	1,114,839
Balance at end of financial year		<u>62,006,651</u>	<u>62,006,651</u>

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Buildings	28,777,868	28,777,868
Plant & equipment	1,573,847	1,573,847
Infrastructure	2,303,954	2,303,954
Sewerage	1,431,204	1,431,204
Roads & bridges	23,397,399	23,397,399
Drainage	1,588,033	1,588,033
Community Housing	1,819,507	1,819,507
Water	1,114,839	1,114,839
	<u>62,006,651</u>	<u>62,006,651</u>

17 Contingent liabilities

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

Local Government Mutual

The Council was a member of the local government mutual liability self-insurance pool, LGM Queensland at 30 June 2021 for Public Liability, Products Liability and Professional Indemnity cover. All other insurance policies were negotiated through Jardine, Lloyd Thompson. As at the date of this report there were no contingent liabilities arising from insurance claims.

Local Government Workcare

Council is not a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. All workers compensation arrangements have been negotiated with Workcover Queensland. At the date of this report there were no contingent liabilities arising from workers compensation claims.

Loan guarantee

The Enterprise Licence Agreement for the divestment of enterprises to Seisia Community Torres Strait Islander Corporation, includes a provision which could require the Council to make good the repayment of loans to Torres Strait Regional Authority should the licensee fail to do so. This possible liability arises because the consent of the grantor was not obtained prior to the loan liability being transferred to the licensee. That consent had not been received as at the date of the signing of the licence. The possible liability is not recorded in the Financial Statements of the Council.

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	Note	2021 \$	2020 \$
18 Superannuation			
Council contributes to the LGIASuper previously known as Local Government Superannuation Scheme (Qld) (the scheme). LGIASuper is a Multiemployer Plan as defined in Australian Accounting Standards AASB 119 <i>Employee Benefits</i> . The scheme has a number of elements including defined benefits funds and an accumulated benefits fund. Council does not have any employees who are members of the defined benefits funds and so is not exposed to the obligations, assets or costs associated with these funds. Council has employees who are members of the accumulated benefits fund.			
Superannuation contributions made to the LGIA			
Accumulated Benefits Fund	4	1,127,626	1,199,576
19 Trust funds			
Funds held in the trust account on behalf of outside parties include those funds from deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.			
Trust funds held for outside parties			
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities			
		4,998	4,998
		<u>4,998</u>	<u>4,998</u>
The Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.			
Funds held in trust by outside parties			
Monies held in trust by DFK Kidsons. The Major Infrastructure Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure works. DFK Kidsons holds funds for multiple Councils in regards to the Major Infrastructure Program. The amount disclosed above relates to NPARC's portion of the funds. Infrastructure assets are not recognised by the Council until they have reached completion.			
		1,778,621	5,640,451
		<u>1,778,621</u>	<u>5,640,451</u>
20 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities			
Net result		(6,916,035)	45,826,396
Non-cash items:			
Depreciation and amortisation	10	10,489,752	9,147,084
Non-cash contribution		-	(46,239,272)
Loss/(gain) on revaluation of finance leases	13	(29,979)	(979,512)
Movement in impairment of debts	9	(183,910)	1,271,284
Movement in provision for landfill restoration	15	-	(1,202,546)
Non-cash grant on landfill restoration	15	-	(318,315)
Impact of adopting AASB 15/1058		-	(2,220,848)
		<u>10,275,863</u>	<u>(40,542,125)</u>
Investing and development activities:			
Gain on disposal of assets		-	-
Capital grants and contributions		(2,220,676)	(7,853,440)
		<u>(2,220,676)</u>	<u>(7,853,440)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		1,926,271	1,073,505
(Increase)/decrease in inventory		(101,661)	(16,468)
Increase/(decrease) in payables		13,485	498,438
Increase/(decrease) in other provisions		(53,638)	16,051
(Increase)/decrease in contract assets		-	(220,254)
(Increase)/decrease in contract liabilities		2,872,214	2,905,995
		<u>4,656,671</u>	<u>4,257,267</u>
Net cash inflow from operating activities		<u>5,795,823</u>	<u>1,688,098</u>

**Northern Peninsula Area Regional Council
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21 Events after the reporting period

To the best of the Council's knowledge at the date of this financial report, there are no other post balance date events that are likely to have a material impact on the financial statements.

22 Impact of COVID-19 on the financial statements as at 30 June 2021

As a result of the pandemic, as in 2019-20, there has been a negative impact on the level of revenue from Council Enterprises against budget although visitor numbers did pick up towards the end of the 2020-21 financial year. However It is not possible to accurately quantify the decrease due to the inconsistent nature of enterprise revenue.

There have not been any other significant adverse operational or financial impacts as a result of the COVID-19 pandemic to date and it is confirmed that any known impacts have been reflected in the financial statements.

Northern Peninsula Area Regional Council
Notes to the financial statements
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23 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, the Council's Chief Executive Officer and Executive Managers. The compensation paid to KMP comprises:

	2021	2020
	\$	\$
Short-term employee benefits	1,250,913	1,121,307
Post-employment benefits	97,782	120,785
Long-term benefits	2,697	12,817
Termination benefits	104,604	37,145
Total	1,455,996	1,292,054

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	2021	2020
		\$	\$
Service charges and sales to entities controlled by KMP	24(b)(i)	1,383,443	179,714
Sale of goods and services to related parties	24(b)(ii)	51,020	51,087
Employee expenses for close family members of KMP	24(b)(iii)	985,540	1,007,337
Purchase of materials and services from close family member and entities controlled	24(b)(iv)	325,379	343,502

(i) The service charges charged to entities controlled by key management personnel were on an arm's length basis in accordance with the schedule of fees and charges adopted by Council. Sale of goods were at arm's length and were in the normal terms and conditions of the Council. The total disclosed includes the following:

Service charges and sales to entities controlled by KMP	\$	\$
Service charges charged to controlled entities	1,037,927	141,280
Sale of goods	345,516	38,434
Total	1,383,443	179,715

(ii) Sales generated from key management personnel, close family member of KMP and jointly controlled entity of KMP were on arm's length basis in accordance with Council's standard terms and conditions

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

The council employs 162 (2020: 146) staff of which only 18 (2020: 14) are close family members of key management personnel.

(iv) The Council purchased material and services from close family member and entities controlled by key management personnel. All purchases were at arm's length and were in the normal course of council operations.

As described in Note 19, there is an ongoing Major Infrastructure Program jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure works. This relates to NPARC Waste Facility and Bamaga Sewerage upgrade. The funds for this program are held in trust and the project is managed externally. It is noted that the construction contractor engaged to carry out this project is an entity controlled by a current KMP of Council. The contract was awarded to the company prior to the KMP having any involvement at Council.

**Northern Peninsula Area Regional Council
Notes to the financial statements
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23 Transactions with related parties (continued)

(c) Outstanding balances

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

30 June 2021	Amounts owed by KMP	Amounts owed by close family member of KMP	Amounts owed by entities controlled by KMP
	\$	\$	\$
Current	-	-	5,176
Past due 31-60 days	15	-	5,046
Past due 61-90 days	-	-	5,485
More than 90 days overdue	3,856	203	253,144
Total Owing	3,871	203	268,852

30 June 2020	Amounts owed by KMP	Amounts owed by close family member of KMP	Amounts owed by entities controlled by KMP
	\$	\$	\$
Current	-	1,102	20,896
Past due 31-60 days	-	-	3,146
Past due 61-90 days	-	-	9,802
More than 90 days overdue	12,626	3,311	526,487
Total Owing	12,626	4,413	560,331

At the end of the reporting period, the Council owed \$113,371 (2020 \$113,371) to an entity that was controlled by a KMP. There were no other balances owed to KMP, close family members or entities controlled by KMP.

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

(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 Northern Peninsula Area community. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of fees and charges

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.

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24 Financial instruments and financial risk management

(a) Financial assets and financial liabilities

Northern Peninsula Area Regional Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

Risk management framework

Northern Peninsula Area Regional 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.

Northern Peninsula Area Regional 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.

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 Northern Peninsula Regional 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

Other financial assets - lease receivables

Finance leases are held with the State of Queensland, the likelihood of a credit failure is assessed as remote.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

24 Financial instruments and financial risk management (Continued)

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 (principal and interest) 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
	\$	\$	\$	\$	\$
2021					
Trade and other payables	3,252,723	-	-	3,252,723	3,252,723
	<u>3,252,723</u>	<u>-</u>	<u>-</u>	<u>3,252,723</u>	<u>3,252,723</u>
2020					
Trade and other payables	3,099,539	-	-	3,099,539	3,099,539
	<u>3,099,539</u>	<u>-</u>	<u>-</u>	<u>3,099,539</u>	<u>3,099,539</u>

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2021

24 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

Northern Peninsula Area Regional 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 \$
2021					
Deposits at call	3,453,499	34,535	(34,535)	34,535	(34,535)
Total	<u>3,453,499</u>	<u>34,535</u>	<u>(34,535)</u>	<u>34,535</u>	<u>(34,535)</u>
2020					
Deposits at call	3,432,057	34,321	(34,321)	34,321	(34,321)
Total	<u>3,432,057</u>	<u>34,321</u>	<u>(34,321)</u>	<u>34,321</u>	<u>(34,321)</u>

(b) Fair value

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

	2021 \$	2020 \$
25 Commitments for expenditure		
Contractual commitments		
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:		
Cairns office space:		
Within one year	12,500	12,500
	<u>12,500</u>	<u>12,500</u>
Umagico Supermarket management		
Within one year	160,042	173,188
One to five years	640,000	731,699
	<u>800,042</u>	<u>904,887</u>
Hunter Premium insurance		
Within one year	26,840	1,026,442
	<u>26,840</u>	<u>1,026,442</u>
Computer maintenance within one year	144,982	-
Management and Maintenance of Water Treatment Plant	426,938	-
Capital commitments	1,219,991	2,383,818
Total commitments for expenditure	<u>2,631,293</u>	<u>4,327,647</u>

Northern Peninsula Area Regional Council
Financial statements
For the year ended 30 June 2021

Management Certificate
For the year ended 30 June 2021

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.

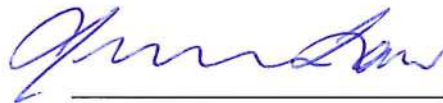
In accordance with section 212(5) of the Regulation we certify that:

- (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
Patricia Yusia

Date: 31/10/21



Chief Executive Officer
Susan Law

Date: 31/10/21

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Northern Peninsula Area Regional Council

Report on the Audit of the Financial Report

Opinion

I have audited the financial report of the Northern Peninsula Area Regional Council (the Council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2021, 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 2021, 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 the Northern Peninsula Area Regional Council's annual report for the year ended 30 June 2021 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

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

Prescribed requirements scope

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



Sri Narasimhan
as delegate of the Auditor-General

31 October 2021

Queensland Audit Office
Brisbane

**Northern Peninsula Area Regional Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2021**

Measures of Financial Sustainability

How the measure is calculated Actual - Council Target

The Council's performance at 30 June 2021 against key financial ratios and targets:

Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-28%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	57%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-10%	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 2021.

**Certificate of Accuracy
For the year ended 30 June 2021**

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

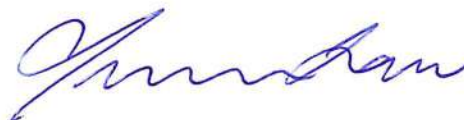
In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.



Mayor
Patricia Yusia

Date:

31, 10, 21



Chief Executive Officer
Susan Law

Date:

31, 10, 21

INDEPENDENT AUDITOR'S REPORT

To the councillors of Northern Peninsula Area Regional Council

Report on the current-year financial sustainability statement

Opinion

I have audited the accompanying current-year financial sustainability statement of Northern Peninsula Area Regional Council for the year ended 30 June 2021, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Northern Peninsula Area Regional Council for the year ended 30 June 2021 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 Northern Peninsula Area Regional Council's annual report for the year ended 30 June 2021 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

31 October 2021

Queensland Audit Office
Brisbane

Northern Peninsula Area Regional Council
 Long-Term Financial Sustainability Statement
 For the year ended 30 June 2021

Projected for the years ended

Measures of Financial Sustainability

Measure	Target	Actuals at 30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	31 June 2029	31 June 2030
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-28%	-14%	-3%	-3%	3%	5%	11%	11%	11%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	57%	75%	75%	70%	85%	85%	85%	85%	85%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-10%	-17%	-19%	-17%	-17%	-17%	-17%	-17%	-17%

Northern Peninsula Area Regional Council's Financial Management Strategy

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

Certificate of Accuracy	
For the long-term financial sustainability statement prepared as at 30 June 2021	
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the <i>Local Government Regulation 2012</i> (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 Patricia Yusia Date: <u>31, 10, 21</u>	 Chief Executive Officer Susan Law Date: <u>31, 10, 21</u>