

Carpentaria Shire Council

Financial Statements

For the Year Ended 30 June 2020

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Carpentaria Shire Council
Statement of Comprehensive Income
For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Revenue			
Recurrent Revenue			
Rates, Levies and Charges	3(a)	7,941,652	7,652,556
Fees and Charges	3(b)	674,496	981,020
Rental Income	3(c)	664,006	400,589
Interest Received		332,543	412,314
Sales Revenue	3(d)	5,811,796	2,836,328
Other Income		82,335	45,211
Grants, Subsidies, Contributions and Donations	4(a)	42,502,434	33,541,551
		<u>58,009,261</u>	<u>45,869,569</u>
Capital Revenue			
Grants, Subsidies, Contributions and Donations	4(b)	6,762,518	4,505,349
Total Revenue		<u>64,771,780</u>	<u>50,374,918</u>
Capital Income		-	655,039
Total Income		<u>64,771,780</u>	<u>51,029,958</u>
Expenses			
Recurrent Expenses			
Employee Benefits	5	(11,173,986)	(10,489,670)
Materials and Services	6	(40,734,575)	(35,601,546)
Finance Costs		(419,352)	(426,356)
Depreciation	9	(14,386,580)	(12,556,888)
		<u>(66,714,492)</u>	<u>(71,631,348)</u>
Capital Expenses			
		(24,726)	(869,235)
Total Expenses		<u>(66,739,218)</u>	<u>(72,500,583)</u>
NET RESULT		<u>(1,967,439)</u>	<u>(8,913,737)</u>
Other Comprehensive Income			
Items Not be Reclassified to Net Result			
Increase / (Decrease) in Revaluation Surplus	9	1,459,737	(32,183)
Total Other Comprehensive Income for the Year		<u>1,459,737</u>	<u>(32,183)</u>
Total Comprehensive Income for the Year		<u>(507,701)</u>	<u>(8,945,921)</u>

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

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

Carpentaria Shire Council
Statement of Financial Position
as at 30 June 2020

		2020	2019
	Note	\$	\$
Current Assets			
Cash and Cash Equivalents	7	19,942,170	13,940,621
Investments		1,000,000	1,000,000
Trade and Other Receivables	8	4,201,273	4,413,461
Inventories		613,326	433,833
Contract Assets	11(a)	9,566,721	-
		<u>35,323,489</u>	<u>19,787,915</u>
Non-Current Assets Held for Sale		478,207	478,207
Total Current Assets		<u>35,801,696</u>	<u>20,266,122</u>
Non-Current Assets			
Trade and Other Receivables	8	159,534	159,534
Property, Plant and Equipment	9	363,279,044	366,059,660
Total Non-Current Assets		<u>363,438,578</u>	<u>366,219,194</u>
Total Assets		<u>399,240,274</u>	<u>386,485,316</u>
Current Liabilities			
Payables	12	7,530,361	5,276,181
Contract Liabilities	11(b)	6,643,793	-
Borrowings	13	479,017	440,327
Provisions	14	1,367,682	1,223,618
Other Liabilities		100,000	117,020
Total Current Liabilities		<u>16,120,853</u>	<u>7,057,146</u>
Non-Current Liabilities			
Borrowings	13	7,430,125	7,910,056
Provisions	14	1,676,220	1,918,196
Other Liabilities		300,000	400,000
Total Non-Current Liabilities		<u>9,406,345</u>	<u>10,228,252</u>
Total Liabilities		<u>25,527,198</u>	<u>17,285,398</u>
Net Community Assets		<u>373,713,078</u>	<u>369,199,918</u>
Community Equity			
Revaluation Surplus		269,621,281	268,161,544
Retained Surplus		104,091,797	101,038,374
Total Community Equity		<u>373,713,078</u>	<u>369,199,918</u>

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

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

Carpentaria Shire Council
Statement of Changes in Equity
For the Year Ended 30 June 2020

	Revaluation Surplus	Retained Surplus	TOTAL
Note	\$	\$	\$
Balance as at 1 July 2019	268,161,544	101,038,374	369,199,918
Adjustment on Initial Application of AASB 15 / 1058	-	5,020,835	5,020,835
Restated Balance at 1 July 2019	268,161,544	106,059,239	374,220,783
Net Result	-	(1,967,439)	(1,967,439)
Increase / (Decrease) in Revaluation Surplus	1,459,737	-	1,459,737
Total Comprehensive Income for the Year	1,459,737	(1,967,439)	(507,701)
Balance as at 30 June 2020	269,621,281	104,091,797	373,713,078
Balance as at 1 July 2018	268,193,727	109,952,111	378,145,838
Net Result	-	(8,913,737)	(8,913,737)
Increase / (Decrease) in Revaluation Surplus	(32,183)	-	(32,183)
Total Comprehensive Income for the Year	(32,183)	(8,913,737)	(8,945,920)
Balance as at 30 June 2019	268,161,544	101,038,374	369,199,918

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

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

Carpentaria Shire Council
Statement of Cash Flows
For the Year Ended 30 June 2020

	Note	2020	2019
		\$	\$
Cash Flows from Operating Activities			
Receipts from Customers		11,656,081	9,068,764
Payments to Suppliers and Employees		(46,846,416)	(43,736,484)
		<u>(35,190,335)</u>	<u>(34,667,720)</u>
Interest Received		332,543	412,314
Rental Income		664,006	400,589
Operating Grants and Contributions		43,551,004	33,541,551
Borrowing Costs		(419,352)	(426,356)
Net Cash Inflow (Outflow) from Operating Activities	19	<u>8,937,866</u>	<u>(739,622)</u>
Cash Flows from Investing Activities			
Payments for Property, Plant and Equipment		(10,359,021)	(3,925,263)
Recognition of 2020 Investment Separately		(1,000,000)	-
Proceeds from Sale of Property, Plant and Equipment		188,092	79,184
Grants, Subsidies, Contributions and Donations		7,675,853	4,505,349
Net Cash Inflow (Outflow) from Investing Activities		<u>(3,495,076)</u>	<u>659,270</u>
Cash Flows from Financing Activities			
Proceeds from Borrowings		-	-
Repayment of Borrowings		(441,241)	(514,035)
Net Cash Inflow (Outflow) from Financing Activities		<u>(441,241)</u>	<u>(514,035)</u>
Net Increase (Decrease) in Cash and Cash Equivalents Held		<u>5,001,549</u>	<u>(594,387)</u>
Cash and Cash Equivalents at the Beginning of the Financial Year		14,940,621	15,535,007
Cash and Cash Equivalents at End of the Financial Year	7	<u>19,942,170</u>	<u>14,940,621</u>

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

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

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

1 Significant Accounting Policies

1.A Basis of Preparation

Carpentaria Shire 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 2019 to 30 June 2020. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*. These financial statements comply with all Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with the 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 classes of property, plant and equipment.

1.B New and Revised Accounting Standards Adopted During the Year

Council adopted all Standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases. Refer to the change in accounting policy note 21 for transition disclosures for *AASB 15 Revenue from Contracts with Customers* and *AASB 1058 Income of NFP Entities*. No changes have occurred as a result of *AASB 16 Leases*.

1.C Standards Issued by the AASB Not Yet Effective

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

	Effective Periods Beginning on or After:
<i>AASB 17 Insurance Contracts</i>	1 January 2021
<i>AASB 2018-7 Amendments to Australian Accounting Standards - Definition of Material</i>	1 January 2020
<i>AASB 1059 Service Concession Arrangements: Grantors</i>	1 January 2020

1.D Estimates and Judgements

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

- Revenue - Note 3
- Valuation and depreciation of property, plant and equipment - Note 9 & 10
- Provisions - Note 14
- Contingent Liabilities - Note 16

1.E Rounding and Comparatives

The financial statements have been rounded to the nearest \$1. Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

1.F Volunteer Services

Council has not recognised volunteer services as they have been determined to be immaterial.

1.G Taxation

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

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

2. Analysis of Results by Function

2(a) Components of Council Functions

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

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. The Mayor, Councillors and Chief Executive Officer are included in corporate governance.

Economic

The objective of this function is to ensure the community is serviced by a high quality and effective road network. The function provides and maintains transport infrastructure, including the maintenance and provision of the drainage network. It also facilitates the shires growth and prosperity through well planned and quality development. The objective of planning and development is to ensure that Carpentaria Shire is well designed, efficient and facilitates growth yet also preserves the character and natural environment of the Shire. This function includes activities and services related to town, neighbourhood and regional planning, and management of development approval processes.

Environment

The goals of this program is to protect and support a healthy, safe community through sustainable water services and includes all activities relating to water including flood and waterways management. This program also protects and supports the health of our community by sustainably managing sewerage infrastructure. The program also facilitates waste management to protect and support our community and natural environment by sustainably managing refuse. The function provides refuse collection and disposal services, mosquito and other pest management programs.

Social

The goal of social is to ensure a healthy, vibrant, contemporary and connected community. The function provides well managed and maintained community facilities, and ensures the effective delivery of cultural, welfare and recreational services.

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

2(b) Analysis of Results by Function
Income and expenses defined between recurring and capital are attributed to the following functions:

Functions	Year ended 30 June 2020						Total Income	Gross Programme Expenses		Total Expenses	Net Result		Assets	
	Recurring			Capital				2020	2020		2020	2020		2020
	Grants	Other	Grants	Other	Other									
	2020	2020	2020	2020	2020									
Governance	4,580,184	4,707,813	78,091	-	9,367,088	(5,747,928)	-	(5,747,928)	3,619,160	26,269,188				
Economic	37,005,035	6,127,573	2,873,816	-	46,006,424	(49,729,909)	(24,726)	(49,754,635)	(6,597,301)	262,748,927				
Environment	80,000	4,244,280	1,906,766	-	6,231,046	(4,699,525)	-	(4,699,525)	(375,245)	62,298,137				
Social	837,215	427,162	1,902,844	-	3,167,221	(6,537,130)	-	(6,537,130)	(5,272,753)	47,924,023				
Total Council	42,502,434	15,506,828	6,762,518	-	64,771,780	(66,714,492)	(24,726)	(66,739,218)	(8,705,230)	399,240,274				

Functions	Year ended 30 June 2019						Total Income	Gross Programme Expenses		Total Expenses	Net Result		Assets	
	Recurring			Capital				2019	2019		2019	2019		2019
	Grants	Other	Grants	Other	Other									
	2019	2019	2019	2019	2019									
Governance	5,175,837	4,518,307	809,090	649,292	11,152,526	(4,545,898)	(836,055)	(5,381,953)	5,148,246	53,122,367				
Economic	27,993,427	6,364,664	3,674,015	5,748	38,037,854	(48,409,091)	(33,180)	(48,442,271)	(14,051,000)	258,242,644				
Environment	-	689,703	-	-	689,703	(2,450,943)	-	(2,450,943)	(1,761,239)	60,109,196				
Social	372,287	755,344	22,244	-	1,149,875	(3,668,528)	-	(3,668,528)	(2,540,897)	15,011,109				
Total Council	33,541,551	12,328,018	4,505,349	655,040	51,029,958	(59,074,460)	(869,235)	(59,943,695)	(13,204,891)	386,485,316				

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

3 Revenue	Note	2020 Financial Year	
		AASB 15 \$	AASB 1058 \$
Revenue Recognised at a Point in Time			
Rates, Levies and Charges (Excluding those Related to Services)	3(a)	-	7,941,652
Fees and Charges (Excluding Infringements)	3(b)	610,312	32,953
Sales of Goods and Services	3(d)	4,834	-
Other		32,426	49,909
		<u>647,572</u>	<u>8,024,513</u>
Revenue Recognised Over Time			
Fees and Charges (Excluding Infringements)	3(b)	31,231	-
Rental Income	3(c)	664,006	-
Sales of Goods and Services	3(d)	5,806,962	-
		<u>6,834,742</u>	<u>-</u>
Total Revenue		<u>7,482,314</u>	<u>8,024,513</u>
		2020	2019
	Note	\$	\$

(a) **Rates, Levies and Charges (Excluding Those Related to Services)**

2020 Accounting Policy: Rates and annual charges are recognised as revenue when Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 Accounting Policy: Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

General Rates	4,384,682	4,246,702
Water	1,641,132	1,351,852
Water Consumption, Rental and Sundries	206,809	260,187
Sewerage	1,588,977	1,397,502
Waste Management	708,880	686,074
Total Rates and Utility Charge Revenue	<u>8,530,479</u>	<u>7,942,317</u>
Less: Discounts	(401,798)	(245,740)
Less: Pensioner Remissions	(54,259)	(24,537)
Less: Rates Write-Off	(42,770)	(19,484)
	<u>7,941,652</u>	<u>7,652,556</u>

(b) **Fees and Charges**

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

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example pools. 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.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

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

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

(b) Fees and Charges (Continued)

	2020	2019
	\$	\$
Airport Fees	269,825	300,639
Animal Control Fees	5,854	2,704
Barra Hatchery Tours	107,018	29,488
Building and Developmental Fees	3,243	40,618
Cemeteries	42,339	45,798
Child Care	111,799	255,387
Gym	22,898	8,371
Libraries	1,149	3,794
Swimming Pool	15,731	17,401
Other Fees and Charges	94,641	276,820
	<u>674,496</u>	<u>981,020</u>

(c) Rental Income

Housing Rentals	497,489	323,715
Commercial Rent	100,257	52,257
Other Rentals	66,259	24,617
	<u>664,006</u>	<u>400,589</u>

(d) Sales Revenue

Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works 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. 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.

Recoverable Work

Road Maintenance Performance Contract (RMPC) Works	2,077,878	1,998,906
Main Roads Flood Damage Works	3,575,456	765,415
Other Works (Barra Hatchery, Boat Ramps, Visitor Information Centre etc)	158,462	72,007
	<u>5,811,796</u>	<u>2,836,328</u>

4 Grants, Subsidies and Contributions

2020 Accounting Policy:

Grant Income Under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied. The performance obligations are varied based on the agreements. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant Income Under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's 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.

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

	2020	2019
Note	\$	\$
6 Materials and Services		
Airport Operations	240,664	133,567
Audit Fees *	84,970	106,745
Child Care Centre Operations	273,158	78,031
Community Services	713,833	1,261,350
Council Road Works	753,947	4,879,502
Donations Paid	46,975	19,691
Flood Damage Maintenance Works	34,258,578	22,183,969
Pest Management	266,523	70,484
Public Facilities	1,513,435	1,323,058
Quarry Expenses	169,879	631,585
Sewerage Operations	517,372	589,519
Tourism	594,642	753,866
Waste Operations	230,716	1,019,619
Water Operations	713,138	755,125
Other Materials and Services	356,746	1,795,435
	<u>40,734,575</u>	<u>35,601,546</u>

* Total audit fees quoted by the Queensland Audit Office relating to the 2019/20 financial statements are \$58,500 (2019: \$60,500)

7 Cash and Cash Equivalents

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

Cash at Bank and On-Hand	1,746,705	40,021
Deposits at Call	18,195,465	13,900,600
Balance per Statement of Cash Flows	<u>19,942,170</u>	<u>13,940,621</u>

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

Unspent Government Grants and Subsidies	6,643,793	3,415,356
Total Unspent Restricted Cash	<u>6,643,793</u>	<u>3,415,356</u>

Council's activities expose it to a variety of financial risks including interest rate risk, credit risk and liquidity risk. Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of Council.

Cash and deposits at call are held at both Westpac Banking Corporation (WBC) and Queensland Treasury Corporation (QTC) in term deposits, business cheque accounts and cash management accounts. WBC currently has a short term credit rating of A1+ and long term rating of AA- (*Standard & Poor's*). QTC is currently rated at 'AA+' (*Standard & Poor's*) (Australian Government Guaranteed) with a stable outlook.

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. Council does not invest in derivatives or other high risk investments.

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

Trust Funds Held for Outside Parties

Security Deposits	121,462	120,361
	<u>121,462</u>	<u>120,361</u>

In accordance with legislation a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies. Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements since Council has no control over the assets.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

	2020	2019
8	Note	\$
Trade and Other Receivables		
Current		
Rateable Revenue and Utility Charges	1,557,391	507,982
Water Charges Not Yet Levied	226,556	260,187
Trade Debtors	1,622,586	3,615,153
Less: Loss Allowance	(10,681)	(3,466)
Loans and Advances to Community Organisations	33,605	33,605
GST Receivable	771,815	-
	<u>4,201,273</u>	<u>4,413,461</u>
Non-Current		
Loans and Advances to Community Organisations	159,534	159,534
	<u>159,534</u>	<u>159,534</u>

Trade receivables, loans and advances are recognised at the amounts due at the time of sale, service delivery, or advance. Settlement of receivables is required within 30 days from invoice date. Terms for loans and advances are usually a maximum of five years with interest charged at non-commercial rates. Security is not normally obtained.

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. All known bad debts were written-off at 30 June. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

Interest is charged on outstanding rates at a rate of 9.83% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable. Movement in accumulated impairment losses (other debtors) has been deemed as immaterial and a separate table has not been included.

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

Not Past Due	2,244,757	3,284,640
Past Due 31-60 Days	116,073	26,877
Past Due 61-90 Days	1,450	476,264
Past Due >90 Days	1,816,069	-
Impaired	(10,681)	-
	<u>4,167,668</u>	<u>3,787,781</u>

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020
 9 Property, Plant and Equipment

Council - 30 June 2020

Basis of Measurement

Asset Values

Opening Gross Value as at 1 July 2019

Capital Assets Additions

Disposals

Revaluation Adjustment to Revaluation Surplus

Closing Gross Value as at 30 June 2020

Accumulated Depreciation and Impairment

Opening Balance as at 1 July 2019

Depreciation Provided in Period

Depreciation on Disposals

Revaluation Adjustment to Revaluation Surplus

Accumulated Depreciation as at 30 June 2020

Total Written Down Value as at 30 June 2020

Range of Estimated Useful Life in Years

Additions Comprise:

Renewals

Other Additions

Total Additions

Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water	Sewerage	Other Infrastructure Assets	Work in Progress	TOTAL
\$	\$	\$	\$	\$	\$	\$	\$	\$
4,360,900	44,854,071	14,453,864	343,779,493	71,226,692	25,240,292	22,132,356	5,250,910	531,298,578
-	546,516	1,958,422	3,443,837	843,460	138,283	2,617,613	810,890	10,359,022
-	-	(410,194)	-	-	-	-	-	(410,194)
-	-	-	-	1,892,737	(133,015)	-	-	1,759,722
4,360,900	45,400,587	16,002,092	347,223,330	73,962,889	25,245,560	24,749,969	5,061,799	543,007,126
-	16,518,259	7,315,213	97,926,411	28,305,512	8,052,276	7,121,247	-	165,238,918
-	2,004,192	1,135,075	8,629,794	1,057,147	548,972	1,011,399	-	14,386,580
-	-	(197,401)	-	-	-	-	-	(197,401)
-	-	-	-	440,116	(140,132)	-	-	299,984
-	18,522,451	8,252,888	106,556,205	29,802,775	8,461,117	8,132,646	-	179,728,082
4,360,900	26,878,137	7,749,204	240,667,124	44,160,114	16,784,443	16,617,323	5,061,799	363,279,044
Land: Not Depreciated.	10 - 100	2 - 40	10 - 1000	5 - 80	5 - 100	5 - 150	-	-
\$	\$	\$	\$	\$	\$	\$	\$	\$
-	209,719	1,094,445	2,921,370	767,314	138,283	336,554	810,890	6,278,575
-	336,797	863,977	522,467	76,146	-	2,281,059	-	4,080,446
-	546,516	1,958,422	3,443,837	843,460	138,283	2,617,613	810,890	10,359,022

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

Council - 30 June 2019

Basis of Measurement	Land		Buildings		Plant and Equipment		Road, Drainage and Bridge Network		Water		Sewerage		Other Infrastructure Assets		Work in Progress		TOTAL
	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	Fair Value	Cost	
Asset Values																	
Opening Gross Value as at 1 July 2018	3,724,055	39,161,682	14,418,670	342,985,540	71,067,120	25,090,179	18,340,125	11,314,188	526,101,559								
Capital Assets Additions	-	6,185,438	133,273	793,953	208,171	150,113	2,487,967	(9,958,914)	-								
Transfers Between Classes	-	(629,347)	-	-	-	-	629,347	-	-								
Work in Progress Additions	-	-	-	-	-	-	-	3,925,263	-								
Disposals	-	-	(98,079)	-	(48,600)	-	-	(29,627)	(176,306)								
Revaluation Adjustment to Comprehensive Income	-	-	-	-	-	-	-	-	(33,182)								
Revaluation Adjustment to Revaluation Surplus	448,845	-	-	-	-	-	-	-	585,143								
Recognition of Controlled Assets	188,000	-	-	-	-	-	-	-	708,100								
Closing Gross Value as at 30 June 2019	4,360,900	44,854,071	14,453,864	343,779,493	71,226,692	25,240,292	22,132,356	5,250,910	531,298,578								
Accumulated Depreciation and Impairment																	
Opening Balance as at 1 July 2018	-	15,235,955	6,283,871	89,448,977	27,274,318	7,504,132	5,337,463	-	151,084,715								
Depreciation Provided in Period	-	846,421	1,084,896	8,477,434	1,046,614	548,144	553,379	-	12,556,888								
Depreciation on Disposals	-	-	(53,554)	-	(15,420)	-	-	-	(68,974)								
Transfers Between Classes	-	(181,443)	-	-	-	-	-	-	-								
Revaluation Adjustment to Income	-	-	-	-	-	-	-	-	181,443								
Revaluation Adjustment to Revaluation Surplus	-	-	-	-	-	-	-	-	802,873								
Recognition of Controlled Assets	-	617,326	-	-	-	-	-	-	617,326								
Accumulated Depreciation as at 30 June 2019	-	16,518,259	7,315,213	97,926,411	28,305,512	8,052,276	7,121,247	-	165,238,917								
Total Written Down Value as at 30 June 2019	4,360,900	28,335,811	7,138,651	245,853,082	42,921,180	17,188,016	15,011,109	5,250,910	366,059,660								
Range of Estimated Useful Life in Years	Land: Not Depreciated.	10 - 100	2 - 40	10 - 1000	5 - 80	5 - 100	5 - 150	-	-								

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

9 Property, Plant and Equipment (continued)

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

The classes of property, plant and equipment recognised by the Council are:

Land	Water
Buildings	Sewerage
Plant and Equipment	Other Infrastructure Assets
Road, Drainage and Bridge Network	Work in Progress

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.

Capital and Operating Expenditure

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

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

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

Valuation

Land, 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*. Plant and equipment and work in progress are measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, Council uses Valuation Consultants (Assetval Pty Ltd), along with internal engineers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and buildings asset classes in the intervening years, management engage independent, professionally qualified valuers (Assetval Pty Ltd) 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.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed below.

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

Capital Work in Progress

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

Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

Where assets have separately significant 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.

Major spares purchased specifically for particular assets that are above the asset recognition threshold are capitalised and depreciated on the same basis as the asset to which they relate.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

9 Property, Plant and Equipment (continued)

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to Council or the unexpired period of the lease, whichever is the shorter.

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. Condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets.

Impairment of Non-Current Assets

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

10 Fair Value Measurements

Recognised Fair Value Measurements.

Council measures and recognises the following assets at fair value on a recurring basis:

Property Plant and Equipment

Land	Water Infrastructure
Buildings	Sewerage Infrastructure
Road, Drainage and Bridge Network	Other Infrastructure Assets

Council does not measure any liabilities at fair value on a recurring basis. Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit and loss when incurred. The fair value of borrowings in Note 13 is provided by Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (Level 2).

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

Council also has assets measured at fair value on a non-recurring basis as a result of being reclassified as assets held for sale. A description of the valuation techniques and the inputs used to determine the fair value of this land is included below under the heading "Land and Buildings (level 2)".

In accordance with AASB 13 *Fair Value Measurements* are categorised on the following basis:

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

The following table categorises fair value measurements as level 2 and level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

Fair values of assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more significant inputs are not based on observable market data, the asset is included in level 3. This is the case for infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June.

	Note	Level 2		Level 3		TOTAL	
		Significant Observable Inputs		Significant Unobservable Inputs			
		\$	\$	\$	\$	\$	\$
		2020	2019	2020	2019	2020	2019
Recurring Fair Value Measurements							
Buildings	9	6,527,082	6,527,082	20,351,055	21,808,729	26,878,137	28,335,811
Land	9	3,890,900	3,890,900	470,000	470,000	4,360,900	4,360,900
Roads and Drainage	9	-	-	240,667,124	245,853,082	240,667,124	245,853,082
Water Infrastructure	9	-	-	44,160,114	42,921,180	44,160,114	42,921,180
Sewerage Infrastructure	9	-	-	16,784,443	17,188,016	16,784,443	17,188,016
Other Infrastructure	9	-	2,164,076	16,617,323	12,847,033	16,617,323	15,011,109
		10,417,982	12,582,058	339,050,058	341,088,040	349,468,040	353,670,098

Non-Recurring Fair Value Measurements

Land Held for Resale	478,207	478,207
	478,207	478,207

There was a reclassification of other infrastructure from level 2 to level 3 due to the lack of an active market. Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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

Land and Buildings (Level 2)

Council obtains independent valuation at least every five years for all Council properties. AssetVal Pty Ltd Group undertook a comprehensive revaluation of buildings (including condition assessments) and land in March 2019 and effective 30 June 2019. An index was calculated for the year ending 30 June 2020 with the amount determined to be immaterial and consequently not applied.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Fair Value Measurements (continued)

Valuation / Revaluation Methodologies - Market Approach (Level 2)

Utilises prices gathered by way of market transaction evidence involving similarly comparable assets. Approaches under this methodology may include Direct Comparison, Summation or Income Capitalisation, all of which are accepted under the Australian Accounting Standards and Australian Property Institute guidelines.

The Direct Comparison Approach utilises sales evidence of similar properties as a basis of comparison in order to arrive at a value. The Valuer analyses these sales and its characteristics against that of the subject property, applying adjustments for differences in attributes where necessary. The Summation Approach measures value by adding together the value of the land and the depreciated value of the improvements. Typically improved sales are analysed to a separate land and buildings apportioned value and/or vacant land sales are utilised to arrive at the land component of the sale providing a residual improvements value. This method draws on elements of Direct Comparison.

The reliance that can be applied to comparable market data in the valuation process is determined by comparing various characteristics of the property being utilised as evidence, and the subject asset.

Buildings and Other Infrastructure Assets (Level 3)

Council obtains independent valuation at least every 5 years for all Council properties. AssetVal Pty Ltd Group undertook a comprehensive revaluation of buildings (including condition assessments) and other infrastructure assets in March 2019 and effective 30 June 2019. An index was calculated for the year ending 30 June 2020 with the amount determined to be immaterial and consequently not applied.

Valuation / Revaluation Methodologies - Current Replacement Cost Approach (Level 3):

For many assets such as specialised/government assets, there may not be readily available market evidence of similar assets that satisfy the definition of market value. In this instance the cost approach is considered the most reliable way to measure Fair Value.

The Current Replacement Cost Approach determines the cost to a market participant (buyer) to acquire or construct a substitute asset of comparable utility/service potential, adjusted (depreciated) for obsolescence. Depreciation adjustments to measure the Fair Value of an asset typically take into account Physical Deterioration, Functional and Economic Obsolescence.

The Current Replacement Cost can be determined as the cost per unit of service potential of the most appropriate modern replacement asset (adjusted for any difference in future service potential), or as the cost of reproducing or replicating the future service potential of the asset.

Infrastructure Assets (Level 3)

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

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

1 (a) Road, Bridge and Drainage Network (Level 3) - Calculation of Current Replacement Cost

Current Replacement Cost

A full valuation of Council's road, bridge and drainage network was undertaken by independent valuers, Assetval Pty Ltd, effective 31 May 2018. A desktop revaluation was also completed as of 30 June 2020 - with the next comprehensive revaluation scheduled for 2021. The desktop valuation resulted in an immaterial change in value hence, Council did not adopt the revaluation and has not recognised the change in value in the financial statements. Due to the predominantly specialised nature of such assets, all infrastructure valuations were undertaken on a Cost Approach to valuation. The cost approach is deemed a Level 3 input. Under this approach, the following process was adopted.

- Where there was no depth of market as determined for the assets, the net current value of an asset was considered as the gross value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides were utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.

Significant Inputs:

- Economic Useful Life (EUL) Assessment
- Remaining Service Potential (RSP) Assessment
- Optimised Replacement cost (ORC) analysis

Economic Useful Life (EUL) Assessment

The economic useful life has been assessed based on the aforementioned asset hierarchy, road type segregation and componentisation. These lives were initially measured utilising historical renewal data, regional aggregated data, published failure rates, and supplied data, these inputs were then supplied to Council engineering staff for input and review.

Hierarchy	Component	EUL (Years)
Sealed	Top Seal	10
Sealed	Base Seal	60
Sealed	Pavement	180
Sealed	Formation	1000
Gravel	Pavement	60
Gravel	Gravel (Surface)	20
Gravel	Formation	1000
Formed	Formation	1000

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Fair Value Measurements (continued)

Remaining Service Potential (RSP) Assessment

A condition assessment was applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

Accumulated Depreciation

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for sampled visible assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life

Optimised Replacement Cost (ORC) Analysis

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of useful life and asset condition) were also required (level 3).

The optimised replacement cost has been calculated with reference to unit rates calculated in consultation with Carpentaria Shire Council (CSC). These rates assume an incremental Greenfields approach and exclude Brownfield cost components. Engineering staff of Council have been involved as much as possible when developing the unit rates and relied on a combination of sources, cost guides, historical costs, contractor rates, future works, regional information and the QLD Road Alliance project data. The primary factors used in assumptions on unit rates are below:

- Source of raw material, most has been sourced locally from gravel pits for unsealed roads.
- Source of water available at low to moderate cost for rural road works (<15km).
- Contract crushing utilised for road sealing aggregate and aggregation of sealing projects and renewals to reduce low quantity works and increase economies of scale.
- Quality of material utilised in pavement construction and extent of compaction of formation varied based on road type and hierarchy.

Infrastructure assets were componentised where required with unit rates applied to the individual components in order to determine the replacement cost.

The unit rates applied were based on Brownfield project costs and include all materials, labour and overheads. The unit rates were estimated in consultation with Council's Technical Services staff using information collated from recent project costs.

1(b) Road, Bridge and Drainage Network - Unobservable Inputs

As detailed above Council's roads, drainage and bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation.

2(a) Water and Sewerage - Calculation of Current Replacement Cost

Current Replacement Cost

A full valuation of Council's Water & Sewerage assets was undertaken by independent valuers, Assetval Pty Ltd, effective 30 June 2020. Due to the predominantly specialised nature of such assets, all infrastructure valuations were undertaken on a Cost Approach to valuation. The cost approach is deemed a Level 3 input. Under this approach, the following process was adopted:

- Where there was no depth of market as determined for the assets, the net current value of an asset was considered as the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. Published/available market data for recent projects, and/or published cost guides were utilised to determine the estimated replacement cost (gross value) of the asset, including allowances for preliminaries and professional fees. This is considered a Level 2 input.

Significant Inputs:

- Economic Useful Life (EUL) Assessment
- Remaining Service Potential (RSP) Assessment
- Optimised Replacement cost (ORC) analysis

Economic Useful Life (EUL) Assessment

The economic useful life has been assessed based on the aforementioned asset hierarchy, water and sewerage type segregation and componentisation. These lives were initially measured utilising historical renewal data, regional aggregated data, published failure rates, and supplied data, these inputs were then supplied to Council engineering staff for input and review.

Hierarchy	Component	EUL (Years)
Reticulation	Main	80
Reticulation	Water Meters	25
Reticulation	Point Assets (Valves, manholes)	20-80
Active Water Assets	Structures, Pumps, Electrical	5-80
Active Sewer Assets	Structures, Pumps, Electrical	10-80

Remaining Service Potential (RSP) Assessment

A condition assessment was applied, which is based on factors such as the age of the asset, overall condition as noted by the Valuer during inspection, economic and/or functional obsolescence. The condition assessment directly translates to the level of depreciation applied.

Accumulated Depreciation

To calculate the appropriate amount of accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for sampled visible assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

10 Fair Value Measurements (continued)

Optimised Replacement Cost (ORC) Analysis

While the replacement cost of the assets could be supported by market supplied evidence (level 2), the other unobservable inputs (such as estimates of useful life and asset condition) were also required (level 3).

The optimised replacement cost has been calculated with reference to unit rates for network assets calculated in consultation with CSC, and lump sum figures for complex assets. The rates assume an incremental Greenfields approach and exclude Brownfield cost components. The valuer have involved the Council's engineering team as much as possible when developing the unit rates and relied on a combination of sources, cost guides, historical costs, contractor rates, future works and regional information.

Infrastructure assets were componentised where required with unit rates applied to the individual components in order to determine the replacement cost.

The unit rates applied were based on Brownfield project costs and include all materials, labour and overheads. The unit rates were estimated in consultation with Council's Technical Services staff using information collated from recent project costs.

2(b) Water and Sewer - Unobservable Inputs

The method used to value Council's water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

11 Contract Balances

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

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable. When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

	2020
	\$
(a) Contract Assets	9,566,721
(b) Contract Liabilities	
Funds received upfront to construct Council controlled assets.	1,964,404
Deposits received in advance of services provided	4,679,389
	<u>6,643,793</u>
Current Contract Liabilities	6,643,793
Non-Current Contract Liabilities	-
	<u>6,643,793</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year.	
Funds to construct Council controlled assets	870,000
Deposits received in advance of services provided	1,893,904
	<u>2,763,904</u>

(c) Significant changes in contract balances

The contract assets and liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no impact on the Statement of Financial Position.

	2020	2019
	\$	\$
12 Trade and Other Payables		
Current		
Creditors and Accruals	7,410,068	5,007,863
Prepaid Rates	120,293	-
GST Payable	-	268,318
	<u>7,530,361</u>	<u>5,276,181</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 salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date.

13 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost.

All borrowing costs are expensed in the period in which they are incurred. In accordance with the *Local Government Regulation 2012*, Council adopts an annual debt policy that sets out Council's planned borrowings for the next 9 years. Council's current policy is to only borrow for capital projects and for terms no longer than the expected life of the asset. Council also aims to comply with QTC's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

13 Borrowings (Continued)

	Note	2020 \$	2019 \$
Current			
Loans - Queensland Treasury Corporation		479,017	440,327
		<u>479,017</u>	<u>440,327</u>
Non-Current			
Loans - Queensland Treasury Corporation		7,430,125	7,910,056
		<u>7,430,125</u>	<u>7,910,056</u>
Loans - Queensland Treasury Corporation			
Opening Balance at Beginning of Financial Year		8,350,382	8,864,417
Principal Repayments		<u>(441,241)</u>	<u>(514,035)</u>
Book Value at End of Financial Year		<u>7,909,142</u>	<u>8,350,382</u>

When the Council borrows, it borrows from the Queensland Treasury Corporation. Borrowings by the Council are constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*.

The QTC loan market value at the reporting date was \$9,654,156. This represents the value of debt if Council repaid at that date. As it is Council's intention to hold the debt for its term, no provision is required to be made in the accounts.

The following table sets out the Council's liquidity risk of borrowings in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

Book Value	0 to 1 Year	1 to 5 Years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
2020					
Loans - QTC	842,172	3,368,690	6,410,789	10,621,651	7,909,142
2019					
Loans - QTC	842,172	3,368,690	7,252,961	11,463,823	8,350,383

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table. Expected final repayment dates vary from 15 June 2030 to 15 March 2035.

No assets have been pledged as security by Council for any liabilities, however all loans are guaranteed by the State Government. There have been no defaults or breaches of the loan agreement during the 2020 or 2019 financial years.

Carpentaria Shire Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation (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. QTC Fixed Rate Loan - financial instruments with fixed interest rates which are carried at amortised cost are not subject to interest rate sensitivity.

14 Provisions

Long Service Leave

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

Annual Leave

A liability for annual leave is recognised. As Council does not have an unconditional right to defer this liability beyond 12 months annual leave is classified as a current liability.

Sick Leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation.

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

14 Provisions (continued)

	2020	2019
Note	\$	\$
Current		
Long Service Leave	275,153	271,451
Annual Leave	958,471	814,395
Sick Leave	97,646	109,688
Other Employee Entitlements	36,412	28,084
	<u>1,367,682</u>	<u>1,223,618</u>
Non-Current		
Refuse Restoration	1,212,406	1,633,100
Long Service Leave	463,814	285,096
	<u>1,676,220</u>	<u>1,918,196</u>
Movements in Non-Employee Benefit Provisions:		
Refuse Restoration		
Balance at Beginning of Financial Year	1,633,100	886,139
Increase / (Decrease) in Provision due to Unwinding of Discount	(420,694)	746,960
Balance at End of Financial Year	<u>1,212,406</u>	<u>1,633,100</u>

Provision is made for the cost of restoration of refuse dumps where it is probable the Council will be liable, or required, to incur cost on the cessation of use of these facilities. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of restoration. The refuse restoration closing balance of \$1,212,406 is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost at closing date of 2066 is \$3,075,077

The provision represents the present value of the anticipated future costs associated with the closure of the dump sites, decontamination and monitoring of historical residues and leaching on these sites. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. 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 dump sites is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the site will close in 2066 and that the restoration will occur progressively over the subsequent four years.

As refuse dumps are on state reserves which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

15 Revaluation Surplus

The asset revaluation surplus comprises revaluation movements on property, plant and equipment. Increases and decreases on revaluation are offset within a class of assets.

16 Contingent Liabilities

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

Local Government Mutual

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

As at 30 June 2019 financial statements reported an accumulated surplus and it's not anticipated any liability will arise.

Local Government Workcare

Council is a member of the Queensland local government workers' compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers' compensation authority may call on any part of the guarantee should the above arise. Council's maximum exposure to the bank guarantee is \$209,561.

Council has a contingent liability for compensation / damages associated with the raising of the Glenore Weir Wall. The quantum of damages is circa \$300K. Negotiations are ongoing.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

17 Superannuation

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

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

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

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

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

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2021.

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

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

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

	Note	2020 \$	2019 \$
Other superannuation contributions for employees		1,034,173	1,017,500
Total superannuation contributions paid by Council	5	<u>1,034,173</u>	<u>1,017,500</u>

18 Commitments for Expenditure

(a) Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Flood Damage Works	1,474,148	-
Other Operating Expenditures	<u>52,780</u>	<u>-</u>
	<u>1,526,927</u>	<u>-</u>

(b) Capital commitments

Commitment for the construction of the following assets contracted for at the reporting date but not recognised as liabilities

Water Treatment Plant Living Quarters	<u>148,403</u>	<u>-</u>
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Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

19 Reconciliation of Net Result for the Year to Net Cash Inflow (Outflow) from Operating Activities

	Note	2020 \$	2019 \$
Net Result		(1,967,439)	(8,913,737)
Non-Cash Items:			
Depreciation and Amortisation		14,386,580	12,556,888
Loss on Disposal of Assets		24,726	33,180
		<u>14,411,306</u>	<u>12,590,068</u>
Investing and Development Activities:			
Net (Profit) / Loss on Revaluation		-	836,055
Recognition of Controlled Assets		-	(655,039)
Capital Grants and Contributions		(7,675,853)	(4,505,349)
		<u>(7,675,853)</u>	<u>(4,324,333)</u>
Changes in Operating Assets and Liabilities:			
(Increase) / Decrease in Receivables		212,189	(2,540,259)
(Increase) / Decrease in Inventory		(179,493)	93,908
(Increase) / Decrease in Contract Assets		(924,989)	-
Increase / (Decrease) in Payables		2,254,179	1,168,200
Increase / (Decrease) in Other Liabilities		(117,020)	517,020
Increase / (Decrease) in Other Provisions		(97,911)	669,511
Increase / (Decrease) in Contract Liabilities		3,022,897	-
		<u>4,169,852</u>	<u>(91,620)</u>
Net Cash Inflow from Operating Activities		<u>8,937,866</u>	<u>(739,622)</u>

20 Reconciliation of Liabilities Arising from Finance Activities

	Note	As at 30 June 2020	Cash Flows	As at 30 June 2020
Loans		8,350,382	(441,241)	7,909,141
	13	<u>8,350,382</u>	<u>(441,241)</u>	<u>7,909,141</u>
	Note	As at 30 June 2019	Cash Flows	As at 30 June 2019
Loans		8,864,417	(514,035)	8,350,382
	13	<u>8,864,417</u>	<u>(514,035)</u>	<u>8,350,382</u>

21 Changes in Accounting Policy

During the year ended 30 June 2020, Council adopted AASB 15 Revenue from Contracts with Customers and AASB 1058 Income of NFP Entities using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations. All adjustments on adoption of AASBs 15 and 1058 have been recognised in retained earnings at 1 July 2019.

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

Revenue Standards AASBs 15 and 1058

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

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

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

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

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

21 Changes in Accounting Policy (continued)

	\$	\$	\$
<i>Statement of financial position at 30 June 2020</i>			
	Carrying amount per Statement of Financial Position	Adjustments Dr / (Cr)	Carrying amount if previous standards applied
Contract Assets	9,566,721	(9,566,721)	-
Contract Liabilities	(6,643,793)	6,643,793	-
Trade and Other Payables	(7,530,361)	120,293	(7,410,068)
Retained Surplus	(104,091,797)	2,802,635	(101,289,162)
	<u>(108,699,230)</u>	-	<u>(108,699,230)</u>

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comp. Income	Adjustments Dr / (Cr)	Carrying amount if previous standards applied
Operating Grants	42,502,434	1,048,570	43,551,004
Capital Grants	6,762,518	913,334	7,675,853
	<u>49,264,952</u>	<u>1,961,905</u>	<u>51,226,857</u>

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

Statement of cash flows for the year ended 30 June 2020

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

Opening Contract Balances at 1 July 2019

	Balance at 1 July
Contract Assets	
- Under AASB 15	8,605,575
- Under AASB 1058	<u>36,156</u>
Total Contract Assets	<u>8,641,731</u>
Contract Liabilities	
- Under AASB 15	2,750,896
- Under AASB 1058	<u>870,000</u>
Total Contract Liabilities	<u>3,620,896</u>
	<u><u>5,020,835</u></u>

Lease standard - AASB 16

There have been no adjustments required to be made due to the adoption of AASB 16 Leases. Council has used the exception to lease accounting for short-term leases, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

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

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

22 Events After the Reporting Period

There have been no material adjusting events after the end of the reporting period.

Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020

23 Related Parties

(a) Transactions with Key Management Personnel (KMP)

KMP are the Mayor, Deputy Mayor, Councillors, Chief Executive Officer, Director of Corporate Services and Director of Engineering. The compensation paid to KMP for 2019/20 comprises

Details of Transaction	2020	2019
	\$	\$
Short-Term Employee Benefits	1,206,907	1,363,573
Post-Employment Benefits	112,871	114,498
Long-Term Benefits	14,288	8,623
Total	1,334,066	1,486,694

* Detailed remuneration disclosures are provided in the Annual Report

(b) Transactions with Other Related Parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse.

Details of transactions between council and other related parties are disclosed below:

Details of Transaction	Additional Information	2020	2019
		\$	\$
Purchase of materials and services from entities controlled by KMP	22(b)(i)	9,437,649	11,697,083
Purchase of materials and services from entities controlled by close family members of KMP	22(b)(ii)	129,525	107,800
Employee expenses for close family members of KMP	22(b)(ii)	182,943	122,673
Total		9,750,117	11,927,556

(i) Council purchased the following material and services from entities that are controlled by KMP. All purchases were at arm's length and were in the normal course of Council operations:

	2020	2019
	\$	\$
Contracting Services (machinery hire and trade services)	9,433,456	11,687,788
Goods / Supplies	4,193	9,295
Total	9,437,649	11,697,083

(ii) All close family members of KMP were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. Council employs 110 full-time equivalent employees of which only 2 are close family members of key management personnel.

(c) Loans and Guarantees to / from Related Parties

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

(d) Commitments to / from Other Related Parties

Council entered into a contract with entities controlled by Councillors Amanda Scott, Bradley Hawkins and Peter Wells as Pre-Qualified Supplier for Hire of Plant and Equipment for the 2020 Construction Season. This tender was effective on 1 May 2019. This is a continual contract with no total contract value available until completion of season. The contract was the result of a tender process in accordance with Council's normal procedures and policies. Councillors Amanda Scott, Bradley Hawkins and Peter Wells were not involved in the decision of awarding the contract.

As of 30 June 2020, Council had an outstanding payables to related entities of \$1,327,866.

**Carpentaria Shire Council
Notes to the Financial Statements
For the Year Ended 30 June 2020**

23 Related Parties (continued)

(e) Transactions with Related Parties that have not been Disclosed

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

- Payment of rates
- Use of the Normanton and Karumba Pools and Gyms
- Borrowing of books from the Council libraries

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

24 Impacts from the COVID-19 Pandemic

The novel coronavirus (COVID 19) is spreading globally in a rapid rate. This health crisis have real and significant economic impacts globally including Australia. The restrictions imposed by the Commonwealth and Queensland government had caused interruptions and had an overwhelming effect on individuals, businesses and communities. Carpentaria Shire Council imposed travel restrictions, to all incoming and outgoing travellers within the shire area from 24 March 2020 to 21 May 2020. All travellers were required to secure a permit from Council. Council also imposed a compulsory 14 day quarantine for all council workers and contractors who travelled outside of the shire during this timeframe. The state and shire border restrictions resulted in unfavourable effects to the businesses within the shire that rely heavily on tourism, itinerant workers and other travellers.

During the year, in response to the current economic climate and impact of COVID 19 on the community, Council resolved not to charge interest on outstanding debt for 15 April 2020 to 30 June 2021. Furthermore, debt collection activity was also ceased during this period. Council resolved to adopt a 0% interest charge for the 2020-21 financial year and debt collection is yet to resume.

There have not been significant adverse operational or financial impacts as a result of the COVID 19 pandemic. Any known impacts have been reflected in the financial statements.

**Carpentaria Shire Council
Financial Statements
For the Year Ended 30 June 2020**

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

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 2 to 28, 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
Jack Bawden
Date: 30, 10, 2020



Chief Executive Officer
Mark Crawley
Date: 30, 10, 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Carpentaria Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Carpentaria Shire Council (the council).

In my opinion, the financial report:

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

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

Basis for opinion

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

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

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

Other information

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

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

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

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



Sri Narasimhan
as delegate of the Auditor-General

30 October 2020

Queensland Audit Office
Brisbane

Carpentaria Shire Council

Current Year Financial Sustainability Statement

Certificate of Accuracy - for the Current Year Financial Sustainability Statement

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

**Carpentaria Shire Council
Current-Year Financial Sustainability Statement
For the Year Ended 30 June 2020**

Measures of Financial Sustainability

Council's performance at 30 June 2020 against key financial ratios and targets:

	How the measure is calculated	Actual	Target
Operating Surplus Ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-15.0%	Between 0% and 15%
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	39.1%	greater than 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-17.7%	not greater than 60%

Note 1 - Basis of Preparation

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

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

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

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

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



Mayor
Jack Bawden

Date: 30, 10, 2020



Chief Executive Officer
Mark Crawley

Date: 30, 10, 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Carpentaria Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Carpentaria Shire Council (the council) for the year ended 30 June 2020, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Carpentaria Shire Council for the year ended 30 June 2020 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

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

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



30 October 2020

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Carpentaria Shire Council

Long Term Financial Sustainability Statement - Unaudited

Certificate of Accuracy - for the Long Term Financial Sustainability Statement

Carpentaria Shire Council
 Unaudited Long-Term Financial Sustainability Statement
 Prepared as at 30 June 2020

Measures of Financial Sustainability	Measure	Target	Projected for the years ended											
			Actuals at 30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 30	
Operating Surplus Ratio	Net result divided by total operating revenue	Between 0% and 15%	-15.0%	-20.91%	-30.94%	-26.38%	-20.98%	-17.18%	-14.23%	-12.54%	-9.73%	-8.17%	-5.54%	
Asset Sustainability Ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	39.1%	87.74%	14.16%	15.68%	17.43%	40.82%	41.90%	43.09%	55.75%	57.38%	71.24%	
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-17.7%	-7.33%	-15.41%	-15.75%	-18.65%	-16.98%	-17.32%	-18.38%	-19.65%	-21.39%	-22.52%	

Carpentaria Shire 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.

**Carpentaria Shire Council
Financial statements
For the year ended 30 June 2020**

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

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

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



Mayor
Jack Bawden

Date: 30, 10, 2020



Chief Executive Officer
Mark Crawley

Date: 30, 10, 2020