



NORTHERN PENINSULA AREA REGIONAL COUNCIL



ANNUAL REPORT 2021-22

Acknowledgement

Northern Peninsula Area Regional Council acknowledges Native Title Holders, Elders past and present, and all members of the Communities we serve within the Northern Peninsula Area. We recognise their continuing connection to land and sea and the strength of a cultural heritage and belief system that spans past, present, and future generations.



Disclaimer: Torres Strait Islander and Aboriginal peoples should be aware that this publication may contain images or names of people who have since passed away. Council respects the right of families and communities to request the removal from subsequent publications of any image or name that causes distress.

Welcome to the report

Northern Peninsula Area Regional Council hereby present the annual report for the financial year to 30 June 2022. Our Annual Report is an important component of Council's performance management process. It informs the community on how the Council has performed throughout the financial year and captures the achievements, hopes, aspirations, priorities, and goals of our community.

The 2021-22 financial year was a challenging year for Council emerging from COVID-19 which has continuously impacted on Council in different ways throughout the year.

The goal of this report is to

- Meet our legislative obligations under the *Local Government Act 2009* and the *Local Government Regulation 2012*.
- Communicate our vision, operational direction, and work to the communities we serve.
- Demonstrate our commitment to accountability and transparency.
- Promote the distinctiveness of our region domestically and internationally.

We hope this report helps you understand our operations. Your feedback is appreciated to help us improve our reporting to be even better in the future. For further information and to provide feedback, please contact Council at info@nparc.qld.gov.au

As part of our environmental commitment to reducing waste we encourage you to download a copy of this report at nparc.qld.gov.au. You can request a printed copy or provide feedback by contacting Council on (07) 4090 4100 or by email to info@nparc.qld.gov.au.

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Strategic Direction

Our Vision

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

Our Mission

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

Our Goals

Community Ownership: A unified NPA, leaving a legacy of pride and respect,

Accountability: Trust, transparency and confidence in thought, word and behaviour,

Community Engagement: Connecting and communicating with everyone, with mutual respect,

Respect: For yourself, family, community and culture,

Working together: We encourage everyone to be creative and innovative.

Strategic Themes

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

Strategic Corporate Outcomes

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

The Year in Review

Corporate Services

Property and leasing

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

Apudthama Ranger Operations

- Council continues to manage the Ranger program in conjunction with support from the Apudthama Land Trust. The areas that are patrolled by the Rangers covers approximately 250,000 hectares including 300km of coastline.
- Fencing was erected and repaired from Pajinka to Somerset again to provide safety barriers to stop any drivers from attempting to gain access to the beach in their vehicles. Fencing also provides protection for our native environment.
- Rangers continue to undertake work activities on country such as checking roads for fallen trees, checking fence lines, putting up signage to identify areas where camping is not allowed, checking campgrounds, patrol for croc sightings, monthly biosecurity activities, turtle monitoring and coastal surveillance collecting data on ghost nets, marine debris on the beach and dugong/dolphin monitoring.
- Rangers conducted the annual beach environmental cleanup at Jardine Beach and Crab Island Beach during August and September. This vital project was necessary to facilitate turtle nesting on those beaches. Rangers collected and removed a minefield of ghost netting, floating logs and an assortment of marine debris, to provide a safer area for the turtles to nest. Rangers took the waste to the local transfer station. Ghost netting and logs were disposed of under controlled burning on the beach.

Aged Care Services

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

Community Events

- Despite the ongoing impact of Covid restrictions NPARC supported a range of Community, Cultural and Sporting events throughout the year.
- The number and size of these activities will continue to expand in the coming years.
- The 2021 Annual Dan Ropeyarn Cup Rugby League Competition kicked off under a typically sultry Bamaga sky at the pristine Yusia Ginou Memorial Field. The event held over three days from October 29 to October 31, drew First Nations teams and supporters from all over the NPA and Cape York Peninsula. Cheering crowds swelled to approximately two to three thousand on each day of the competition. The event organised by the Apudthama Injinoo Sporting Indigenous Corporation in collaboration with Council, consisted of junior and senior men's and women's teams. NPARC Mayor, Patricia Yusia, enthusiastically welcomed the participants, supporters, and visitors and acknowledged the efforts of NPARC grounds personnel, and Skytrans, the major event sponsor.

- In collaboration with NPARC, Queensland Health provided a Covid-19 vaccination pop-up clinic on the first day of the event. Some visitors took the opportunity to get vaccinated and receive a free entry pass into the oval, shopping vouchers and a chance to win a REX Airlines return flight from Bamaga to Cairns. After four preliminary daylight rounds, quarter finals and semi-final matches, the Men's Open Final took place under a cool, flood-lit evening between Kulpiyam and Malu Kiwai. A bone-crunching, hard fought match, played in the spirit of indigenous brotherhood saw Kulpiyarn overpower their opposition 22 – 6 to earn the Grand Champions title and take home a whopping first prize of \$30,000. Malu Kiai were rewarded for their efforts with a \$7,000 second prize

Economic Development and Tourism

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

Corporate Affairs

- Services provided by this team includes governance, information technology and Records.
- The Council will continue to invest in suitable technology enhancements to its business operations to provide access to efficient and effective services.

Human Resources

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

Finance

- Services include: External financial reporting management reporting, grant management, accounts payable, debtors, receipting, banking and investment, procurement and support, budget and payroll.
- Council continues to explore opportunities to improve the timeliness, efficiency and quality of services in support of front-line service delivery.
- Asset management and investment in systems and staff training were key deliverables for the team during 2021-22.

Operations

The NPARC Operations Department provides the following services:

Water Supply

- Trility and Council have continued to provide potable water in compliance with drinking water guidelines to the five communities of the NPA.
- The asbestos trunk main replacement project has continued through 2021-22 and will continue into 2022-23.

- When a burst water-main on Sagaukaz Street, at the junction from Bamaga to Umagico and Injinoo, disrupted the water supply to the Bamaga community, Trility and NPARC immediately sprang into action to repair the damage to the road. This was no mean feat, as workers laboured skilfully for several hours to breach the road surface, locate the source of the leak and effect the repairs

Waste and Wastewater

- The new transfer station facility continues to be working well.
- Abandoned and unwanted cars continue to be collected and transported out of the NPA for disposal.
- Wastewater services have continued to maintain and operate the sewerage system within the NPA.

Roads and Infrastructure

- Work continued on NDRRA road restoration works projects within the region based on assessments of damage following declared natural disaster events. Council maintains a good cooperative relationship with the Queensland Reconstruction Authority.
- Design works were completed for section of road south and north of the Jardine River Ferry, utilising funds from the Capy York Regional Package Round 2.
- Works including sealing were completed to extend the original Injinoo to Umagico bicycle path and further extension towards Bamaga. The bikeway provides a secure pathway for Injinoo and Umagico residents to cycle or walk between the two communities. Further plans to extend the bikeway to New Mapoon and Seisia are also projected for the future.
- Construction of a new chemical and equipment storage shed at the Bamaga Pool began was completed. The shed provides a safe and secure facility for storing essential pool chemicals, and pool cleaning and maintenance equipment. This new shed form part of the ongoing upgrades planned to improve the entire pool facility. Additional plans include an upgrade to the pool water-pump shed, and refurbishing the male and female changing rooms by installing new partitioning. The new partitions will provide greater privacy for all our regular pool patrons and visitors. The community can look forward to these ongoing current and future upgrades to increase safety, security, and the operation of the Bamaga Pool facility for both patrons and staff.

Parks and Gardens

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

Housing and Building

- Construction was completed on the five new houses funded under the \$2.35 million from the Queensland Government for housing purposes for Indigenous councils.
- Council's building team continued to provide maintenance services to both internal and external customers.

Animal Control

- Under the guidance of the Veterinary Team and the NPARC Animal Management crew, an excellent start to the reduction in horse numbers and dog management took place in September. The construction of three handling yards at Umagico, Bamaga and New Mapoon, facilitated the ability to treat and brand several horses speedily and efficiently. Over ninety dogs were treated for fleas, ticks, worms and mange, which resulted in the immediate improvement in dog health. For community members, it means a pathway to better health leading to a reduction in infectious diseases, such as rheumatic fever and kidney related problems. This was an important step for NPARC to ensure control of the horse and dog problem once that has been experienced.

Enterprises

Council operates the following services enterprises:

Injinoo Batching Plant

- Provides concrete for all building and civil projects being undertaken within the NPA.

Injinoo Services Station

- The Injinoo Services Station provides fuel supplies and basic grocery items for local residents as well as tourists visiting the area.

Jardine River Ferry

- Planned maintenance was undertaken when the ferry service was closed during the low use season.

Umagico Supermarket

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

NPARC Stores

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

Bamaga Post Office

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

Statutory Information

The following information provides the details required by the *Local Government Act 2009* (LGA) and the *Local Government Regulation 2012* (LGR).

Section 185 LGR – Councillor expenses reimbursement and facilities policy

Council **did not** pass a resolution to amend the Councillor expenses reimbursement and facilities policy during the financial year.

Section 206(2) LGR – Non-current assets

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

Corporate Plan

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

The below framework outlines how the Annual Report contributes to Council's wider integrated planning and reporting framework.

Our planning framework

Progress towards our vision is coordinated and assessed through our integrated planning and reporting framework. The framework consists of our Corporate Plan, our annual Operational Plan, and our reporting requirements, which sit within and contribute to the wider planning process.



Organisational performance

Council develops key performance indicators as part of the annual Operational Plan.

22 objectives were developed for delivery in our Operational Plan for the 2021/22 financial year. These were all drafted based on the outcomes identified in our Corporate Plan. The objectives are actionable targets that move us closer to our vision for Council and our communities.

The process of setting objectives is aligned with the budget process to ensure that each objective has an appropriate budget and other relevant resources allocated to its delivery. Each objective also has a delivery target to ensure performance can be measured.

Quarterly reports on the progress of these objectives are provided to Council to ensure transparent performance updates.



About our region

Northern Peninsula Area Regional Council local government area includes the communities of Seisia, New Mapoon, Bamaga, Umagico, and Injinoo.

Size	Population*	Average Annual Rainfall	Average Daily Temperature
1,061.1 km2	2,781 Bamaga – 1,186 Injinoo – 498 New Mapoon - 412 Seisia – 293 Umagico - 394	1,838	23.5 – 30.2 degree Celsius

* based on the ABS 2021 Census data

Facilities

Seisia is the main seaport for the Northern Peninsula Area and Bamaga is the commercial and administrative centre for government services. Community services in Bamaga include hospital, police station, health centre, ambulance services, family resources centre, healing centre, healthy lifestyle centre, home and community care, women's shelter, crisis shelter, magistrates court services, child safety services and support. The health centre provides primary health care and general nursing services.

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

NPARC has a strong and productive relationship with both the Queensland Government and the Australian Government as well as industry, community, private sector, community and traditional owner groups. In the context of traditional owner groups, the Apudthama Land Trust is the representative body established to act as a custodian for the Injinoo land.

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

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

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

Map

Please insert

Our divisions

Division 1 – Injinoo

Population: 498*

Division 2 - Umagico

Population: 394*

Division 3 - Bamaga

Population: 1,186*

Division 4 – New Mapoon

Population: 412*

Division 5 - Seisia

Population: 293*

* Data sourced from the 2021 census.



Regional demographics

Council's local government area is diverse in nature, history, culture and residents.

Male 48.6%

Female 51.4%

Median age 23

Indigenous 82.2%

Weekly household income \$1,331

Weekly rent \$120

Languages other than English 92%

Unemployed 14.0%

Employed 53.7%

* Data sourced from the 2021 census. Weekly household income and weekly rent amounts are given as the median.



Services and locations

Possible listing of different services/features at each community

Bamaga (Head office)

180 Adidi Street
Bamaga QLD 4876
4090 4100 or 4090 4120

Injinoo

54 McDonnell Street
Injinoo QLD 4876
4048 6800

Umagico

6 Charlie Street
Umagico QLD 4876
4048 6900

New Mapoon

80 Brown Street
New Mapoon QLD 4876
4048 6600



The role and functions of Council

There are three levels of government in Australia. Each carry out distinct and important roles to provide Australians with the services they need. These services may overlap in some areas.

Local government plays an important role in community governance. As a forum for local decision-making, it helps deliver the Queensland Government priorities locally and regionally.

A local government or council provides a wide range of services and activities, and for our Council this is even wider and more important than most.

Councils are part of the economic, social, and cultural development of the local government area it represents and plays an important role in community governance by enforcing various federal, state, and local laws for its communities.

The powers of local governments in Queensland are defined in the *Local Government Act 2009* and the *Local Government Regulation 2012*.

The services Northern Peninsula Area Regional Council provides include the following:

- Maintenance and construction of local roads and infrastructure
- Provision of water and sewerage
- Provision of waste collection
- Provision of animal management
- Provision of planning services
- Management of local laws
- Provision of community facilities such as community halls and Indigenous Knowledge Centres
- Provision of postal services
- Social housing management including repairs, maintenance, and newbuilds

Some of these services differ from your normal local government due to the nature of our location. Often, we are the only organisation in the region able to provide these services.

Role of Elected Members

Section 12 of the *Local Government Act 2009* states that the role of elected members is to:

- represent the current and future interests of residents in the local government area,
- provide high-quality leadership to the region and Council,
- participate in Council meetings, policy development, and decisions making,
- ensure that the Council acts responsibly, achieves the goals set out in the Corporate Plan, and adheres to all laws that apply to local governments.

The Mayor and Elected Members perform their roles by attending and participating in Council meetings, engaging with residents, and participating in policy development and decision-making processes. The Mayor has additional responsibilities to those listed above, which include chairing Council meetings, leading and advising Council's Chief Executive Officer, and representing Council at ceremonial or civic functions.

Our local government area is the most northerly Council on mainland Australia located at the tip of Cape York. Our region is relatively small and remote and consists of 5 divisions. Mayor and Elected Members are elected democratically by the community to represent the current and future interests of the entire local government area, with each division electing a Councillor and the Mayor elected for the region. One Councillor is elected Deputy Mayor by their fellow Councillors.

The Elected Council conduct monthly Ordinary Meetings to consider and decide on strategic matters regarding Council's local government area and operation. In addition to Ordinary Meetings, Special Meetings are held when required to discuss and decide upon urgent strategic matters.

Council is also the trustee for Deed of Grant in Trust land. As trustee, Council is responsible for managing and protecting the land for its Traditional Owners. Separate meetings are held to deal with matters relating to trust land and Council's role as trustee.



Our Councillors

Elected members of the 4th Northern Peninsula Area Regional Council took their declaration of office in April 2020.

Mayor Patricia Yusia



Councillor Gina Nona
Injinoo, Division 1



Councillor Robert Tamwoy
Umagico, Division 2



Councillor Kitty Gebadi – Deputy Mayor
Bamaga, Division 3



Councillor Eric Cottis
New Mapoon, Division 4



Councillor Mabelene Whap*
Seisia, Division 5



Councillor Francis Elu
Seisia, Division 5



*Councillor Whap took her declaration of office in December 2021 following a byelection.

Councillor meeting frequency, attendance and remuneration

Meeting type	Number of meetings
Ordinary meetings	11
Special meetings	0

	Ordinary	Remuneration	Superannuation contribution	Expenses
Mayor Yusia	11	112,384.26	21,491.09	1,295.72
Cr Gebadi (Deputy Mayor)	11	64,836.45	12,398.68	2,124.65
Cr Nona	11	53,994.27	10,670.40	542.40
Cr Tamwoy	7	47,982.03	26,381.75	285.65
Cr Cottis	10	52,491.21	10,520.09	196.20
Cr Elu	0	13,874.30	6,515.62	0
Cr Whap	6*	28,442.38	12,147.60	542.40

* Councillor Whap took her declaration of office in December 2021 following a byelection.

Facilities provided to Councillors:

Mayor – Vehicle, office space and fittings at Bamaga Deputy

Mayor – Office space and fittings at Bamaga

Councillors – Office space and fittings at office in each division

Elected Member remuneration

The Local Government Remuneration Commission sets the remuneration rates for Elected Members across Queensland each year. Northern Peninsula Area Regional Council's Elected Members are paid in accordance with the levels set by the Commission.

Northern Peninsula Area Regional Council in the 2021/22 financial year were:

- Mayor \$108,222
- Deputy Mayor \$62,435
- Councillor \$54,110

The remuneration for Councillors consists of two apportionments: the base rate and a meeting fee.

In 2021/22 the annual base payment was \$36,073.28 and the meeting fee was \$1,503.06 per calendar month (or fortnightly equivalent). The meeting fee is payable for attendance and participation at scheduled meetings of the Council, subject to certification by the Mayor and/or Chief Executive Officer.

In addition to remuneration, Councillors are entitled to the provision of facilities that enable them to fulfil their duties and responsibilities. Provisions under this entitlement are set out in Council's Councillor Remuneration, Reimbursement and Facilities Provision Policy.

Elected Members are provided with an office in their respective division, a laptop, a mobile phone for Council use, and meeting and administrative support as required. Councillors are also provided travel and accommodation when travelling on Council business, including when travelling to attend conferences, workshops, forums, and other relevant meetings. Councillors are covered by Council's insurance policies.

Audit Committee

Audit Committee

Council has an Audit Committee, in accordance with the requirements of the *Local Government Act 2009* and *Local Government Regulation 2012*. Council's Audit Committee meets quarterly to monitor, review, and make recommendations for action or improvement to Council.

To maintain compliance with the legislative requirements, Council's Audit Committee consists of two Councillors and two external members.

The 2021/22 year the Audit Committee members were:

- Cr Cottis,
- Cr Tamwoy
- Shannon Gibbs (external member)

This year the Audit Committee focused on correcting errors from the 2020-21 financial year.

Internal audit

Council's internal audit function provides independent and objective assurance of organisational operations. It brings a systematic and disciplined approach to the evaluation and management of our risk management controls and governance processes. The internal audit function works collaboratively with Council's executive leadership team and management to recommend improvements to systems, processes, work practices, compliance, and business effectiveness. The internal audit function is outsourced to Altius.

The Internal Audit Plan sets out the objectives for the financial year. The Plan is reviewed annually by Council's executive leadership team and Audit Committee to ensure it continues to align with organisational needs and our Corporate Risk Register.

Councillor conduct matters

As per the requirements of the Local Government Act 2009, all Councillor conduct matters raised during the 2021-22 financial year are documented and reported.

Local Government Act 2009	Number	Details
Orders made by the chairperson to deal with unsuitable meeting conduct (section 150I(2))	0	
Orders made by Council as disciplinary action against a councillor for inappropriate conduct (section 150AH(1))	0	
Decisions, orders and recommendations made by the conduct tribunal against a councillor for misconduct (section 150AR(1))	0	
Councillor conduct complaints referred by Council to the Office of the Independent Assessor (section 150P(2)(a))	0	
Councillor conduct complaints referred by Council to the Crime and Corruption Commission (section 150P(3))	0	
Notices given by Council to the Office of the Independent Assessor about particular conduct that would otherwise be considered inappropriate conduct or misconduct (section 150R(2))	5	
Notices given by Council to the Office of the Independent Assessor about particular conduct amounting to misconduct (section 150S(2)(a))	0	
Decisions made by the Office of the Independent Assessor about councillor conduct (section 150W(1) (a), (b) and (e))	0	
Referrals of councillor conduct matters from the Office of the Independent Assessor to Council (section 150AC(3)(a))	0	
Information (obtained during an investigation of suspected inappropriate conduct) given by Council to the Office of the Independent Assessor that indicates a councillor may have engaged in misconduct (section 150AF(4)(a))	0	
Number of occasions where Council asked another entity to investigate the suspected inappropriate conduct of a councillor (chapter 5A, part 3, division 5)	0	
Number of applications heard by the conduct tribunal about the alleged misconduct of a councillor	0	

Administrative action complaints

*Council is committed to dealing fairly with administrative action complaints.
The process is managed under Council's Complaint Management Policy and
Procedure and Council's Housing Complaint Management Policy.*

An "administrative action" complaint is a complaint about action taken or failed to be taken by Council (as defined in section 268 of the *Local Government Act 2009*). Council is committed to dealing fairly with every administrative action complaint.

Council has a clear process in place for resolving administrative action complaints. The process is managed under Council's Complaint Management Policy and Procedure.

The Chief Executive Officer reports to Council annually regarding complaint management. This annual review identifies and analyses any complaint trends and significant issues, and any recommendations for improvement, to ensure Council deals with complaints in line with best practice.

Administrative action complaints under section 187 of the <i>Local Government Regulation 2012</i> (Qld)	Number
The number of administrative action complaints made to the local government in 2021/22.	0
The number of administrative action complaints resolved by the local government under the complaints management process in 2021/22.	0
The number of administrative action complaints not resolved by the local government under the complaints management process in 2021/22.	0
The number of administrative action complaints made in previous years that were not resolved by the local government in 2021/22.	0

Compliance activities

Council's compliance activities for the 2021/22 year in accordance with the legislative requirements set out in the Local Government Act 2009 and Local Government Regulation 2012.

Compliance with section 23

Public Sector Ethics Act 1994

Council's commitment to Queensland's public sector ethical principles and the local government principles is reflected in our policies and procedures. Procedures and management practices are drafted in line with the ethical principles, local government principles, and Council's Code of Conduct.

Council's Code of Conduct applies to all employees, Councillors, contractors, consultants, and agents of Council and sets out expected rights, duties, and obligations of all who are subject to it.

All employees appointed to positions with Council are educated about their rights, duties, and obligations under the Code of Conduct via our induction program. The induction for new employees includes training on the local government principles set out in section 4(2) of the *Local Government Act 2009* and the ethical principles set out in section 4(2) of the *Public Sector Ethics Act 1994*. Council employees can also access the Code of Conduct on Council's corporate intranet.

Councillors have received ongoing training throughout the 2021/22 year on conduct matters in response to legislative changes to the Councillor conduct regime.

Registers kept by Council Council's registers provide a source of truth for various subject matters and help ensure efficient, effective, and transparent governance processes. Council kept the following registers during the 2021/22 year:

- Councillor Conduct Register
- Contract register

Special rates and charges

During the 2021/22 financial year, Council did not levy any special rates or charges.

Concessions for rates and charges

During the 2021/22 financial year, Council did not make any concessions for rates and charges.

Invitations to change tender

During the 2021/22 financial year, there was no invitation to change tender under section 228(8) of the *Local Government Regulation 2012*.

Summary of investigation notices

During the 2021/22 financial year, Council did not receive any Queensland Productivity Commission notices of investigation under section 49 of the *Local Government Regulation 2012*. During the same period, Council did not receive any Queensland Productivity Commission recommendations on any competitive neutrality complaints under section 52(3) of the *Local Government Regulation 2012*.

Beneficial enterprises

Council did not have any beneficial enterprises in the 2021/22 year.

Significant business activities

Council did not have any significant business activities in the 2021/22 year.

Business activities

Council operated the following enterprises during the year however none of these activities were deemed “significant commercial business units” in terms of the Local Government Regulation.

The code of competitive conduct was not applied to any of these business activities.

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

Overseas travel

During the 2021/22 financial year, no overseas travel was undertaken by Councillors or employees of Council in an official capacity.

Senior management remuneration

Section 201 of the *Local Government Act 2009* requires that a local government’s annual report state the total remuneration packages payable to senior management. Council’s Executive Leadership Team consists of the Chief Executive Officer, Executive Manager Business Enterprises, Executive Manager Operations, and Executive Manager Corporate Services. The following table shows the senior management remuneration packages for the 12-month period from 1 July 2021 to 30 June 2022. The remuneration levels shown are on a cash basis and exclude non-monetary benefits, allowances, and superannuation.

Remuneration Package Band	Number of positions in band
\$100,001 - \$200,000	6*
\$200,001 - \$300,000	1*

*All were part of the year

Particular resolutions

Section 185 of the Local Government Regulation 2012 requires Council to list in this report any resolutions made under sections 206(2) and 250(1) of the Local Government Regulation 2012.

Section 206(2)

No resolutions were made by Council under section 206(2) in the 2021/22 financial year.

No resolutions were made by Council under section 206(2) in the 2021/22 financial year.



Procurement

Council procurement is governed by the *Local Government Act 2009*, the *Local Government Regulation 2012*, and Council's own Procurement and Ethical Sourcing Policy and associated procedures.

As set out in section 104(3) of the *Local Government Act 2009*, Council employees must have regard for the sound contracting principles, when conducting procurement activities. These principles are:

1. value for money;
2. open and effective competition;
3. the development of competitive local business and industry;
4. environmental protection;
5. ethical behaviour and fair dealing.

Council is required to publicly tender work that has an expected value of more than \$200,000. Council is not required to publicly tender work of more than \$200,000 where there is an exemption. Exemptions include the use of Localbuy, Council's registers of pre-qualified suppliers, and sole suppliers.

Major construction contracts awarded

Total contracts awarded over \$200,000: 3

Contracts awarded to suppliers within Council's local government area: 1

Contracts awarded to suppliers within Far North Queensland: 1

Contracts awarded to suppliers in other areas of Queensland: 1

Contracts awarded to interstate suppliers: 0

Commitment to Human Rights

Council is committed to protecting and promoting human rights in all the work we do - from the decisions we make to the services we provide.

The *Human Rights Act 2019* protects human rights, including property rights, cultural rights and freedom of expression. All people are afforded the same human rights regardless of background, where we live, what we look like, what we think, or what we believe.

Human rights / privacy complaints

Council received no privacy / human rights complaint in the year to 30 June 2022.



Financial overview

Council's Financial Statements were not completed within the statutory timeframe set out in the Local Government Act 2009 and the Local Government Regulation 2012 due to historical issues needed to be rectified.

This section of the report provides the Community Financial Report in accordance with the requirements of section 179 of the *Local Government Regulation 2012*. It provides a summary of the Financial Statements to enable readers to easily evaluate Council's financial performance and position.

The Community Financial Report For 2021-22 financial year

The purpose of the Community Financial Report is to provide residents and interested parties with a better understanding of Council's financial performance and position over the previous financial year.

The financial information that is presented in the Community Financial Report is identical to Council's financial statements however it is presented in a simplified format so that members of the community are able to gain insights into how the Council's financial performance and position measure up at the end of the financial year.

The Community Financial Report uses plain language and pictorial aids such as graphs and tables to give readers an easy to follow summary of the financial statements for the past financial year. In addition, this report includes key financial statistics and ratios that can also be useful indicators of Council's performance and position.

Financial Statements

The financial statements of Council are audited records of financial performance and position for a financial year (12 months). There are four statements that comprise what is termed "the financial statements", the statements are:

- Statement of Comprehensive Income (sometimes called a Profit and Loss Statement)
- Statement of Financial Position (sometimes called a Balance Sheet)
- Statement of Changes in Equity
- Statement of Cash Flows

Statement of Comprehensive Income

A statement detailing the income and expenditure of Council. This statement shows what Council has earned (Revenue) and what costs Council has incurred (Expenses) throughout the year. This is presented on an 'accrual' basis, that is it records revenue when it is earned and expenses when they are incurred, regardless of the timing of the receipts or payment of cash.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022	\$
Operating Revenue	
Utility charges	2 433 516
Enterprise revenue	7 617 530
Fees and charges	619 821
Grants, subsidies and contributions	15 958 954
Interest revenue	15 500
Sales revenue	7 976 331
Rental revenue	836 706
Other revenue	3 204 699
Total Operating Revenue	38 663 057

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022	\$
Operating Expenses	
Employee benefits	13 894 339
Materials and services	23 763 531
Depreciation and amortisation	10 525 362
Finance costs	423 242
Total Operating Expenses	48 606 474

Operating Result	(9 943 417)
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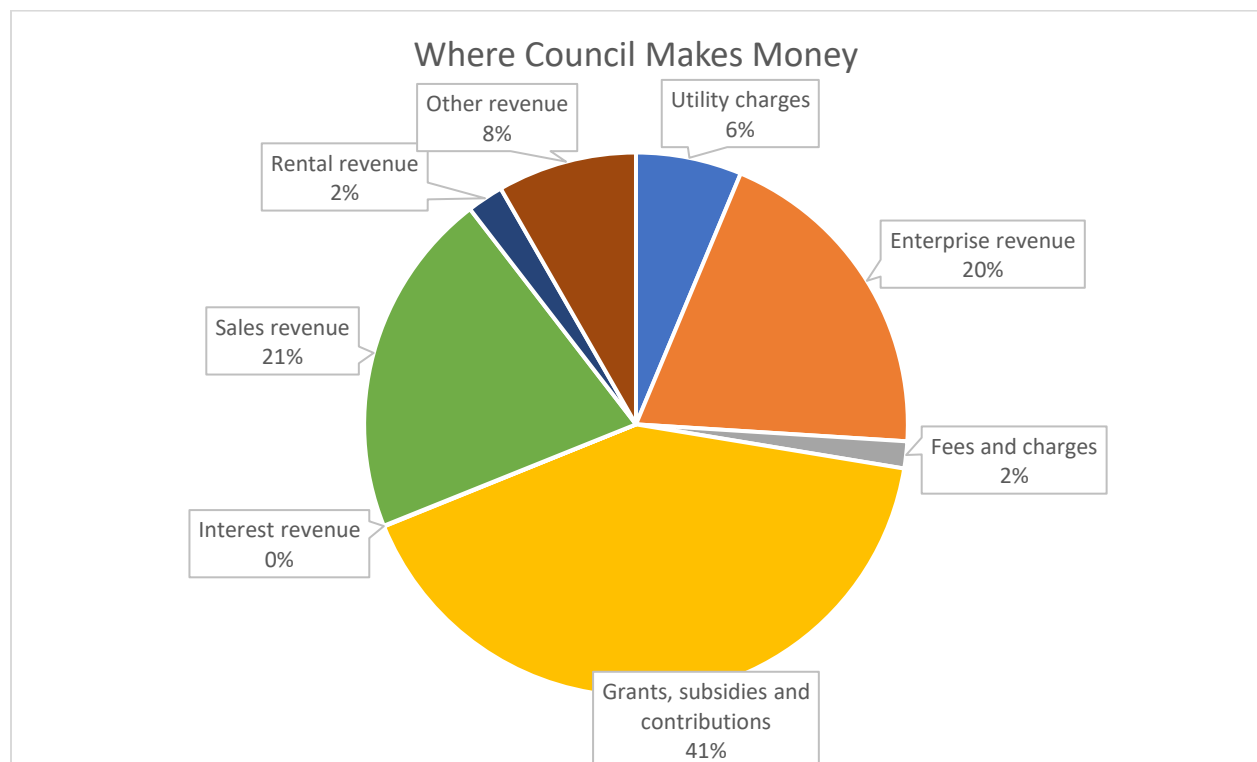
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022	\$
Grants, subsidies and contributions	5 591 709
Capital Income	280 290
Capital Result	5 871 999

NET RESULT	\$
Other comprehensive Income	13 102 796
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	9 031 378

Sourcing our revenue: What it comprises

Key Council's revenue sources include:

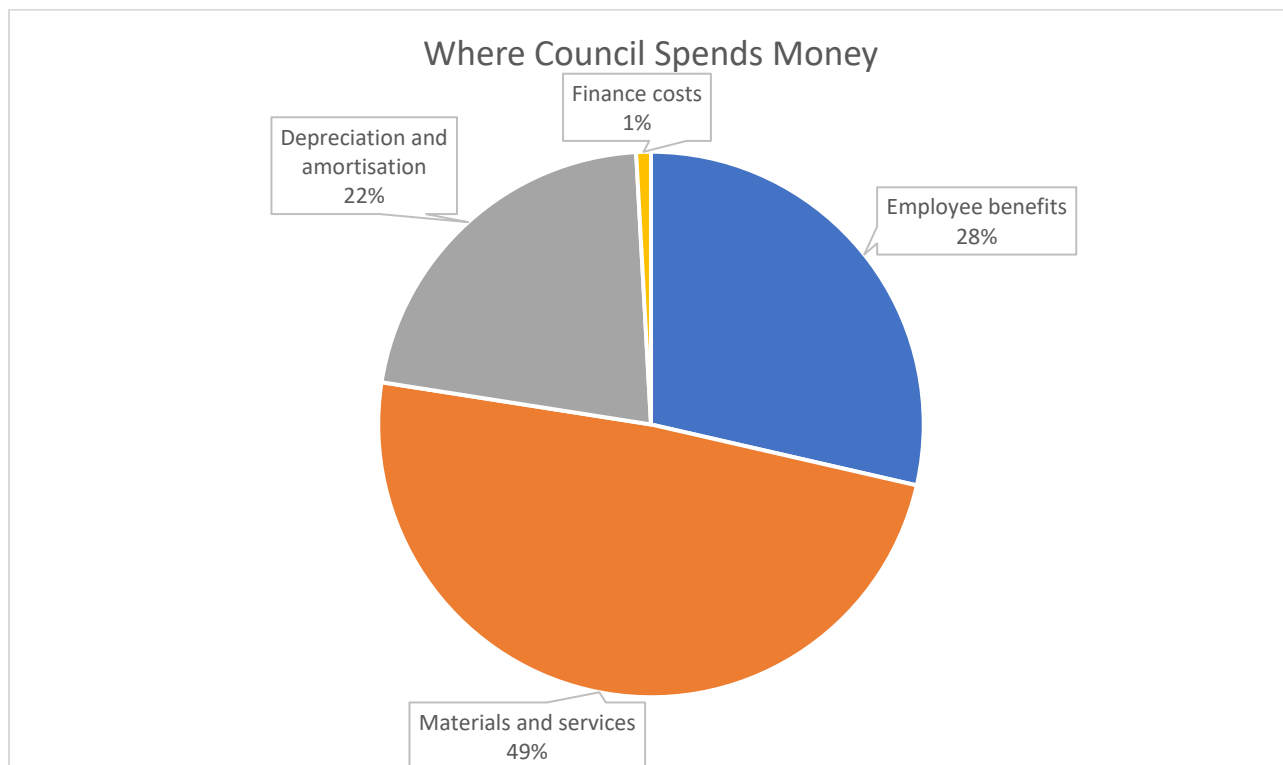
- **Utility Charges** - these are the charges levied on properties within the region for the provision of water, sewerage and garbage services. Council does not levy any rates on properties within the NPA. Each year, as part of the budget process, Council decide the utility charges to be levied in the financial year. The level of utility charges that are charged is at the sole discretion of Council.
- **Fees and Charges** - Council generates a level of income through the charging of fees for services and some goods. The fees can vary from admission to an aquatic facility through to the payment of a hall hire fee. A key function of Council is the administration of a range of regulatory functions. These can vary from administering the development application process through to animal registrations.
- **Grants, Subsidies and Contributions** - Council receives capital and operational grants and subsidies from federal and state governments which can be for general or specific purposes (grants to fund certain projects).
- **Interest Revenue** - revenue earned by Council on term deposits held with banks.
- **Sales Revenue** – this is revenue earned through works completed on social housing
- **Enterprise Revenue** – this is revenue earned through Council Enterprises
- **Other Revenue** - is other miscellaneous forms of revenue.
- **Capital Income** - asset transactions that must be recorded separate to other comprehensive income - This is a non-cash income source.
- **Other Comprehensive Income** - is predominately increases in the value of Council's infrastructure as a result of asset revaluations. This is a non-cash income source.



Identifying our expenses:

What it comprises Key Council's expenditure sources include:

- Employee Expenses - These represent the total cost of staff employed in the delivery of Council services. The costs are typically inclusive of items such as wages, superannuation, employee leave entitlements, training and other employee related expenses.
- Materials and Services - These are the operating costs incurred for the purchase of materials or other services necessary to deliver Council services.
- Depreciation and Amortisation - Is recognised as a cost to Council and is measured as on estimate in the consumption of Council's asset base. This is a non-cash expense.
- Finance Costs - These are the costs mainly associated with banking fees.



Statement of Financial Position

A statement detailing the assets and liabilities of Council. The statement measures what Council owns (Assets) and what Council owes (Liabilities). The difference between these two components is the net wealth (Equity) of Council and our community.

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2022	\$
Assets	
Cash Balance	12 452 017
Other Current Assets	4 207 739
Non-Current Assets	232 151 292
Total Assets	248 811 048

Liabilities	
Current Liabilities	11 789 454
Non-current Liabilities	1 828 266
Total Liabilities	13 617 720
NET COMMUNITY ASSETS	235 193 328

Community Equity	
Retained Surplus	160 083 881
Asset Revaluation Surplus	75 109 447
TOTAL COMMUNITY EQUITY	235 193 328

Assets: What the community owns

- Assets - Can be current or non-current. Current assets are those that are readily available to meet expenses and mainly include cash and amounts owed by customers. Non-current assets include property, plant and equipment

The value of all assets Council owns totals \$248.8 million as at 30 June 2022.

Liabilities: What the community owes

- Liabilities - Can be current or non-current. Liabilities mainly consist of amounts owing to suppliers, amounts owing to employees for leave entitlement and future estimates to rehabilitate landfill sites administered by Council. Current liabilities are those amounts that are payable by Council within the next twelve months, and non-current liabilities are payable beyond the twelve month horizon.

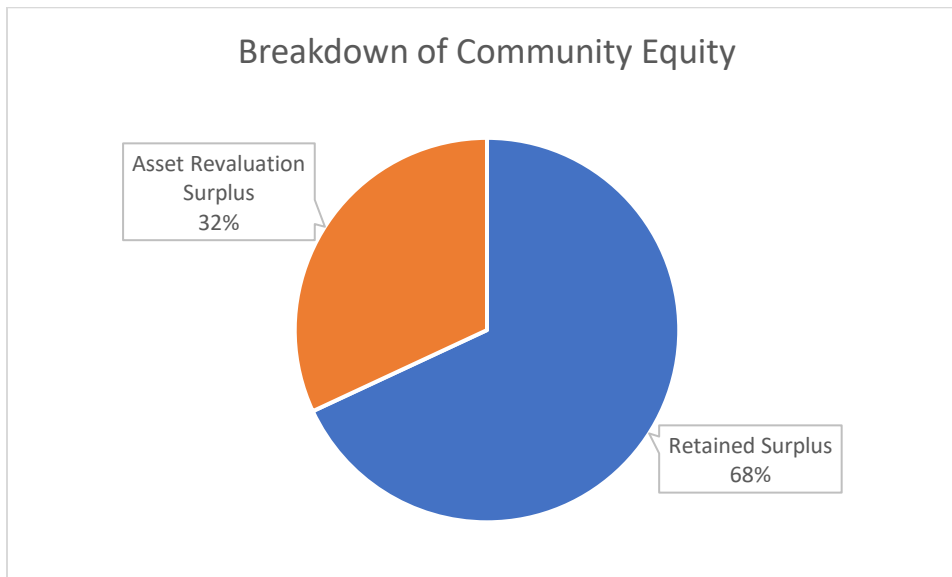
Statement of Changes in Equity

A statement detailing the changes in equity of Council. This statement details the movement in the net assets (Equity) of Council and shows the overall change in Council's net wealth over the year.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022	\$
Balance as at 1 July 2021	226 161 950
Minus: Net Result	(4 071 418)
Add: Other Comprehensive Income	13 102 796
BALANCE AT 30 JUNE 2022	235 193 328

Community equity

- Community Equity - Community equity (what the Council is worth) is measured as the net of Council's assets less liabilities. Council's total community equity as at 30 June 2022 is \$235 million. Community equity consists of an asset revaluation surplus and retained surplus.



Statement of Cash Flows

The statement of cash flows provides information on the cash inflows and outflows of Council, classified by different types of cash flows activities.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2022	\$
Opening Cash Balance	11 255 465
Net cash flows from Operating Activities	(3 245 745)
Net cash flows from Investing Activities	4 442 297
Net cash flows from Financing Activities	-
Net increase in cash held	1 196 552
Cash at the end of financial year	12 452 017

Cash: what were the major inflows and outflows of cash?

There are three types of activities that have an impact on cash balances:

- Cash flows from operating activities includes cash coming into Council (inflows) and cash going out of Council (outflows) from the day-to-day operations of Council.
- Cash flows from investing activities include outflows of cash when making payments for infrastructure works and the purchase of assets such as land, buildings, vehicles and equipment. Cash inflows can occur from Council selling assets (for example, land, plant and equipment)
- Cash flows from financing activities cash inflows of money Council borrows (loans) and cash outflows when Council repays the loans.

Responsible Financial Management

In a period of continued growth and expansion, responsible financial management is crucial for Council to provide key services and strike the balance between meeting the needs of the community today and providing a solid financial future for Northern Peninsula Area.

Measures of Financial Sustainability

This Community Financial Report includes three relevant measures of financial sustainability used to demonstrate that the Council is operating in a prudent financial manner and ensuring the Council's long-term financial sustainability and viability.

	2021-22 Actual	Target
Asset sustainability ratio Demonstrates whether Council is renewing infrastructure assets at the same rate that it is wearing out its overall stock of assets.	22%	Greater than 90%
Net financial liabilities ratio Demonstrates the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	-8%	Not greater than 60%
Operating surplus ratio Demonstrates the extent to which operating revenues cover operating expenses only or are available for capital purposes.	-26%	Between 0% and 10%

Financial snapshot

The financial snapshot table below compares key financial information at the end of the current reporting period with the previous reporting period.

	2021-22 \$	2020-21 \$
Net utility charge revenue	2.4mil	2.6mil
Grant revenue	16.0mil	12.2mil
Total operating revenue	38.7mil	33.6mil
Operating expenses	48.6mil	43.8mil
Operating result	-9.9mil	-10.2mil
Net result	9.0mil	-1.5mil
Total Assets	248.8mil	238.4mil
Total Liabilities	13.6mil	12.2mil
Total Equity	235.2mil	226.2mil
Cash on hand	12.5mil	11.3mil
Operating surplus ratio	-26%	-28%
Net financial liabilities ratio	-8%	-10%
Asset sustainability ratio	22%	61%

Further detailed information on Council's financial performance and position can be obtained from the financial statements.

Queensland Treasury debt

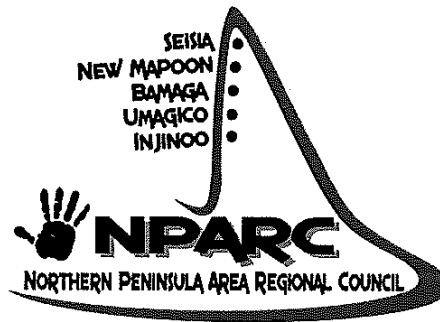
Queensland Treasury Corporation is the State Government owned lending agency that provides financing to most local government and state agencies within Queensland for infrastructure projects.

Council did not undertake any new borrowings from the Queensland Treasury Corporation in the 2021/22 financial year and at 30 June 2022 Council had no debt to Queensland Treasury Corporation.

Signed financials

Northern Peninsula Area Regional Council

Financial Statements for the year ended 30 June 2022



Northern Peninsula Area Regional Council

Financial statements

For the year ended 30 June 2022

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Northern Peninsula Area Regional Council
Statement of Comprehensive Income
For the year ended 30 June 2022

		2022	Restated*
	Note	\$	2021
		\$	\$
Income			
Revenue			
Recurrent revenue			
Service charges	3(a)	2,433,516	2,598,930
Enterprise revenue	3(e)	7,617,530	8,326,860
Fees and charges	3(b)	619,821	472,924
Interest received		15,500	29,889
Other revenue	3(f)	3,204,699	1,135,332
Rental income	3(c)	836,706	935,496
Sales revenue	3(d)	7,976,331	7,887,147
Grants, subsidies, contributions and donations	3(g)(i)	15,958,954	12,241,155
Total recurrent revenue		<u>38,663,057</u>	<u>33,627,734</u>
Capital revenue			
Grants, subsidies, contributions and donations	3(g)(ii)	5,591,709	8,594,356
Capital income	6	280,290	-
Total capital revenue		<u>5,871,999</u>	<u>8,594,356</u>
Total income		<u>44,535,056</u>	<u>42,222,090</u>
Expenses			
Recurrent expenses			
Employee benefits	4	(13,894,339)	(12,645,859)
Materials and services	5	(23,763,531)	(20,760,008)
Finance costs	7	(423,242)	82,075
Depreciation and amortisation			
Property plant and equipment	11	(10,525,362)	(10,489,752)
		<u>(48,606,474)</u>	<u>(43,813,544)</u>
Total expenses		<u>(48,606,474)</u>	<u>(43,813,544)</u>
Net result		<u>(4,071,418)</u>	<u>(1,591,454)</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	17	13,102,796	-
Total other comprehensive income for the year		<u>13,102,796</u>	<u>-</u>
Total comprehensive income for the year		<u>9,031,378</u>	<u>(1,591,454)</u>

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

* Council has made a retrospective restatement as a consequence of multiple corrections of errors in accordance with AASB 108 and therefore, in accordance with AASB 101 has restated the comparative figures as set out in Note 23.

Northern Peninsula Area Regional Council
Statement of Financial Position
as at 30 June 2022

		2022	Restated*
	Note	\$	2021
		\$	\$
Current assets			
Cash and cash equivalents	8	12,452,017	11,255,465
Receivables	9	2,507,975	1,444,709
Inventories	10	995,436	1,154,258
Contract assets	13	155,982	1,155,719
Lease receivable	14	548,346	524,257
		<u>16,659,756</u>	<u>15,534,408</u>
Total current assets		<u>16,659,756</u>	<u>15,534,408</u>
Non-current assets			
Property, plant and equipment	11	214,729,620	207,507,250
Lease receivable	14	17,421,672	15,367,280
Total non-current assets		<u>232,151,292</u>	<u>222,874,530</u>
Total assets		<u>248,811,048</u>	<u>238,408,938</u>
Current liabilities			
Payables	15	3,095,719	3,252,722
Contract liabilities	13	7,463,480	5,534,848
Provisions	16	1,230,255	1,414,318
Total current liabilities		<u>11,789,454</u>	<u>10,201,888</u>
Non-current liabilities			
Provisions	16	1,828,266	2,045,100
Total non-current liabilities		<u>1,828,266</u>	<u>2,045,100</u>
Total liabilities		<u>13,617,720</u>	<u>12,246,988</u>
Net community assets		<u>235,193,328</u>	<u>226,161,950</u>
Community equity			
Asset revaluation surplus	17	75,109,447	62,006,651
Retained surplus		160,083,881	164,155,299
Total community equity		<u>235,193,328</u>	<u>226,161,950</u>

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

** Council has made a retrospective restatement as a consequence of multiple corrections of errors in accordance with AASB 108 and therefore, in accordance with AASB 101 has restated the comparative figures as set out in Note 23.*

**Northern Peninsula Area Regional Council
Statement of Changes in Equity
For the year ended 30 June 2022**

	Note	Asset revaluation surplus	Retained Surplus*	Total
		\$	\$	\$
Balance as at 1 July 2021		62,006,651	164,155,299	226,161,950
Net result		-	(4,071,418)	(4,071,418)
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus	17	13,102,796	-	13,102,796
Total comprehensive income for the year		13,102,796	(4,071,418)	9,031,378
Balance as at 30 June 2022		75,109,447	160,083,881	235,193,328
Balance as at 1 July 2020		62,006,651	165,224,050	227,230,701
Effect of correction of error		-	522,703	522,703
Restated balance		62,006,651	165,746,753	227,753,404
Net result		-	(1,591,454)	(1,591,454)
Balance as at 30 June 2021		62,006,651	164,155,299	226,161,950

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

** Council has made a retrospective restatement as a consequence of multiple corrections of errors in accordance with AASB 108 and therefore, in accordance with AASB 101 has restated the comparative figures as set out in Note 23.*

Northern Peninsula Area Regional Council
Statement of Cash Flows
For the year ended 30 June 2022

	Note	2022 \$	Restated* 2021 \$
Cash flows from operating activities			
Receipts from customers		18,192,876	21,658,450
Payments to suppliers and employees		(38,249,781)	(32,298,478)
		(20,056,905)	(10,640,028)
Interest received		15,500	29,889
Rental income		836,706	935,496
Non capital grants and contributions	3(g)	15,958,954	12,241,155
Net cash inflow (outflow) from operating activities	21	(3,245,745)	2,566,512
Cash flows from investing activities			
Payments for property, plant and equipment	11	(4,417,790)	(7,476,299)
Finance lease receipts	14	517,274	503,055
Grants, subsidies, contributions and donations	3(g)	8,342,813	5,092,890
Net cash inflow (outflow) from Investing activities		4,442,297	(1,880,354)
Net increase (decrease) in cash and cash equivalent held		1,196,552	686,158
Cash and cash equivalents at the beginning of the financial year		11,255,465	10,569,307
Cash and cash equivalents at end of the financial year	8	12,452,017	11,255,465

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

** Council has made a retrospective restatement as a consequence of multiple corrections of errors in accordance with AASB 108 and therefore, in accordance with AASB 101 has restated the comparative figures as set out in Note 23.*

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

1 Information about these financial statements

1.A Basis of preparation

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

These general purpose financial statements are for the period 1 July 2021 to 30 June 2022 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.B Date of authorisation

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

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

Northern Peninsula Area Regional Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2021, none of the standards had a material impact on reported position, performance and cash flows.

1.D Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022. These standards have not been adopted by the Council and will be included in the financial statements on their effective date. Where the standard is expected to have a significant impact for the Council then further information has been provided in this note.

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

	Effective for NFP annual report periods beginning on or after:
AASB 2020-1 <i>Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current and associated standards</i> (amended by AASB 2020-6)	1 January 2022
AASB 2020-3 <i>Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments</i>	1 January 2022
AASB 2021-2 <i>Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates</i> (amended by AASB 2021-6)	1 January 2023

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

1.E Estimates and judgements

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

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

Revenue recognition - Note 3
Impairment of receivables - Note 9
Valuation and depreciation of property, plant and equipment - Notes 11 and 12
Impairment of property, plant and equipment - Note 11
Valuation of leases - Note 14
Provisions - Note 16
Contingent liabilities - Note 18

1.F Rounding and comparatives

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard. Comparative information is prepared on the same basis as prior year.

1.G Financial assets and financial liabilities

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

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

Financial assets
Cash and cash equivalents (Note 8)
Receivables - measured at amortised cost (Note 9)
Lease receivables (other financial assets) - measured at fair value (Note 14)
Financial liabilities
Payables - measured at amortised cost (Note 15)

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

1.H Taxation

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

1.I Divestment of business activities

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

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

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

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

1.I Divestment of business activities (continued)

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

It is noted that this is currently an active Court case. It is being managed by the Court and regular review dates are set so that the Court can keep track of how the settlement is proceeding.

As at 30 June 2022, the relevant conditions contained under the Enterprise Licence Agreement have not been fulfilled and the basis upon which the Council decisions were made at the time is currently being challenged. The Council is currently involved in court proceedings to negate the divestment licence agreement and to have the decisions relating to the divestment and sale of the amalgamated Council assets by the previous Council declared beyond one's legal power or authority.

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

1.J COVID-19

Council's operational activities for the year ended 30 June 2022 have been impacted by the COVID-19 pandemic.

The impact of Covid has been significant at an operational level as supply issues have continued to be challenging in relation to the completion of certain capital projects. Council has also experienced a high level of absenteeism related to sick leave as a result of Covid. The financial impact it is not considered to be material.

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

2 Analysis of results by function

2.A Components of council functions

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

Corporate governance

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

Finance and information

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

Community services

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

This function includes:

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

Operational services

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

Education, employment and development

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

Enterprise operations

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

2.B Analysis of results by function

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

Year ended 30 June 2022

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent			Capital									
	Grants		Other	Grants		Other	Recurrent		Capital				
	2022	\$	2022	\$	2022	\$	2022	\$	2022	\$			
	2022	\$	2022	\$	2022	\$	2022	\$	2022	\$			
Corporate governance	-	-	-	-	-	-	(2,455,500)	-	(2,455,500)	(2,455,500)	(2,455,500)	4,701,133	
Finance and information	11,459,350	3,122,638	177,266	280,290		15,039,544	(5,023,660)	-	(5,023,660)	9,558,328	10,015,884	33,085,991	
Community services	1,377,563	759,157	128,613	-		2,265,333	(1,941,925)	-	(1,941,925)	194,795	323,408	52,739,519	
Operational services	1,014,923	10,568,915	5,285,830	-		16,869,668	(28,194,990)	-	(28,194,990)	(16,611,152)	(11,325,322)	156,013,589	
Education, employment and development	2,107,118	635,863	-	-		2,742,981	(3,248,557)	-	(3,248,557)	(503,576)	(503,576)	-	
Enterprise operations	-	7,617,530	-	-		7,617,530	(7,743,842)	-	(7,743,842)	(126,312)	(126,312)	2,270,816	
Total	15,958,954	22,704,103	5,591,709	280,290		44,535,056	(48,606,474)	-	(48,606,474)	(9,943,417)	(4,071,418)	248,811,048	

Year ended 30 June 2021

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent			Capital									
	Grants	Other		Grants	Other								
	2021	2021	\$	2021	2021	\$	2021	2021	\$				
Corporate governance	-	-	-	-	-	(1,914,805)	-	(1,914,805)	(1,914,805)	(1,914,805)	\$	\$	
Finance and information	9,136,553	1,553,567	-	-	-	(4,526,180)	-	(4,526,180)	6,163,940	6,163,940	28,811,966		
Community services	1,135,728	253,813	47,433	-	-	(2,092,003)	-	(2,092,003)	(702,462)	(655,029)	43,958,466		
Operational services	1,866,305	10,594,807	8,546,923	-	-	(25,748,715)	-	(25,748,715)	(13,287,603)	(4,740,681)	159,582,674		
Education, employment & development	102,569	657,531	-	-	-	(1,748,004)	-	(1,748,004)	(987,904)	(987,904)	-		
Enterprise operations	-	8,326,860	-	-	-	(7,783,836)	-	(7,783,836)	543,024	543,024	2,025,716		
Total	12,241,155	21,386,579	8,594,356	-	-	(43,813,543)	-	(43,813,543)	(10,185,810)	(1,591,454)	238,408,938		

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

3 Revenue

(a) Service charges

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

	2022	2021
	\$	\$
Water	1,578,252	1,689,474
Sewerage	451,066	468,930
Waste management	404,198	440,526
	<u>2,433,516</u>	<u>2,598,930</u>

(b) Fees and charges

Revenue arising from fees and charges is recognised at the point in time when the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

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

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

Airport landing fees	414,070	205,234
Other fees and charges	205,751	267,691
	<u>619,821</u>	<u>472,924</u>

(c) Rental income

Community housing	315,101	233,248
Other rental income	521,605	702,247
	<u>836,706</u>	<u>935,496</u>

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

(d) Sales Revenue

Rendering of services		
BAS/Qbuild revenue	6,944,445	6,928,131
Contract and recoverable works	3,407	-
	<u>6,947,852</u>	<u>6,928,131</u>
Sale of goods		
Airport fuel sales	378,550	371,778
Store sales	504,682	582,425
Other sales	145,247	4,814
	<u>1,028,479</u>	<u>959,016</u>
Total sales and recoverable works revenue	<u>7,976,331</u>	<u>7,887,147</u>

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

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

Revenue from contracts and recoverable works and Building Asset Services generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

3 Revenue (Continued)

	2022 \$	2021 \$
(e) Enterprise revenue		
Jardine Ferry and Roadhouse	1,560,010	1,016,490
Bamaga Post Office	382,057	367,153
Injinoo Ready-mix	277,501	701,620
Injinoo Service Station	1,193,190	1,305,389
Umagico Supermarket	4,204,772	4,936,208
	<u>7,617,530</u>	<u>8,326,860</u>

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

(f) Other revenue		
Commission	33,233	71,876
Gain on revaluation of finance leases	14 2,596,144	29,979
Gain on revaluation of landfill restoration	16 251,552	-
Insurance claim	296	515,464
Other income	<u>323,474</u>	<u>518,014</u>
	<u>3,204,699</u>	<u>1,135,332</u>

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

(g) Grants, subsidies, contributions and donations

(i) Operating		
General purpose grants	5,542,186	4,205,094
State government subsidies and grants	2,439,000	5,791,458
Commonwealth government subsidies and grants	7,742,478	1,136,756
Non cash grants	16 235,290	1,107,847
	<u>15,958,954</u>	<u>12,241,155</u>

Non cash grants include costs incurred on Umagico landfill closure amounting to \$205,121 (2021: \$396,941) This is part of the funding for the new waste facility from TSRA for the Torres Strait Major Infrastructure and Other Projects Trust Fund. Refer to Note 16.

(ii) Capital		
Commonwealth government subsidies and grants	151,745	189,210
State government subsidies and grants	5,262,698	2,687,589
Non cash capital contributions	16 177,266	5,717,557
	<u>5,591,709</u>	<u>8,594,356</u>

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

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

	2022		2021	
	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
	Note	\$	\$	\$
Grants and subsidies	3(g)	15,958,954	12,241,155	8,594,356
		<u>15,958,954</u>	<u>12,241,155</u>	<u>8,594,356</u>

During the 2021-22 financial year, the Council recognised non-cash operating revenue totalling \$235,290 (2020-21: \$1,107,847) the maintenance of the Umagico landfill and non-cash capital contributions totalling \$177,266 (2020-21: \$5,717,557) for the capital expenditures related to the waste disposal site, sewerage and transfer station.

Grant income under AASB 15

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

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

Each performance obligation is 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.

Where control is transferred over time, revenue is recognised using either costs or time incurred.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

3 Revenue (Continued)

Grant income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value, related liability (or equity items) are recorded and income then is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Where Council receive funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred.

Donations and contributions

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

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

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

4 Employee benefits

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

	2022	2021
Note	\$	\$
Total staff salaries and wages	10,285,806	9,387,355
Councillors' remuneration	386,118	370,474
Annual, sick and long service leave entitlements	1,643,536	1,501,989
Superannuation	19 1,346,653	1,127,626
	13,662,113	12,387,444
Other employee related expenses	317,309	258,415
	13,979,422	12,645,859
Less: Capitalised Salaries and Wages	(85,083)	-
	13,894,339	12,645,859

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

Total Council employees at the reporting date:

	Number	Number
Elected members	6	6
Administration and indoors staff	46	37
Depot and outdoors staff	121	119
Total full time equivalent employees	173	162

5 Materials and services

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

	2022	2021
	\$	\$
Audit of annual financial statements by the Auditor-General of Queensland*	345,413	139,265
Consultants and project management	1,792,052	2,327,556
Contractors and contract services	8,560,572	6,336,900
Electricity light and power	312,783	309,840
Insurances	1,083,466	1,045,897
Admin supplies and consumables	3,984,786	2,367,410
Repairs and Maintenance	632,987	710,907
Plant and vehicle operation and maintenance	133,117	1,380,705
Telecommunications	404,773	446,599
	17,249,950	15,065,079

Total audit fees estimated by the Queensland Audit Office relating to the 2021-22 financial statements are \$397,000 (2021: \$195,000). The expenses shown in the table above are presented on an accruals basis, and therefore some expenses relating to the audit of the 2020-21 financial statements were incurred during 2021-22 and are presented under that financial year.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

5 Materials and services (continued)

	2022	2021
Note	\$	\$
Enterprise expenditure		
Jardine Ferry and Roadhouse	311,242	181,948
Post Office	181,943	233,717
Injinoo Readymix	254,864	450,937
Injinoo Service Station	1,531,330	1,032,970
Umagico Supermarket	4,234,202	3,795,358
	<u>6,513,581</u>	<u>5,694,929</u>
Total materials and services	<u>23,763,531</u>	<u>20,760,008</u>

6 Capital income (expenses)

Gain on disposal of community housing assets		
Fair value of the surrendered houses recognised	471,598	-
Less: Carrying value of housing assets transferred to beneficiaries under Land Holding Act Leases (LHA Leases)	(191,308)	-
	<u>280,290</u>	<u>-</u>

7 Finance costs

Bank charges	52,146	101,834
Impairment of receivables	9 371,096	(183,909)
	<u>423,242</u>	<u>(82,075)</u>

8 Cash and cash equivalents

Cash at bank and on hand	8,982,794	7,801,966
Deposits at call	3,469,223	3,453,499
Balance per Statement of Financial Position / Cash Flows	<u>12,452,017</u>	<u>11,255,465</u>

Cash and cash equivalents in the statement of cash flows includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions and bank overdrafts.

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

Cash and cash equivalents	12,452,017	11,255,465
Less: Externally imposed restrictions on cash	(i) (10,039,509)	(7,704,084)
Unrestricted cash	<u>2,412,508</u>	<u>3,551,381</u>

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

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

Unspent government grants and subsidies	10,039,509	7,704,084
Total unspent restricted cash	<u>10,039,509</u>	<u>7,704,084</u>

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

Future capital works	7,767,669	7,704,084
Future recurrent expenditure	2,271,840	-
Total internally allocated cash	<u>10,039,509</u>	<u>7,704,084</u>

9 Receivables

Current		
Trade debtors	5,598,420	4,129,077
Less impairment	(3,172,538)	(2,801,442)
GST receivable	-	117,074
Prepayments	82,093	-
	<u>2,507,975</u>	<u>1,444,709</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

9 Receivables (continued)

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

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

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

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

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

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

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

	2022	2021
	\$	\$
Service Charges	1,724,732	1,629,937
State & Commonwealth Government	857,026	494,094
Other	3,016,661	2,005,046
Total	5,598,420	4,129,078

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

	2022	2022	2021	2021
	Not credit-	Credit-	Not credit-	Credit-impaired
	impaired	impaired	impaired	
	\$	\$	\$	\$
Not past due	1,342,328	8,024	484,700	-
Past due 31-60 days	238,041	38,874	41,668	-
Past due 61-90 days	65,608	9,103	65,159	-
More than 90 days	779,905	3,116,537	736,109	2,801,442
Total gross carrying amount	2,425,882	3,172,538	1,327,636	2,801,442
Loss allowance	-	(3,172,538)	-	(2,801,442)
	2,425,882	-	1,327,636	-

Movement in accumulated impairment losses (other debtors)

Opening balance at 1 July	2,801,442	2,985,352
Additional impairments recognised	371,096	(183,910)
Closing Balance at 30 June	3,172,538	2,801,442

Refer to Note 24 for further information about credit risk.

Expected credit loss assessment

The Council reviews the expected credit losses of trade and other receivables from individual customers. Receivables comprise relatively small number balances which can be reviewed on a case by case basis to assess the expected credit losses over the lifetime of the balance.

10 Inventories

Council depot	480,005	514,693
Enterprise stock - Other	189,887	242,361
Other trading stocks	52,690	98,370
Enterprise Supermarket stock	272,854	298,833
	995,436	1,154,258

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

11 Property, plant and equipment

Note

30 June 2022

Basis of measurement

Fair value category

Asset values

Opening gross value as at 1 July 2021

Adjustment on the beginning balance classification

Additions

- Renewals

- Other additions

- Leased housing assets surrendered

Disposals

Housing assets transferred under LHA

Revaluation adjustment to asset revaluation

Transfer of work in progress

Impairment adjustment to asset revaluation surplus

Write off WIP

Closing gross value as at 30 June 2022

17

Buildings	Plant and equipment	Infrastructure	Sewerage	Roads and bridges	Drainage	Community housing	Water	Work in progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Level 3		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
62,773,764	7,893,827	41,760,636	16,121,785	91,486,216	13,863,001	29,072,528	96,626,741	6,233,464	385,831,962
(17,728)	(83,981)	(143,788)	-	(180,351)	-	(5,801)	4,570	-	(407,079)
-	-	-	-	1,273,243	-	-	-	933,491	2,206,734
-	267,303	201,966	-	-	-	-	-	1,919,053	2,388,322
-	-	-	-	-	-	1,311,279	-	-	1,311,279
-	(5,180)	-	-	-	-	-	-	-	(5,180)
-	-	-	-	-	-	(503,210)	-	-	(503,210)
12,416,033	-	3,937,200	1,758,785	9,447,635	1,463,381	5,100,534	11,600,388	-	45,723,956
3,258,624	73,973	842,522	-	1,947,602	32,864	75,879	487,587	(6,728,851)	-
-	-	-	-	(11,411,832)	-	-	-	-	(11,411,832)
-	-	-	-	-	-	-	-	(188,833)	(188,833)
98,430,683	8,145,942	46,598,536	17,880,570	92,582,513	15,359,046	35,051,209	108,729,286	2,168,324	424,946,120

Accumulated depreciation and impairment

Opening balance as at 1 July 2021

Adjustment on the beginning balance classification

Depreciation expense

Depreciation on disposal

Impairment adjustment to asset revaluation surplus

Revaluation adjustment to asset revaluation surplus

Adjustment on the surrender of housing assets

Accumulated depreciation as at 30 June 2022

17

Buildings	Plant and equipment	Infrastructure	Sewerage	Roads and bridges	Drainage	Community housing	Water	Work in progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Level 3		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
44,129,965	2,288,249	18,986,983	5,175,588	32,691,597	4,954,431	17,001,321	53,096,576	-	178,324,710
(251,719)	(188,179)	-	-	(122,425)	-	196,822	-	-	(365,501)
2,700,127	684,867	1,210,646	281,908	2,159,779	280,897	940,637	2,266,502	-	10,525,362
-	(5,180)	-	-	-	-	(311,901)	-	-	(317,081)
-	-	-	-	(2,349,278)	-	-	-	-	(2,349,278)
6,819,602	-	2,193,949	628,956	3,620,283	546,338	3,177,711	6,571,767	-	23,558,606
-	-	-	-	-	-	839,681	-	-	839,681
53,397,975	2,779,757	22,391,578	6,086,452	35,999,956	5,781,666	21,844,271	61,934,845	-	210,216,500

Total written down value as at 30 June 2022

Range of estimated useful life in years

Buildings	Plant and equipment	Infrastructure	Sewerage	Roads and bridges	Drainage	Community housing	Water	Work in progress	Total
Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Level 3		Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
45,032,718	5,366,185	24,206,958	11,794,118	56,582,557	9,577,380	13,206,938	46,794,441	2,168,324	214,729,620
10-50	3-50	5-80	20-60	10-80	20-60	5-50	5-100	-	-

(i) The net impairment adjustment of \$9,062,554 relates to damage as a result of weather events in early 2021 and 2022. A total of \$3,220,845 of these costs were incurred during the year, which was recognised as capital addition. As at 30 June 2021, no impairment adjustment was recognised to reflect the impact of the weather event in 2021. The work to restore the roads commenced in the 2021-22 financial year but had not been completed. The impairment has been recognised to reflect the remaining impairment of the 2021 weather event and the full impairment of the 2022 weather event and the related reduced fair value of the assets at the year end.

(ii) Adjustment on the beginning balance refers to reclassification among asset categories between cost and accumulated depreciation. The net variance of \$41,578 has been adjusted to expenses.

Northern Peninsula Area Regional Council
Notes to the Financial Statements
For the year ended 30 June 2022

11 Property, plant and equipment (Continued)

Note

30 June 2021 Basis of measurement Fair value category Asset values	Buildings Fair Value Level 3	Plant and equipment Cost	Infrastructure Fair Value Level 3	Sewerage Fair Value Level 3	Roads and bridges Fair Value Level 3	Drainage Fair Value Level 3	Community housing Fair Value Level 3	Water Fair Value Level 3	Work in progress Cost	Total
Opening gross value as at 1 July 2020	\$ 81,903,730	\$ 7,231,667	\$ 35,166,780	\$ 15,150,015	\$ 91,093,550	\$ 12,927,303	\$ 29,066,764	\$ 96,540,547	\$ 3,640,764	\$ 372,721,090
Additions - Renewals	-	-	-	-	37,925	-	-	-	4,445,377	4,483,302
Other Additions	28,640	662,160	6,258,183	971,770	-	10,643	5,774	90,766	682,618	8,710,554
Disposals	(78,413)	-	-	-	-	-	-	-	-	(78,413)
Impairment	-	-	-	-	-	-	-	(4,572)	-	(4,572)
Transfer of work in progress	919,807	-	335,673	-	354,761	925,055	-	-	(2,535,295)	-
Closing gross value as at 30 June 2021	\$ 82,773,764	\$ 7,893,827	\$ 41,760,636	\$ 16,121,785	\$ 91,486,216	\$ 13,863,001	\$ 29,072,528	\$ 96,626,741	\$ 6,233,484	\$ 385,831,961

Accumulated depreciation and impairment

Opening balance as at 1 July 2020	41,344,044	1,587,827	17,941,267	4,893,680	30,270,030	4,710,896	16,255,077	50,632,138	-	187,634,959
Depreciation expense	2,785,920	700,422	1,045,716	281,908	2,421,557	243,535	746,244	2,264,438	-	10,489,752
Accumulated depreciation as at 30 June 2021	44,129,965	2,288,249	18,986,983	5,175,588	32,691,587	4,954,431	17,001,321	53,096,576	-	178,324,711

Total written down value as at 30 June 2021

Range of estimated useful life in years	10-50	3-50	5-30	20-50	10-80	20-60	5-50	5-100	-	207,507,250
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Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

11 Property, plant and equipment (Continued)

(a) Recognition

Purchases of property, plant and equipment are recognised as assets unless they are below the asset recognition threshold or maintenance expenditure. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

Acquisition of assets

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

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

Capital and operating expenditure

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

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

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

Land under roads

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

Deed of Grant in Trust land

The Council is located on land assigned to it under various Deeds of Grant in Trust (DOGIT) pursuant to Section 341 of the Land Act 1994. The land comprises an area of approximately 101,824.46 hectares, as follows:

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

(b) Measurement

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

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

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

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

11 Property, plant and equipment (Continued)

(c) Depreciation

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

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

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

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

Key judgments and estimates:

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

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

(d) Impairment

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

(e) Valuation

Key judgments and estimates:

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

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

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

The Council considers the carrying amount of its property, plant and equipment on an annual basis compared to fair value and makes adjustment where these are materially different. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every five years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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

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

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

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

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

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

12 Fair value measurements

(i) Recognised fair value measurements

Fair values are classified into three levels as follows:

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

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

Accordingly all Council assets included in property, plant and equipment classes shown at fair value are categorised as level 3 (2021: 100% level 3). There were no transfers between categories during the year (2021: Nil). The Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

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

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

Specific valuation techniques used to value Council assets comprise:

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in index recognised this year)
Buildings (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers (Indexation for 30 June 2022 - Australis Asset Advisory Group)	<p>The gross current values have been derived from reference to cost data for recent projects and researched costing guides. Reference asset replacement costs for the assets were compiled by reference to actual costs incurred for some of the subject assets and by reference to similar asset improvements established within the North Queensland Region, and also supported by reference to detailed Construction Cost Data. Buildings were assessed by analysing cost data which has been derived from information from Rawlinsons Australian Construction Handbook, Costweb and the Australian Bureau of Statistics.</p> <p>Considerations in the calculations have been the type and the size of the asset, construction materials used, level of finish, inherent attributes, and the location of the asset. Costs have been indexed to account for the location of the subject assets being away from the major supply centres and/or due to being in a different location to that for which researched cost data has been sourced. Differences associated with time factors (date of construction of other similar improvements and date of compilation of cost data) in comparison to valuation date have also been accounted for. New building assets since the date of the valuation have been valued by reference to actual costs incurred in establishing such assets.</p> <p>The valuation as assessed is based on the consideration of asset life expectancy. The remaining life of the asset has been determined by inspection, reference to data provided, and by reference to its general physical condition, design, and economic and functional utility. Obsolescence as well as physical depreciation has been considered.</p>	<p>An increase of 10.37% - 17.53% building asset has been adopted according to each asset component.</p> <p>This is based on the ABS material (All Group) Index, Producer Price Indices (non-residential), ABS Wage Index, ABS Architect, Engineering and Technical Services Index, ABS Engineering Design and Consultation Index, and Rawlinsons Construction and AQIS data.</p>
Roads, Drainage and Bridge Network (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers (Indexation for 30 June 2022 - Australis Asset Advisory Group)	<p>The road infrastructure was categorised into urban and rural roads and then further sub-categorised into sealed and unsealed roads. All road segments are componentised into formation, pavement and seal (where applicable). The Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. The Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.</p> <p>Current replacement cost was calculated by reference to asset linear and area specifications, estimated labour and material inputs, services costs, and overhead allocations. It is assumed that base raw materials can be sourced from the local quarries where possible. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, cost was based on the average of completed similar projects over the last few years. The road cost has been established from general recorded cost data and also by way of consultation with NPARC Operations Department personnel who are engaged in the establishment and maintenance of such roads. Cost information used by Natural Disaster Relief and Recovery Arrangements ("NDRRA") in remedial works have been sourced for assistance with the costing of roads. Reference was also made to recent costs for construction works within the subject district or other remote regions.</p> <p>In determining the level of accumulated depreciation, roads and bridges were apportioned into significant components which exhibited different useful lives and based on that applicable and observed for roads in the wet tropical area of Queensland.</p>	<p>An increase of 10.37% - 13.04% has been adopted for road, drainage and bridge network.</p> <p>These movement are based on analysis of producer price indices, import indices, wage price index, local government and construction indices, consultation with local contractors and suppliers (local adjustment factor), as well as any currency fluctuations over the relevant period. Also, the Valuer has analysed and developed a number of composite index factors, which include Civil, Mechanical, Electrical and Reticulation categories. Each composite index has been combined with an Engineering and Design Management Index, and split based on a notional total project cost breakdown.</p>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

12 Fair value measurements (Continued)

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged	Key assumptions and estimates (related data sources)	Index applied (change in index recognised this year)
Infrastructure (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers (Indexation for 30 June 2022 - Australia's Asset Advisory Group)	For infrastructure and consistent with roads, it is assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where such assets are located underground, and physical inspection is not possible, the age, size, and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to roads.	An increase of 7.44% - 15.35% has been adopted for infrastructure asset according to each asset component. These movement are based on ABS Materials (All Groups) index and the Producer Price Indexes (Non-Residential), ABS Wage Index, ABS Architect, Engineering and Technical Services and Engineering Design and Consultation Indices and Rawlinsons Construction and AQIS data.
Water and Sewerage infrastructure assets (level 3)	Current replacement cost (CRC)	31-Mar-19	GRC Quantity Surveyors (Indexation for 30 June 2022 - Australia's Asset Advisory Group)	In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life. It is assumed that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where assets are located underground, and physical inspection is not possible, the age, size, and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to road assets. Asset Advance Valuers cost models were derived from various sources including Asset Advance Valuers database, schedule rates for construction of asset or similar assets, building price index tables, recent contract and tender data and Rawlinson's rates for building and construction. Factors taken into account in determining replacement costs include development factors relating to the area in which development takes place (e.g. rural areas would have little or no restoration requirements, whereas a high density area would have large amounts of high quality footpaths, road pavements and associated infrastructure that would require reinstatement, and would also require traffic control) and soil factors such as the types of soil or other surface material (e.g. areas where soil is sandy are difficult to excavate and would require shoring while areas where the soil is generally free of rock would not present any great difficulty for excavation).	An increase of 7.44% - 15.35% has been adopted for water and sewerage infrastructure according to each asset component. These movement are based on analysis of producer price indices, import indices, wage price index, local government and construction indices, consultation with local contractors and suppliers (local adjustment factor), as well as any currency fluctuations over the relevant period. Also, the Valuer has analysed and developed a number of composite index factors, which include Civil, Mechanical, Electrical and Reticulation categories. Each composite index has been combined with an Engineering and Design Management Index, and split based on a notional total project cost breakdown.
Community housing (level 3)	Current replacement cost (CRC)	30-Jun-19	Asset Advance - Valuers (Indexation for 30 June 2022 - Australia's Asset Advisory Group)	Considerations in the calculations have been the type and the size of the structure, construction materials used, level of finish, fixtures installed within, and the location of the asset. The gross current values have been derived from reference to cost data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's Australian Construction Handbook. As the subject structures are located in a regional area, somewhat removed from the nearest provincial city of Cairns, and far removed from Queensland's capital city of Brisbane, a cost increase over and above that applicable to the nearest provincial city, or in relation to Brisbane Cost Index, is necessary to account for the increase in replacement cost due to transportation of labour and materials from the nearest supply centre and also the cost of housing specialised labour and contractors necessary for the construction work.	An increase of 15.35% - 17.52% has been adopted for community housing assets according to each asset component. This is based on the ABS material (All Group) Index, Producer Price Indexes (non-residential), ABS Wage Index, ABS Architect, Engineering and Technical Services Index, ABS Engineering Design and Consultation Index, and Rawlinsons Construction and AQIS data.

(iii) Changes in fair value measurements using significant unobservable inputs (level 3)

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

13 Contract balances

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

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.

	2022	2021
	\$	\$
(a) Contract assets	155,982	1,155,719
(b) Contract liabilities		
Funds received upfront to construct Council controlled assets	6,856,309	4,028,201
Deposits received in advance of services provided	607,171	1,506,647
	<u>7,463,480</u>	<u>5,534,848</u>
Current contract liabilities	7,463,480	5,534,848
	<u>7,463,480</u>	<u>5,534,848</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	3,003,643	631,136
Non-capital performance obligations	-	-
	<u>3,003,643</u>	<u>631,136</u>

(c) Significant changes in contract balances

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

14 Leases

Council as a lessee

Council has a lease in place over its office space. Council has applied the exception to lease accounting for leases of low-value assets and short-term leases.

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

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

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

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

Exception to lease accounting

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

Northern Peninsula Area Regional Council
Notes to the financial statements
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14 Leases (continued)

Terms and conditions of leases

Council's lease contract in place with Lou-An (Qld) Pty Ltd for the lease on the Northern Peninsula Area Regional Council Cairns office space, which initially commenced on 10 December 2014 has expired on 9 December 2020. Council is currently using the space on a month by month basis with a monthly rental fee of \$2,500.

Liabilities not recognised - extension options

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

Leases at significant below market value / Concessionary leases

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

Leases at significantly below market value - Concessionary / peppercorn leases

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

Council as a lessor

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

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

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

Finance leases:

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

Council has leased 558 dwellings (2020-21: 560) as lessor to the Queensland Government for 40 years. The average lease payment per dwelling in the current year was \$927 (2020-21: \$912). These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (current replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains/(Loss) on revaluation of finance lease assets are recognised as capital income (expense).

	2022 \$	2021 \$
Current other financial assets	548,346	524,257
Finance leases	548,346	524,257
Non-current other financial assets	17,421,672	15,367,280
Finance leases	17,421,672	15,367,280

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

Gross minimum lease payments receivable:		
Not later than one year	548,346	524,257
Later than one year but not later than five years	2,193,384	2,076,172
Later than five years	14,164,663	13,920,549
	16,906,393	16,522,978
Add: Estimated contingent rent	12,972,234	6,273,165
Less: Present value adjustment	(11,908,609)	(6,904,996)
Fair value of lease payments	17,970,017	15,891,147

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

14 Leases (Continued)

	2022 \$	2021 \$
The fair value of lease payments is receivable as follows:		
Not later than one year	548,346	524,257
Between one and two years	550,566	518,222
Between two and three years	552,795	516,904
Between three and four years	555,032	515,590
Between four and five years	557,279	514,270
Later than five years	15,206,000	13,301,904
	<u>17,970,017</u>	<u>15,891,147</u>
Movements in finance leases were as follows:		
Opening balance	15,891,147	16,364,613
Less: Lease receipts	(517,274)	(503,055)
(Loss)/Gain on revaluation	2,596,144	29,589
Closing balance	<u>17,970,017</u>	<u>15,891,147</u>

The calculation of fair value has included an estimate of average annual CPI increases of 3.55% in the current year (2% in the prior year) and a discount rate of 3.13% in the current year (2.26% in the prior year).

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

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

Operating leases:

Where Council retains the risks and rewards relating to a lease, they are classified as operating leases and relate to the lease of Council's properties.

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

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

Rental income (excluding variable lease payments not dependent on an index or rate)	836,706	935,496
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There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council or accumulated allowance for uncollectible minimum lease payments receivable recognised as income applicable to the leases.

15 Payables

Current		
Creditors and accruals	2,871,636	3,252,723
GST payable	224,083	-
	<u>3,095,719</u>	<u>3,252,722</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.

Salaries and wages

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

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

16 Provisions

	2022 \$	2021 \$
Current		
Annual leave	597,439	555,785
Long service leave	569,752	590,348
Landfill restoration	63,064	268,185
	<u>1,230,255</u>	<u>1,414,318</u>
Non-current		
Long service leave	198,365	163,647
Landfill restoration	1,629,901	1,881,453
	<u>1,828,266</u>	<u>2,045,100</u>

Liabilities are recognised for employee benefits such as annual and long service leave in respect of services provided by the employees up to the reporting date. Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

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

Long Service Leave

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

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

Landfill restoration

Opening balance	2,149,638	1,065,496
Initial recognition during the year	-	1,496,806
Change in provision due to change in discount rate	3(f) (251,552)	15,724
Change in provision due to change in estimate of costs	-	(31,447)
Settlement during the year	3(g)(i) (205,121)	(396,941)
Balance at end of financial year	<u>1,692,965</u>	<u>2,149,638</u>

Landfill restoration provision

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

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

Umagico waste facility located between Injinoo and Umagico Road has now been closed and the permit cancelled as the site is no longer in use. The current landfill site has no remaining useful life, with closure in October 2020. However, it is noted that closure costs of \$205,121 and \$63,064 have been incurred post 30 June 2021 and 30 June 2022, respectively, therefore the provision has been calculated based on this information. The future landfill maintenance costs including vegetation management, site security and fire management are estimated to be \$11,800 per year.

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16 Provisions (continued)
Landfill restoration provision (continued)

During the 2020-21 financial year, Council was granted a permit for a new landfill at a site located approximately 6km from the community of Injinoo, off Ferry Road. The total landfill closure costs have been estimated by an external consultant at an amount of \$900,000 which includes a contingency amount of \$400,000. The expected useful life of the waste disposal site has been assessed at 23 years and therefore the closure has been assumed to be 2044. As required in the environmental permit issued by DEHP, rehabilitation and post-closure care of the landfill must be undertaken for a period of 30 years or until the administering authority determines. The future landfill maintenance costs including vegetation management, site security and fire management are estimated to be \$10,000 per year, based on advice also received from an external consultant. It has also been estimated that costs of \$200,000 will be necessary at the end of the 30-year monitoring period. The net present value of the rehabilitation costs as at 30 June 2021 which amounted to \$1,496,806 should be capitalised as part of the cost of the new facility site.

Prior period adjustments were done to reflect the correct landfill asset and provision for the landfill as discussed in Note 23.

As described in Note 23, the funds for the new facility assets were held in trust and the new waste facility assets associated with the project should have been transferred to Council on completion. The total cost of the new waste facility, including the rehabilitation provision, as at 30 June 2022 amounted to \$7,214,363. Included in this amount are the costs of sewerage upgrade treatment, waste facility and transfer station totalling \$5,717,557 which was recognised as capital revenue (non-cash grant) in the form of a donated asset in the year ended 30 June 2021.

For the year ended 30 June 2022, total cost incurred for the waste facility asset amounted to \$177,266, which was recognised as non-cash capital grants. Additionally, \$205,021 was spent on the Umagico landfill closure which was recognised as non-cash recurrent grants. See note 3g.

17 Asset revaluation surplus

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

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

When an asset is disposed of, the amount reported in surplus in respect of that asset is retained in the asset revaluation surplus and not transferred to retained surplus.

	Note	2022 \$	2021 \$
Balance at beginning of financial year		62,006,651	62,006,651
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings	11	5,596,431	-
Plant & equipment	11	-	-
Infrastructure	11	1,743,251	-
Sewerage	11	1,129,829	-
Roads & bridges	11	(3,235,202)	-
Drainage	11	917,043	-
Community housing	11	1,922,823	-
Water	11	5,028,621	-
Balance at end of financial year		<u>75,109,447</u>	<u>62,006,651</u>

Asset revaluation surplus analysis

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

Buildings	34,374,299	28,777,868
Plant & equipment	1,573,847	1,573,847
Infrastructure	4,047,205	2,303,954
Sewerage	2,561,033	1,431,204
Roads & bridges	20,162,197	23,397,399
Drainage	2,505,076	1,588,033
Community Housing	3,742,330	1,819,507
Water	6,143,460	1,114,839
	<u>75,109,447</u>	<u>62,006,651</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

18 Contingent liabilities

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

Local Government Mutual

The Council was a member of the local government mutual liability self-insurance pool, LGM Queensland at 30 June 2022 for Public Liability, Products Liability and Professional Indemnity cover. All other insurance policies were negotiated through Jardine, Lloyd Thompson. As at the date of this report there were no contingent liabilities arising from insurance claims.

Local Government Workcare

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

Loan guarantee

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

19 Superannuation

Council contributes to the Brighter Super (previously know as LGIAsuper). Brighter Super is a Multiemployer Plan as defined in Australian Accounting Standard AASB 119 Employee Benefits. The scheme has a number of elements including defined benefits funds and an accumulated benefits fund. Council does not have any employees who are members of the defined benefits funds and so is not exposed to the obligations, assets or costs associated with these funds. Council has employees who are members of the accumulated benefits fund.

	Note	2022 \$	2021 \$
Superannuation contributions made to the Brighter Super Accumulated Benefits Fund	4	1,346,653	1,127,626

20 Trust funds

Funds held in the trust account on behalf of outside parties include those funds from deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	4,879	4,998
	<u>4,879</u>	<u>4,998</u>

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

Funds held in trust by outside parties

Monies held in trust by DFK Kidsons. The Major Infrastructure Program is jointly funded by the Australian and Queensland Governments to deliver and upgrade major infrastructure works. DFK Kidsons holds funds for multiple Councils in regards to the Major Infrastructure Program. The amount disclosed above relates to NPARC's portion of the funds. Infrastructure assets are not recognised by the Council until they have reached completion.

	137,715	1,953,323
	<u>137,715</u>	<u>1,953,323</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

21 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

	Note	2022 \$	2021 \$
Net result		(4,071,418)	(1,591,454)
Non-cash items:			
Depreciation and amortisation	11	10,525,362	10,489,752
PPE write-off and adjustments		230,410	82,985
Loss/(gain) on revaluation of finance leases	14	(2,596,144)	(29,589)
Movement in impairment of debts	9	371,096	(183,910)
Landfill restoration revaluation and initial recognition	16	(251,552)	1,481,083
Non-cash grant on landfill restoration	16	(177,266)	(5,717,557)
		8,101,906	6,122,764
Investing and development activities:			
Gain on disposal of assets		(280,290)	-
Capital grants and contributions		(5,414,443)	(2,876,799)
		(5,694,733)	(2,876,799)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(1,433,972)	1,450,755
(Increase)/decrease in inventory		158,822	(101,661)
Increase/(decrease) in payables		(157,005)	(542,299)
Increase/(decrease) in other provisions		(149,345)	105,206
		(1,581,500)	912,001
Net cash inflow from operating activities		(3,245,745)	2,566,512

22 Events after the reporting period

The post office enterprise was divested to the third party after the 30 June 2022. The contract between Council and Australia Post lapsed on 3 September 2022 with the divestment taking effect in October 2022.

A new Council was elected in March 2024 and took effect in April 2024.

A new certified agreement for employee salaries and wages was approved on 21 February 2024 and that this resulted in backpay.

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

23 Correction of errors

a Overstatement of property plant and equipment and understatement of expenditure/retained earnings

During the year ended 30 June 2021, Council signed a contract for the extension of 10 houses in the Northern Peninsula Area. These houses were all under 40-year housing lease agreements and therefore not included in the balance of property, plant and equipment as Council assets. It was noted that project costs of \$1,461,762 incurred during the 2020-2021 financial year were incorrectly recognised as work in progress as at 30 June 2021 and then transferred to building assets as at 30 June 2022. Housing assets held under 40 year housing lease agreements are not assets of the Council and therefore costs incurred in 2021 should have been recognised in the income statement.

The impact of this error results in an overstatement of work in progress included in the balance of property, plant and equipment and an understatement of expenditure in the 2020-21, with an overstatement of the opening retained earnings as at 1 July 2021. The adjustments are included in the summary below.

b Understatement of revenue and understatement of contract balances

It has been identified that the balance for contract assets and liabilities had been incorrectly calculated for various grants during the 2019-2020 and 2020-21 financial years. The grants were noted to have enforceable contracts and specific performance obligations, and revenue was recognised over time based on the costs incurred. In the revenue analysis for the years ended 30 June 2020 and 2021, it was identified that the project costs for these grants had not been correctly allocated to the grant projects with the closing balances remaining unchanged from the 2019-20 financial year. Consequently, the misstatement in the allocated project costs against these grants resulted to a misstatement in retained earnings, revenue and contract balances for the 2020-21 financial year.

The incorrect allocation of costs in prior years for the grants has resulted in the net understatement of revenue, retained surplus and contract liabilities for the year ended 30 June 2021. The adjustments are included in the summary below.

c Misstatement of rehabilitation provision

The provision recognised as at 30 June 2020 related to the Council's refuse in Umagico and that this site was in the process of being closed. The site closure date was October 2020 with a new waste facility having been constructed and ready for use prior to the closure of the old site.

The changes in circumstances around the landfill sites were not taken into consideration for the 2020-21 financial year and the financial statements for 30 June 2021 did not reflect the closure of the old site or the obligation to rehabilitate the new waste facility site, which had both occurred prior to 30 June 2021.

Umagico waste facility – old site

During the 2020-21 financial year, it was noted that there had been no movement recognised in the provision for the landfill old site, and the changes in the landfill closure costs and maintenance information had not been considered. It is noted that the failure to update the provision as at 30 June 2021 results in an overstatement of the provision of \$412,664 for the old site.

Injinoo waste facility – new site

An Environmental Authority from the Department of Environment and Heritage Protection was issued in June 2020 and a permit was granted for the operation of the new waste facility under EP0002318. This permit came into effect at the date at which the site commenced operations being October 2020. Once the permit came into effect, the provision in the financial statements should have been recognised to reflect the obligation Council had to rehabilitate the site at the end of use. The permit is considered to be the obligating event. It is noted that the failure to recognise the provision as at 30 June 2021 results in an understatement of the provision of \$1,496,806 for the new site.

The amount of the restoration provision should be recognised as part of the cost of the asset.

The adjustments are included in the summary below.

d Unrecognised waste facility assets

The new waste facility was constructed under funding from TSRA for the Torres Strait Major Infrastructure and Other Projects Trust Fund. It is noted that the landfill asset had not been recognised in the financial statements as at 30 June 2021 despite Council essentially obtaining the risks and rewards of the asset at the date at which the site commenced operation. As part of the Major infrastructure project, other assets were also completed during the 2020-21 financial year a transfer station at the site of the old waste facility and sewerage treatment pond upgrades which are existing Council assets and therefore it is considered that costs be capitalised as the work in performed.

The total costs of the waste facility of \$4,254,767, transfer station of \$491,020 and sewerage treatment ponds of \$971,770 should have been recognised as capital revenue in the form of a donated asset in the year in which the work is performed. It is noted that recurrent expenditure of \$710,907 had also been incurred during the 2020-21 financial year via the project.

The adjustments are included in the summary below.

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

23 Correction of errors (continued)

Comparative figures for 30 June 2020

	Original balance as presented at 30 June 2020	Prior period adjustments		Restated at 1 July 2020
		Contract assets and liabilities (b)		
Statement of financial position				
Current assets				
Contract assets	220,254	460,000		680,254
Total current assets	<u>15,064,856</u>	<u>460,000</u>		<u>15,524,856</u>
Current liabilities				
Contract liabilities	2,905,995	(62,703)		2,843,292
Total current liabilities	<u>7,972,421</u>	<u>(62,703)</u>		<u>7,909,718</u>
Community equity				
Retained surplus	165,224,050	522,703		165,746,753
Total community equity	<u>227,230,701</u>	<u>522,703</u>		<u>227,753,404</u>

Comparative figures for 30 June 2021

	Original balance as presented at 30 June 2021	Prior period adjustments			Restated at 30 June 2021
		Capital expenditure (a)	Contract assets and liabilities (b)	Landfill provision (c & d)	
Statement of comprehensive income					
Income					
Recurrent revenue					
Interest received					
Other income	1,119,608			15,724	1,135,332
Grants, subsidies, contributions and donations	11,133,308			1,107,848	12,241,156
Total recurrent revenue	<u>32,504,163</u>			<u>1,123,572</u>	<u>33,627,735</u>
Capital revenue					
Grants, subsidies, contributions and donations	2,220,676		656,123	5,717,556	8,594,355
Total capital revenue	<u>2,220,676</u>	<u>-</u>	<u>656,123</u>	<u>5,717,556</u>	<u>8,594,355</u>
Total income	<u>34,724,839</u>	<u>-</u>	<u>656,123</u>	<u>6,841,128</u>	<u>42,222,090</u>
Expenses					
Materials and services	(18,587,338)	(1,461,763)		(710,907)	(20,760,008)
Depreciation expense	(10,489,752)				(10,489,752)
	<u>(41,640,874)</u>	<u>(1,461,763)</u>	<u>-</u>	<u>(710,907)</u>	<u>(43,813,544)</u>
Capital expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>(41,640,874)</u>	<u>(1,461,763)</u>	<u>-</u>	<u>(710,907)</u>	<u>(43,813,544)</u>
Net results	<u>(6,916,035)</u>	<u>(1,461,763)</u>	<u>656,123</u>	<u>6,130,221</u>	<u>(1,591,454)</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

Comparative figures for 30 June 2021

Comparative figures for 30 June 2021

	Original balance as presented at 30 June 2021	Prior period adjustments Capital expenditure (a)	Contract assets and liabilities (b)	Landfill provision (c & d)	Restated at 30 June 2021
Statement of financial position					
Current assets					
Contract assets	220,254		935,465		1,155,719
Total current assets	14,598,944	-	935,465	-	15,534,408
Non-current assets					
Property, plant and equipment	201,754,650	(1,461,763)		7,214,362	207,507,249
Total non-current assets	217,121,930	(1,461,763)	-	7,214,362	222,874,529
Total assets	231,720,874	(1,461,763)	935,465	7,214,362	238,408,939
Current liabilities					
Contract liabilities	5,778,209		(243,361)		5,534,848
Provisions	1,811,258			(396,940)	1,414,318
Total current liabilities	10,842,189	-	(243,361)	(396,940)	10,201,888
Non-current liabilities					
Provisions	564,018			1,481,082	2,045,100
Total non-current liabilities	564,018	-	-	1,481,082	2,045,100
Net community assets	220,314,666	(1,461,763)	1,178,826	6,130,220	226,161,950
Community equity					
Retained surplus	158,308,015	(1,461,763)	1,178,826	6,130,221	164,155,299
Total community equity	220,314,666	(1,461,763)	1,178,826	6,130,221	226,161,950

(i) The adjustment in Property, plant and equipment of \$7,214,362 arising from the landfill provision for the year 30 June 2021 includes the following:

Cost of sewerage upgrade treatment, waste facility and transfer station	5,717,556
Restoration provision to be recognised as part of the asset cost	1,496,806
	<u>7,214,362</u>

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

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

	2022	2021
	\$	\$
Short-term employee benefits	1,080,966	1,250,913
Post-employment benefits	115,355	97,782
Long-term benefits	360	2,697
Termination benefits	24,073	104,604
Total	1,220,754	1,455,996

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	2022	2021
		\$	\$
Service charges and sales to entities controlled by KMP	24(b)(i)	212,151	1,383,443
Sale of goods and services to related parties	24(b)(ii)	-	51,020
Employee expenses for close family members of KMP	24(b)(iii)	699,923	985,540
Purchase of materials and services from close family member and entities controlled by KMP	24(b)(iv)	772,053	325,379
Grants received from related parties	24(b)(v)	513,000	-

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

Service charges and sales to entities controlled by KMP	\$	\$
Service charges charged to controlled entities	53,532	1,037,927
Sale of goods	158,619	345,516
Total	212,151	1,383,443

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

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

The council employs 173 (2021: 162) staff of which only 11 (2021: 18) are close family members of key management personnel.

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

(v) During the year, Council received grants from Western Cape Communities Trust, an organisation of communities throughout Cape York which the Council is represented by the Mayor.

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

24 Transactions with related parties (continued)

(c) Outstanding balances

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

	Amounts owed by KMP	Amounts owed by close family member of KMP	Amounts owed by entities controlled by KMP
30 June 2022	\$	\$	\$
Current	-	-	529,769
Past due 31-60 days	-	-	11,362
Past due 61-90 days	-	-	2,947
More than 90 days overdue	-	154	239,619
Total Owing	-	154	783,697

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

At the end of the reporting period, the Council owed \$17,670 (2021 \$113,371) to an entity that was controlled by a KMP. There were no other balances owed to KMP, close family members or entities controlled by KMP.

Following receivable amounts from Key Management Personnel (KMP) and Controlled entities have been provided for doubtful debt during the year.

Name of the related party	Type of relationship	Amounts provided as doubtful debt 2022	Amounts provided as doubtful debt 2021
		\$	\$
Gina Nona	KMP	1,809	-
Bamaga Kasil TSI Corporation	Controlled entity	57,387	-
NPA Family and Community Services	Controlled entity	12,814	-
Ipima Ikaya Aboriginal Corp RNTBC	Controlled entity	569	-
NPA Justice Services ATSI Corporation	Controlled entity	1,192	-
Thupmul Coffee	Controlled entity	1,080	-
		74,851	-

(d) Loans and guarantees to/from related parties

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

(e) Commitments to/from other related parties

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

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

The majority of the entities and people that are related parties of Council live and operate within the Northern Peninsula Area community. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of fees and charges

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

25 Financial instruments and financial risk management

(a) Financial assets and financial liabilities

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

- credit risk
- liquidity risk
- market risk

Risk management framework

Northern Peninsula Area Regional Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

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

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

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

Northern Peninsula Area Regional Council does not enter into derivatives.

Credit risk

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

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

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

No collateral is held as security relating to the financial assets held by Northern Peninsula Regional Council.

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

Cash and cash equivalents

Other financial assets - lease receivables

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

25 Financial instruments and financial risk management (Continued)
Liquidity risk

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

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

Exposure to liquidity risk

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

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2022					
Trade and other payables	3,095,719	-	-	3,095,719	3,095,719
	<u>3,095,719</u>	<u>-</u>	<u>-</u>	<u>3,095,719</u>	<u>3,095,719</u>
2021					
Trade and other payables	3,252,723	-	-	3,252,723	3,252,723
	<u>3,252,723</u>	<u>-</u>	<u>-</u>	<u>3,252,723</u>	<u>3,252,723</u>

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

Northern Peninsula Area Regional Council
Notes to the financial statements
For the year ended 30 June 2022

25 Financial Instruments and financial risk management (Continued)

Market risk

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

Interest rate risk

Northern Peninsula Area Regional Council is exposed to interest rate risk through investments with QTC.

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

Sensitivity

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

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
2022					
Deposits at call	3,469,223	34,692	(34,692)	34,692	(34,692)
Total	3,469,223	34,692	(34,692)	34,692	(34,692)
2021					
Deposits at call	3,453,499	34,535	(34,535)	34,535	(34,535)
Total	3,453,499	34,535	(34,535)	34,535	(34,535)

(b) Fair value

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

26 Commitments for expenditure

Contractual commitments

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

	2022 \$	2021 \$
Umagico Supermarket management		
Within one year	169,789	160,042
One to five years	355,011	640,000
	<u>524,799</u>	<u>800,042</u>
Hunter Premium Insurance		
Within one year	37,599	26,840
	<u>37,599</u>	<u>26,840</u>
Computer maintenance within one year	144,982	144,982
Management and Maintenance of Water Treatment Plant	-	426,938
Capital commitments	2,099,386	1,219,991
Total commitments for expenditure	<u>2,806,766</u>	<u>2,618,793</u>

Northern Peninsula Area Regional Council
Financial statements
For the year ended 30 June 2022

Management Certificate
For the year ended 30 June 2022

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

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

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



Mayor
Robert Poi Poi

Date: 17 / 5 / 24



Chief Executive Officer
Kate Gallaway

Date: 17 / 5 / 24

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Northern Peninsula Area Regional Council

Report on the Audit of the Financial Report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2022, 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 2022, the Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

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

At the date of this auditor's report, the available other information in the Northern Peninsula Area Regional Council's annual report for the year ended 30 June 2022 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2022:

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

Prescribed requirements scope

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



20 May 2024

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

**Northern Peninsula Area Regional Council
Current-year Financial
For the year ended 30**

Measures of Financial Sustainability

	How the measure is calculated	Actual Council	Target
The Council's performance at 30 June 2022 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-26%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	22%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-8%	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 2022.

**Certificate of Accuracy
For the year ended 30 June 2022**

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
Robert Pol Poi

Date: 17 / 5 / 24



Chief Executive Officer
Kate Gallaway

Date: 17 / 5 / 24

INDEPENDENT AUDITOR'S REPORT

To the Councillors of the Northern Peninsula Area Regional Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year financial sustainability statement of the Northern Peninsula Area Regional Council for the year ended 30 June 2022, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of the Northern Peninsula Area Regional Council for the year ended 30 June 2022 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 the Northern Peninsula Area Regional Council's annual report for the year ended 30 June 2022 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

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



20 May 2024

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

**Northern Peninsula Area Regional Council
Long-Term Financial Sustainability Statement
For the year ended 30 June 2022**

**Measures of Financial
Sustainability**

Measures of Financial Sustainability	Measure	Target	Projected for the years ended									
			Actuals at 30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	31 June 2029	31 June 2030	31 June 2031
Operating surplus ratio	Net result divided by total revenue	Between 0% and 10%	-26%	-14%	-3%	-3%	3%	5%	11%	11%	11%	11%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	22%	75%	75%	70%	85%	85%	85%	85%	85%	85%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-8%	-17%	-19%	-17%	-17%	-17%	-17%	-17%	-17%	-17%

Northern Peninsula Area Regional Council's Financial Management Strategy

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

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2022

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
Robert Poi Poi

Date: 17/5/24



Acting Chief Executive Officer
Kate Gallaway

Date: 17/5/24