



Wujal Wujal Aboriginal Shire Council Annual Financial Statements

for the year ended 30 June 2020

Wujal Wujal Aboriginal Shire Council

Financial Statements

For the year ended 30 June 2020

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

	Note	2020 \$	2019 \$
Income			
Revenue			
Recurrent revenue			
Fees and charges	3(a)	662,601	654,177
Sales revenue	3(b)	1,956,384	1,154,035
Grants, subsidies, contributions and donations	3(c) (i)	3,191,817	3,735,194
		<u>5,810,802</u>	<u>5,543,406</u>
Capital revenue			
Grants, subsidies, contributions and donations	3(c) (ii)	5,001,410	6,259,092
Other capital income	5	229,789	519,037
Total capital revenue		<u>5,231,199</u>	<u>6,778,129</u>
Rental income		194,256	164,108
Interest received		2,171	4,227
Joint Venture		231,204	280,205
Other income	4	337,547	629,303
Total income		<u>11,807,179</u>	<u>13,399,378</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(4,242,475)	(3,932,580)
Materials and services	7	(3,036,983)	(3,876,220)
Finance costs		(14,432)	(4,826)
Depreciation and amortisation	12	(1,565,142)	(1,493,947)
Total recurrent expenses		<u>(8,859,032)</u>	<u>(9,307,573)</u>
Capital expenses	8	(29,306)	(2,706,662)
Total expenses		<u>(8,888,338)</u>	<u>(12,014,235)</u>
Net result		<u>2,918,841</u>	<u>1,385,143</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	18	1,564,972	-
Total other comprehensive income		<u>1,564,972</u>	<u>-</u>
Total comprehensive income for the year		<u>4,483,813</u>	<u>1,385,143</u>

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

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

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

	Note	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	9	3,240,177	4,415,766
Receivables	10	912,852	886,747
Inventories	11	104,793	238,000
Contract assets	13	1,068,941	-
Lease receivable	14	76,497	73,063
Total current assets		5,403,259	5,613,576
Non-current assets			
Lease receivable	14	2,402,201	2,284,921
Investment in joint venture	22	470,572	320,572
Property, plant and equipment	12	37,038,601	30,472,365
Total non-current assets		39,911,374	33,077,858
Total assets		45,314,633	38,691,434
Current liabilities			
Payables	15	1,993,102	1,051,838
Contract liabilities	13	4,599,730	-
Lease liabilities	14	118,758	138,255
Provisions	16	359,826	339,550
Total current liabilities		7,071,416	1,529,642
Non-current liabilities			
Lease liabilities	14	119,549	237,919
Provisions	16	178,250	130,998
Total non-current liabilities		297,799	368,917
Total liabilities		7,369,215	1,898,559
Net community assets		37,945,417	36,792,874
Community equity			
Asset revaluation surplus	18	16,457,755	14,892,783
Retained surplus/(deficiency)		21,487,663	21,900,091
Total community equity		37,945,417	36,792,874

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

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

Wujal Wujal Aboriginal Shire Council
Statement of changes in Equity
For the year ended 30 June 2020

Note	Asset revaluation surplus 18 \$	Retained Surplus \$	Total \$
Balance as at 1 July 2019	14,892,783	21,900,091	36,792,874
Adjustment on initial application of AASB 15 / AASB 1058	-	(3,331,270)	(3,331,270)
Restated balance at 1 July 2019	14,892,783	18,568,821	33,461,604
Net result	-	2,918,841	2,918,841
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	1,564,972	-	1,564,972
Total comprehensive income for the year	16,457,755	21,487,663	37,945,417
Balance as at 30 June 2020	16,457,755	21,487,663	37,945,417
Balance as at 1 July 2018	14,892,783	20,514,948	35,407,731
Net result	-	1,385,143	1,385,143
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	-	-	-
Total comprehensive income for the year	-	1,385,143	1,385,143
Balance as at 30 June 2019	14,892,783	21,900,091	36,792,874

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

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

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

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from customers		3,109,839	2,753,916
Payments to suppliers and employees		(6,250,068)	(7,395,665)
		<u>(3,140,229)</u>	<u>(4,641,749)</u>
Interest received		2,171	4,227
Rental income		194,256	164,108
Non capital grants and contributions	3(c)(i)	3,191,817	3,871,045
Borrowing Costs		(14,432)	(12,985)
Net cash inflow (outflow) from operating activities	23	<u>233,584</u>	<u>(615,354)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(6,678,880)	(2,145,826)
Proceeds from sale of property plant and equipment	5	80,002	134,000
Finance lease receipts	14	74,850	73,735
Grants, subsidies, contributions and donations		5,102,722	5,734,747
Dividend - JV investment		150,000	-
Net cash inflow (outflow) from investing activities		<u>(1,271,306)</u>	<u>3,796,655</u>
Cash flows from financing activities			
Repayments made on finance leases	14	(137,867)	(85,969)
Net cash inflow (outflow) from financing activities		<u>(137,867)</u>	<u>(85,969)</u>
Net increase (decrease) in cash and cash equivalents held		<u>(1,175,589)</u>	<u>3,095,331</u>
Cash and cash equivalents at the beginning of the financial year		4,415,766	1,320,434
Cash and cash equivalents at end of the financial year	9	<u>3,240,177</u>	<u>4,415,766</u>

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

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

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

1 Significant accounting policies

1.A Basis of preparation

Wujal Wujal Aboriginal Shire Council is constituted under the Queensland *Local Government Act 2009* and is domiciled in Australia. These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 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 complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except where stated.

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

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

Refer to the change in accounting policy Note 24 for transition disclosures for *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of NFP Entities* and *AASB 16 Leases*.

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 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Council do not expect standards issued but not yet effective to have a significant impact on the financial statements.

1.E Estimates and judgements

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

Revenue - **Note 3**

Valuation and depreciation of property, plant and equipment - **Note 12**

Impairment of property, plant and equipment - **Note 12**

Provisions - **Note 16**

Valuation of finance leases - **Note 14**

Contingent liabilities - **Note 20**

1.F Rounding and comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1.

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

1.G 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 a consolidated asset or liability.

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

2 Analysis of Results by Function

(a) Components of Council functions

The activities relating to the Council's components reported on 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, marketing and communication, risk management, internal audit, legal and administrative support. The Mayor, Councillors and Chief Executive Officer activities are included in corporate governance.

Corporate services

Corporate Services provides administration, finance and information services across all of council. This function includes human resource management, budget support, financial accounting, and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements and to provide appropriate services to all of the activities of Council.

Technical services

This function is responsible for the road transport network, parks and gardens, waste management and the water and sewerage networks. The objectives are to ensure the community is serviced by a high quality and effective road network, to protect and support the community and natural environment by sustainably managing refuse through provision of rubbish collection and disposal services, mosquito and other pest management programs and to support a healthy, safe community by sustainably managing the water and sewerage network infrastructure.

Community Services & Economic Development

The goal of community services is to ensure Wujal Wujal 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, environmental and recreational services.

This function includes libraries, kindergarten, entertainment venues, art gallery and cafe, community care services and facilities and environmental licences and approvals.

Building services

This function facilitates the Shire's growth and prosperity through well planned and quality development. The objective of building services is to ensure the Wujal Wujal Aboriginal Shire is well designed, efficient and facilitates growth yet also preserves the character and natural environment of the Shire. This function includes activities and services related to town and regional planning, maintenance of Council assets and management of development approval processes.

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

- 2 Analysis of results by function
(b) Income and expenses defined between recurring and capital are attributed to the following functions:
Year ended 30 June 2020

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020	2020
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate governance	-	-	-	-	-	(864,751)	(864,751)	(864,751)	(864,751)	(864,751)	90,190
Corporate services	1,235,151	765,366	-	-	2,000,517	(1,839,687)	(1,839,687)	160,830	160,830	160,830	1,498,565
Technical services	541,056	752,839	5,001,410	-	6,295,305	(3,131,557)	(29,306)	(1,837,662)	3,134,441	3,134,441	21,550,325
Community services	1,415,422	12,558	-	-	1,427,980	(2,051,069)	-	(623,089)	(623,089)	(623,089)	18,075,099
Building services	-	1,853,588	-	229,789	2,083,377	(971,967)	-	881,621	1,111,410	1,111,410	4,100,454
Total	3,191,629	3,384,351	5,001,410	229,789	11,807,179	(8,859,031)	(29,306)	(2,283,051)	2,918,841	2,918,841	45,314,633

Year ended 30 June 2019

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019	2019
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate governance	-	-	-	-	-	(1,269,673)	(1,269,673)	(1,269,673)	(1,269,673)	(1,269,673)	-
Corporate services	1,579,373	913,735	-	-	2,493,108	(2,927,497)	-	(434,389)	(434,389)	(434,389)	7,961,940
Technical services	272,539	804,903	6,259,092	-	7,336,533	(2,986,073)	(2,706,662)	(1,908,632)	1,643,798	1,643,798	26,912,497
Community services	1,883,282	48,613	-	-	1,931,895	(1,281,317)	-	650,578	650,578	650,578	-
Building services	-	1,118,803	-	519,037	1,637,841	(843,012)	-	275,791	794,829	794,829	36,816,997
Total	3,735,194	2,886,055	6,259,092	519,037	13,399,378	(9,307,573)	(2,706,662)	(2,686,324)	1,385,143	1,385,143	38,691,433

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

3 Revenue

	Note	30 June 2020	
		AASB 15	AASB 1058
Revenue recognised at a point in time			
Grants, subsidies, contributions and donations	3c	-	3,191,817
Fees and charges	3a	662,601	-
Sales of goods and services	3b	1,956,384	-
Other		424,045	568,751
		<u>3,043,030</u>	<u>3,760,568</u>
Revenue recognised over time			
Grants, subsidies, contributions and donations	3c	-	5,001,410
		<u>-</u>	<u>5,001,410</u>
Total revenue		<u>3,043,030</u>	<u>8,761,978</u>

(a) Fees and charges

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

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

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

	2020	2019
	\$	\$
Administration and utility charges	600,048	597,365
Bank and Post Office agency commissions	26,961	10,637
Centrelink commissions	21,304	23,176
Other fees and charges	14,287	22,999
Total fees and charges	<u>662,601</u>	<u>654,177</u>

(b) Sales revenue

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

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

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

	2020	2019
	\$	\$
3 Revenue (continued)		
(b) Sales revenue (continued)		
Contracts and recoverable works		
Private works revenue	-	18,352
Q Build and BAS contract and recoverable works	1,853,588	936,344
Total contracts and recoverable works	<u>1,853,588</u>	<u>954,696</u>
Sale of goods		
Fuel	83,011	113,648
Art Centre	12,558	48,613
Works Private External Hire	7,227	37,078
Total sale of goods	<u>102,796</u>	<u>199,339</u>
Total sales revenue	<u><u>1,956,384</u></u>	<u><u>1,154,035</u></u>

(c) Grants, subsidies, contributions and donations

2020 accounting policy:

Grant income under AASB 15

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

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income under AASB 1058

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

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

Capital grants

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

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

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

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

3 Revenue (continued)

(c) Grants, subsidies, contributions and donations (continued)

2019 accounting policy:

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. In 2019, Council did not have any reciprocal grants.

Physical assets contributed to Council by developers in the form of road works, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and values of such assets. Non-cash contributions with a value in excess of the recognition thresholds are recognised as non-current assets. Those below the thresholds are recorded as expenses.

	2020	2019
	\$	\$
(i) Recurrent		
General purpose grants	1,776,207	1,747,723
State government subsidies and grants	691,581	1,063,760
Commonwealth government subsidies and grants	723,841	923,711
Donations	188	-
Total recurrent	<u>3,191,817</u>	<u>3,735,194</u>

(ii) Capital

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

State government subsidies and grants	4,827,575	5,717,219
Commonwealth government subsidies and grants	173,835	541,873
Total capital	<u>5,001,410</u>	<u>6,259,092</u>

(iii) Conditions over grants

The requirement to separately disclose grants for services versus grants for capital purposes (i.e. infrastructure) is not mandated in local government legislation or Australian Accounting Standards. However, this breakdown significantly assists Council in preparing the Financial Sustainability Statements.

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

Grants for expenditure on services	-	3,957,302
	-	<u>3,957,302</u>

*Externally imposed expenditure restrictions at the reporting date are

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting		
Grants for expenditure on services	3,271,089	-
	<u>3,271,089</u>	-

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

	Note	2020 \$	2019 \$
4 Other income			
Joint Venture Placement Fees		-	56,950
Other		41,071	39,557
Insurance Recovery		296,476	532,796
Total other income		<u>337,547</u>	<u>629,303</u>
5 Capital income			
Gain / loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		80,002	134,000
Less: Book value of property, plant and equipment disposed of	12	<u>(45,778)</u>	<u>(55,051)</u>
		34,224	78,949
Other capital income			
SES truck donation		-	18,000
Gain on revaluation of finance leases	14	<u>195,565</u>	<u>422,088</u>
		195,565	440,088
Total capital income		<u>229,789</u>	<u>519,037</u>
6 Employee benefits			
Total staff wages and salaries		3,292,607	3,021,517
Councillors' remuneration		313,606	315,699
Annual, sick and long service leave entitlements		433,751	389,355
Superannuation		<u>420,338</u>	<u>405,758</u>
		4,460,302	4,132,328
Other employee related expenses		-	-
		4,460,302	4,132,328
Less: Capitalised employee expenses		<u>(217,827)</u>	<u>(199,748)</u>
Total employee benefits		<u>4,242,475</u>	<u>3,932,580</u>

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

Councillors' remuneration represents salary paid in respect of carrying out their duties.

	2020	2019
Total Council employees at the reporting date:		
Elected members	5	5
Administration and indoor staff	21	29
Depot and outdoors staff	39	46
Total full time equivalent employees	<u>65</u>	<u>80</u>

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

	2020	2019
	\$	\$
7 Materials and services		
Art centre expenses	173,693	130,272
Agency operations	17,098	32,823
Buildings and Houses - repairs	216,438	346,636
Audit of annual financial statements by the QAO	130,000	182,028
Communications and IT	207,716	174,019
Insurances	198,660	142,581
Recoverable Works costs	371,347	124,972
Housing Construction Contract	-	17,546
NDRRA and cyclone costs	41,808	256,932
Security & Emergency services	4,926	16,299
Cultural activities	137,313	77,003
Community Care services	130,159	233,169
Community Welfare services	240,292	342,959
Consultants	430,495	238,434
Councillors Non-Wages Expenses	23,688	40,122
Supplies and Services and Other Recoveries	713,351	1,494,157
Other materials and services	-	26,267
Total materials and services	3,036,983	3,876,220

Total audit fees quoted by the QAO relating to the 2019-20 financial statements are \$130,000 (2019: \$160,000)

	<u>Note</u>		
8 Capital expenses			
Revaluation decrement in P&L			
Land		29,306	-
Total Revaluation decrement in P&L		29,306	-
Loss on disposal of non current assets			
Proceeds from sale		-	-
less book value of disposed assets	12	-	2,706,662
Total loss on sale of assets		-	2,706,662
Total capital expenses		29,306	2,706,662

9 Cash and cash equivalents

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

Cash at bank and on hand	3,240,177	4,415,766
Balance per Statement of Cash Flows	3,240,177	4,415,766

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

Externally imposed expenditure restrictions at the reporting date are disclosed in Note 13 as contract liabilities. There are no internally imposed cash restrictions.

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

10 Receivables

Receivables are amounts owed to council at year end. They are recognised at the amount due at the time of sale or service delivery. Settlement of receivables is required within 30 days after the invoice is issued.

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

	2020 \$	2019 \$
Current		
Trade Debtors	445,980	632,240
Less: loss allowance	(19,391)	(60,027)
Trade Debtors Net	426,590	572,212
Other debtors	486,262	314,534
Total current receivables	<u>912,852</u>	<u>886,747</u>

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

Not past due	233,717	239,566
Past due 31-60 days	1,873	-
Past due 61-90 days	2,817	-
More than 90 days	207,573	392,673
Trade Debtors	445,980	632,239
Impaired	(19,391)	(60,027)
Total	<u>426,590</u>	<u>572,212</u>

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 receivables from customers.

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security.

Wujal Wujal Aboriginal Shire Council uses a provision matrix to measure the expected credit losses on other debtors.

11 Inventories

Stores, raw materials and other goods held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads.

Inventories held for distribution are:

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

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

Fuel stores	23,982	29,958
Plant and equipment stores	80,811	208,042
Total inventories	<u>104,793</u>	<u>238,000</u>

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

12

Property, plant and equipment
30 June 2020

Basis of measurement

Asset values

Opening gross value as at 1 July 2019

Additions

Disposals

Transfer from WIP

Write of WIP to P&L

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to P&L

Closing gross value as at 30 June 2020

Note

Land	Buildings	Motor Vehicles	Plant and Equipment		Furniture & Fittings		Water Infrastructure	Sewerage Infrastructure	Other Infrastructure	Roads Network	Work in progress		Total
			Valuation	Cost	Cost	Cost					Valuation	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1,065,687	20,288,396	763,147	3,025,484	99,468	7,125,966	5,865,312	297,861	6,597,398	2,845,638	6,517,938	6,678,880	48,089,756	
-	-	160,942	-	-	-	-	-	-	-	(37,379)	-	6,678,880	
-	3,561,562	(61,689)	-	-	1,149,320	69,769	1,662,391	99,895	(6,542,957)	-	-	(99,068)	
-	-	-	-	-	-	-	-	-	-	-	-	-	
-	1,096,949	-	-	-	500,913	411,243	16,650	472,167	-	-	-	2,487,922	
(29,306)	24,946,927	862,400	3,025,484	99,468	8,775,599	6,364,324	1,976,902	7,232,080	2,818,619	-	-	(29,306)	

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Accumulated depreciation and impairment

Opening balance as at 1 July 2019

Depreciation provided in period

Depreciation on additions/disposals

Revaluation adjustment to asset revaluation surplus

Accumulated depreciation as at 30 June 2020

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-	9,535,729	396,360	1,079,132	95,258	2,423,093	2,702,968	36,906	1,347,945	-	-	-	17,617,391
-	632,407	108,777	208,327	1,718	277,068	211,643	9,334	115,867	-	-	-	1,565,142
-	-	(15,911)	-	-	-	-	-	-	-	-	-	(15,911)
-	555,134	-	-	-	153,899	157,412	2,198	64,318	-	-	-	932,961
-	10,723,270	489,226	1,287,459	96,976	2,864,060	3,072,023	48,438	1,528,130	-	-	-	20,099,663

Total written down value as at 30 June 2020

Residual value

Range of estimated useful life in years

1,036,381	14,223,657	373,174	1,736,025	2,482	5,921,540	3,292,301	1,928,463	5,703,950	2,818,619	-	-	37,086,601
-	-	-	116,000	-	-	-	-	-	-	-	-	-
Land: Not depreciated	15-50	2-8	3-20	3-20	3-60	5-80	15-75	10-1,000	-	-	-	-

Additions comprise:

Renewals

Other additions

Total additions

-	483,263	-	-	-	13,070	5,911	-	2,269	-	-	-	504,512
-	1,140,585	160,942	-	-	694,063	-	1,433,891	28,205	2,716,682	-	-	6,174,368
-	1,623,847	160,942	-	-	707,133	6,911	1,433,891	30,473	2,716,682	-	-	6,678,879

Right of use assets with a written down value of \$494,226 are included within the balance of the Motor Vehicles class.

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

12 Property, plant and equipment

Note

30 June 2019	Land	Buildings	Motor Vehicles	Plant and Equipment	Furniture & Fittings	Water Infrastructure	Sewerage Infrastructure	Other Infrastructure	Roads Network	Work in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,065,687	20,962,606	848,429	2,791,341	99,468	7,523,573	6,390,154	297,861	8,147,218	755,390	48,881,726
	-	(1,018,080)	195,774	312,976	-	-	-	-	-	2,432,118	2,940,868
	-	343,870	(281,056)	(78,833)	-	(398,207)	(506,942)	-	(1,449,820)	-	(3,732,839)
	-	-	-	-	-	-	-	-	-	(343,870)	-
	1,065,687	20,288,396	763,147	3,025,484	99,468	7,125,366	5,883,312	297,861	6,697,398	2,843,638	48,089,756

	-	9,186,141	641,560	951,754	93,256	2,300,978	2,521,875	33,013	1,467,313	-	17,085,890
	-	591,988	67,760	182,074	2,002	254,047	251,849	3,893	140,324	-	1,493,947
	-	(242,410)	(212,960)	(54,696)	-	(131,932)	(70,756)	-	(259,692)	-	(972,446)
	-	9,535,729	396,360	1,079,132	95,258	2,423,093	2,702,968	36,906	1,347,945	-	17,817,391

	1,065,687	10,752,667	366,787	1,946,352	4,210	4,702,273	3,180,344	260,965	5,345,453	2,843,638	30,472,365
	-	-	-	-	-	-	-	-	-	-	-
	Land: Not depreciated	15-60	2-8	3 - 20	3 - 20	3 - 60	5 - 80	15-75	10-1,000	-	-

Accumulated depreciation and impairment

Opening balance as at 1 July 2018
Depreciation provided in period
Depreciation on additions/disposals
Accumulated depreciation as at 30 June 2019

Total written down value as at 30 June 2019

Residual value
Range of estimated useful life in years

Wujal Wujal Aboriginal Shire Council

Notes to the Financial Statements

For the year ended 30 June 2020

12 Property, plant and equipment accounting policies (Continued)

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.

(a) 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, engineering design fees and all other establishment costs.

(b) 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.

(c) 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 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.

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

Property, plant and equipment received in the form of contributions, are recognised as assets and revenues at fair value.

(d) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

Where assets have separately 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. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in the table above.

(e) DOGIT and other land

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 34I of the Land Act 1994.

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as its value cannot be reliably measured.

Council also holds additional freehold land outside its DOGIT and Local Government area, in the township of Ayton and the area of Degarra. This land is measured at fair value.

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

12 Property, plant and equipment accounting policies (Continued)

(f) Impairment

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

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

(g) Valuation

(i) Valuation Processes

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection. Council's Water & Sewerage assets were due for comprehensive revaluation as at 30 June 2020, however due to COVID-19 community travel restrictions a desktop valuation was performed.

In the intervening years, for the valuation of the land, buildings and infrastructure asset classes, 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.

For the financial year ending 30 June 2020, the valuer assessed index movements as follows. This represents the movement in relevant cost indexes since the date of the last comprehensive revaluation or application of indexation.

Land -2.75% (2019: 0.00%)
Buildings - Replacement Cost 5.5% (2019: 0.04%)
Other Structures 5.59% (2019: 0.04%)
Water Infrastructure 7.03% (2019: 2.63%)
Sewer Infrastructure 6.99% (2019: 2.63%)
Roads Network 7.05% (2019: 3.27%)

Council applied these valuation adjustment in the financial statement at 30 June 2020.

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

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

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

12 Property, plant and equipment accounting policies (Continued)

(g) Valuation (Continued)

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

Land

All Council owned land is located in the Douglas and Cook local government areas. Land fair values were determined by an independent valuer, Australis Asset Advisory Group effective 30 June 2017. The valuer conducted a revaluation of the land utilising market transactions over vacant land properties within the Douglas and Cook Shire Councils areas. Where sales volumes were low, the valuer sought market transaction data from nearby or comparable localities. Due to the remote location and paucity of market evidence a level 3 was assigned to these assets.

Buildings

The fair value of buildings were determined by, Australis Asset Advisory Group effective 30 June 2017.

All Council buildings are of a specialist nature and there is no active market for the assets. Fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professional fees. The gross current values have been derived from reference to market data such as recent projects and published costing guides such as Rawlinson's Australian Construction Cost Handbook. The valuer has also had regard to the latest construction costs information for recent projects undertaken by the council as well as an internal database collated as a result of undertaking projects of a similar nature. The net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

The most significant inputs into the valuation approach is a rate per square metre to arrive at the gross replacement cost, the useful life of the asset and a condition score reflecting the remaining useful life of the asset.

In determining the level of accumulated depreciation the building assets have been disaggregated into significant components which exhibit varying useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component noting that no residual values have been applied. Condition was assessed taking into account physical characteristics as well as factors such as functionality, capability, utilisation and obsolescence. Council has componentised its assets so that the assets can be more easily assessed as to which parts have short useful lives and which have longer useful lives, and which components Council may expect to receive consideration at the end of that components useful life.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Infrastructure assets (level 3)

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

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

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The CRC was determined using methods relevant to the asset class as described under individual asset categories below.

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

12 Property, plant and equipment accounting policies (Continued)

(g) Valuation (continued)

Roads

Current replacement cost

The current replacement cost and fair value of the roads assets were determined by a comprehensive revaluation by Australis Asset Advisory Group effective 30 June 2017.

The current replacement cost was calculated based on the dimensions and a unit rate for the roads assets. The unit rate is derived from estimated labour and materials input as well as services costs and overhead allocations. Material and services prices were based on existing supplier contract rates or supplier price lists and labour wage rates were based on Council's actual rates paid. All direct costs were allocated to assets at standard usage quantities according to recently completed similar projects. Where construction is outsourced, CRC was based on the average of completed similar projects over the last few years.

CRC has been determined by reference to indexation provided by Australis Asset Advisory Group since the last revaluation completed in 2017. The indexation methodology was based on production/wage/construction indices and on consultation with local contractors and suppliers.

Accumulated depreciation

In determining the level of accumulated depreciation, roads were componentised where different useful lives were given for each layer of road taking into consideration the other layers in the same segment of road. i.e. Sealed pavement was given a longer useful life than unsealed pavement.

Water and Sewerage

Current replacement cost

Australis Asset Advisory Group conducted a full revaluation of water and sewerage assets effective 30 June 2015. A desktop review was conducted for 30 June 2017. Cost models were derived from scheduled rates for construction of assets, recent contact and tender data, Rawlinson's rates for building and construction and supplier's quotations. 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.

CRC has been determined by reference to indexation provided by Australis Asset Advisory Group since the last revaluation completed in 2017. The indexation methodology was based on production/wage/construction indices and on consultation with local contractors and suppliers.

Factors taken into account in determining replacement costs included:

- Development factors - 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).
- Soil factors - 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).
- Depth factors - The depth of the trench (e.g. trenching above 1.5m requires shoring/ trench cage which increases costs and slows production).

Accumulated depreciation

In determining accumulated depreciation, assets were generally subject to an inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment rating. The lower the condition rating, the lower the fair value.

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

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

12 Property, plant and equipment accounting policies (Continued)

(h) Recognised fair value measurements

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

Property, plant and equipment

- Land
- Buildings
- Road network
- Water Infrastructure
- Sewerage Infrastructure
- Other Infrastructure assets
- Finance Leases (Note 14)

Council does not measure any liabilities at fair value on a recurring basis.

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

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

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

The 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's buildings and infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets, and Council's land. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets measured at fair value as at 30 June.

As at 30 June	Note	Level 3		Total	
		(Significant unobservable inputs)			
		2020	2019	2020	2019
		\$		\$	
		2020	2019	2020	2019
Recurring fair value measurements					
Finance Leases	14	2,478,698	2,357,983	2,478,698	2,357,983
Land		1,036,381	1,065,687	1,036,381	1,065,687
Buildings		14,223,657	10,752,667	14,223,657	10,752,667
Road network		5,703,950	5,349,453	5,703,950	5,349,453
Water		5,921,540	4,702,273	5,921,540	4,702,273
Sewerage		3,292,301	3,180,344	3,292,301	3,180,344
Other Infrastructure assets		1,928,463	260,955	1,928,463	260,955
		34,584,989	27,669,361	34,584,989	27,669,361

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

13 Contract balances

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

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

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

		2020
		\$
(a)	Contract assets	<u>1,068,941</u>
(b)	Contract liabilities	
	Funds received upfront to construct Council controlled assets	<u>4,599,730</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
	Funds to construct Council controlled assets	<u>3,271,089</u>

(c) Significant changes in contract balances

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

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

14 Leases

Council as a lessee

2019 accounting policy and disclosure:

Council leases plant and equipment. As all the risks and rewards of ownership were substantially assumed these leases were classified as a finance lease. As ownership of the asset will be obtained by Council, the lease is amortised over the life of the asset.

A leased asset and a lease liability equal to the present value of the minimum lease payments was recognised at the inception of the lease. Lease liabilities are reduced by repayments of principal while interest components of lease payments are expensed as finance costs.

Council entered into a lease contract for a Grader in February 2017 for a term of 48 months. The interest rate is 4.15%. Council will obtain ownership at the end of the lease. The carrying value of the leased asset is **\$364,116**.

Council entered into a lease contract for a Loader in February 2019 for a term of 48 months. The interest rate is 4.15%. Council will obtain ownership at the end of the lease. The carrying value of the leased asset is **\$294,976**.

	2019
	\$
Movements in the finance lease during the reporting period were:	
Opening balance at 1 July 2018	197,702
Additions	274,976
Payments made during period	(96,504)
Closing balance at 30 June 2019	376,174
These payments are payable as follows:	
Not later than 1 year	151,255
Later than 1 year but not later than 5 years	250,140
Minimum lease payments	401,395
Less future finance charges	25,221
Lease liability	376,174
Classified as:	
Current	138,255
Non current	237,919
	376,174
The present value of the above payments are payable as follows:	
Not later than 1 year	138,255
Later than 1 year but not later than 5 years	237,919
	376,174

2020 accounting policy and disclosure:

Council has leases in place over plant and equipment, specifically a grader and a loader. The contracts are due to expire in February 2021 and 2023 respectively. Periodic payments occur in accordance with the finance lease schedule.

Where Council assesses that an agreement contains a lease, a right-of-use asset and lease liability is recognised on the 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 asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

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

14 Leases (Continued)

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 then the Council's incremental borrowing rate for a similar term with similar security is used.

Exceptions 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.

Leases at significantly 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.

Right of use assets

Lease assets are included within Note 12.

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

	2020
	\$
Not later than one year	118,758
Later than one year but not later than five years	119,549
Total per statement of financial position	238,307

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 then 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:

Council has leased 85 (2019 - 85) dwellings as lessor to the Queensland Government for 40 years. The average lease payment per dwelling in the current year was \$845 (2019 - \$867), in addition, there was also approximately \$2,970 (2019 - \$5,904) in service charges applied per property. The lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane in accordance with the terms of the 40 year lease, whereas, the service charge component is adjusted each year as part of Council's annual passing of its Budget and Revenue Policy. The discount rate implicit in the leases for 2019/20 is 2.41% (2019 - 2.91%), which is the higher of CPI and Council's present cost of capital, as advised by Queensland Treasury Corporation (QTC). As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. The leases are recognised at the present value of the expected future lease payments receivable, excluding service charges (i.e. NPV method is used). Gains on revaluation of finance lease assets are recognised as "other income" when the cashflows diminish and the discount rate declines year on year. Conversely, in the future, when the discount rate increases and the cashflows diminish, losses on finance lease asset revaluations will be recognised as "other expenses".

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

14 Leases (Continued)

	2020 \$	2019 \$
Lease receivables		
Current	76,497	73,063
	76,497	73,063
Lease receivables		
Non-current	2,402,201	2,284,921
	2,402,201	2,284,921

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	76,497	73,063
Later than one year but not later than five years	305,987	292,252
Later than five years	2,179,700	2,154,151
	2,562,184	2,519,466
Add: Estimated contingent rent	1,175,619	1,413,541
Less: Present value adjustment	(1,259,106)	(1,575,024)
Fair value of lease payments	2,478,698	2,357,983

The fair value of lease payments are receivable as follows:

Not later than one year	76,497	73,063
Later than one year but not later than five years	304,429	289,352
Later than five years	2,097,772	1,995,568
	2,478,698	2,357,983

Movements in finance leases were as follows:

Opening balance	2,357,983	2,009,630
Less: Lease receipts	(74,850)	(73,735)
Gain (Loss) on revaluation	195,565	422,088
Closing balance	2,478,698	2,357,983

The calculation of fair value has included an estimate of average annual CPI increases of 2.2% for 2019/20 (2019: 2.5%) and a discount rate of 2.41% for 2019/20 (2019: 2.91%).

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable recognised as income applicable to the leases. There is, however, a contingent rent recognised of \$1.2 million which is the difference between nominal rents and consumer price indexation of rents.

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

15 Payables

Creditors are recognised when goods or services are received, at the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

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

	2020 \$	2019 \$
Current		
Creditors and accruals	1,993,102	1,034,310
Unearned Capital Grant	-	17,528
	<u>1,993,102</u>	<u>1,051,838</u>

16 Provisions

Liabilities are recognised for employee benefits such as wages and salaries, 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.

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

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

Current		
Annual leave	235,461	219,555
Long service leave - current	124,365	119,995
	<u>359,826</u>	<u>339,550</u>
Non-current		
Long service leave - non-current	178,250	130,998
	<u>178,250</u>	<u>130,998</u>

17 Commitments for expenditure

Contractual commitments

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

Other materials and services	170,538	
	<u>170,538</u>	<u>-</u>

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

	2020	2019
	\$	\$
18 Asset revaluation surplus		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Buildings	6,848,993	6,307,178
Other Structures	435,674	421,221
Roads	7,717,608	7,309,759
Water	566,753	219,729
Sewerage	888,726	634,895
	16,457,754	14,892,783

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.

19 Transactions with related parties

(a) Compensation paid to key management personnel (KMP)

KMP are the Mayor, Councillors, Chief Executive Officer, Director Works and Building Services, Director Finance and Corporate Services.

Compensation paid to KMP comprises:

	2020	2019
	\$	\$
Short-term employee benefits	898,176	1,148,582
Post-employment benefits	84,056	76,979
Long-term employee benefits	23,077	5,000
Termination benefits	40,081	29,501
Total	1,045,390	1,260,062

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

Details of transactions	2020	2019
	\$	\$
Employee expenses of close family members of KMP (3 employees, 2019: 3)	42,765	130,291

(i) All close family members of KMP were employed through an arm's length process. They are paid in accordance with the award for the job they perform.

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

19 Transactions with related parties (continued)

(c) Transactions with parties over which Council has significant control

In 2013 Enterprise Management Group, Hope Vale Foundation, Gungarde Community Aboriginal Corporation and Wujal Wujal Aboriginal Shire Council entered into a Joint Venture Agreement to work together to deliver services under the Federal Government's Remote Jobs and Communities Program (RJCP). Hope Vale Aboriginal Shire Council and Ang Ngarra Aboriginal Corporation are Associate Members of the Joint Venture.

The Joint Venture is structured as an unincorporated collaborative venture for the purpose of providing the RJCP services. All venture participants have an equal interest in the Joint Venture. Wujal Wujal Aboriginal Shire Council is entitled to 25% of net profit from the operation of the Joint Venture. It is also liable for 25% of any losses throughout the Joint Venture. Council is entitled to 2 (two) members on the Board out of 8 (eight).

Details of transactions	2020	2019
	\$	\$
My Pathway (t/a Enterprise Management Group)		
- Share of profit	300,000	280,205
- Distributions received (relating to 2020 share of profit)	60,000	-
- Distributions received (relating to previous years)	90,000	-
- Sales (at arms-length)	70,860	111,337

Further information about the Joint Venture can be found in Note 22 to the Financial Statements.

(d) Outstanding balances with related parties

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

Amounts owed by KMP and other related parties as at balance date totalled \$4,278 (2019: \$4,792) All amounts were more than 90 days overdue. Amounts owing to KMP and other related parties at balance date totalled \$60.

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

The majority of people who are related parties of Council live within the Wujal Wujal Aboriginal Shire Community. Therefore on a regular basis ordinary citizen transactions occur between Council and its related parties. The payment by community residents of utility charges and for sales of goods of goods and services are considered to be an ordinary citizen transaction.

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

20 Contingent liabilities

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

Local Government Mutual

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

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

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there are insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The indemnity amount provided by Wujal Wujal Aboriginal Shire Council as at 30 June 2020 in relation to the Local Government Workcare Bank Guarantee is \$55,235.80. The latest audited financial statements for Local Government Workcare are as at 30 June 2019 and show accumulated member funds (equity) of \$49.218M.

Consultants

Council is currently in dispute with contractors in respect of work performed during the financial year ended 30 June 2019. Legal proceedings may be commenced.

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

21 Superannuation

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

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

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

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

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

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

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

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

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

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

	Note	2020 \$	2019 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	420,338	405,758

22 Joint venture

The Council has a 25% (2019 - 25%) joint venture interest in Cook RJCP Joint Venture, the principal activity of which is to provide delivery of services under the Remote Jobs and Communities Program in the Cooktown region. Cook RJCP Joint Venture's principal place of business is C/- My Pathways, 84-88 Cook St, Cairns, Queensland. In accordance with ownership interests Council holds 25% voting rights in the joint venture.

Council has determined that this joint arrangement is a joint venture under AASB 11 *Joint Arrangements* and accounts for this investment using the equity method. Under the equity method the investment is initially recognised at cost and is adjusted each year to recognise Council's share of profit or loss. Council's share of movements in other comprehensive income of the venture are recognised in other comprehensive income. Distributions received are recognised as a reduction in the carrying amount of the investment.

Cook RJCP Joint Venture is a consortium of 4 organisations whose aim is to provide employment opportunities for indigenous people. There is no contractual or other arrangement, or circumstances which indicate that council, or any of the joint venturers, have rights to the assets or obligations for the liabilities of the joint venture.

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

22 Joint venture (continued)

The following information has been extracted from Cook RJCP Joint Venture draft financial statements. Council has only been provided with a profit and loss statement, and does not know what the Balance Sheet items of the Joint Venture are.

	2020	2019
	\$	\$
Revenue	6,161,465	5,744,158
Expenses	(4,565,649)	(4,623,336)
Profit or loss from continuing operations	1,595,816	1,120,822
Post-tax profit or loss from discontinued operations	-	-
Profit (loss) for the year	1,595,816	1,120,822
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,595,816</u>	<u>1,120,822</u>

The above profit (loss) for the year includes:

Legacy Activities & Corporate Service Fee		746,455
Payroll expenses	1,467,572	2,480,552

The movement in the carrying amount of the Council's investment in the joint venture is as follows:

Carrying amount at the beginning of the financial year	320,572	40,367
Share of profit (loss)	300,000	280,205
Distributions received	(150,000)	-
Carrying amount at the end of financial year	<u>470,572</u>	<u>320,572</u>

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

	Note		
Net result		2,918,841	1,385,143
Non-cash items:			
Depreciation and amortisation	12	1,565,142	1,493,947
Revaluation adjustments in P&L	8, 12	29,306	-
Impairment of receivables		-	(8,158)
Gain/loss on revaluation of finance leases	14	(195,565)	(422,088)
Asset acquired for nil consideration	12	-	(18,000)
		<u>1,398,883</u>	<u>1,045,701</u>
Investing and development activities:			
Gain on disposal of non-current assets	5	(34,224)	(78,949)
Loss on disposal of non-current assets		-	2,706,662
Capital grants and contributions		(5,102,722)	(6,123,241)
Profit retained in joint venture (net of distributions received)	22	(150,000)	(280,205)
Insurance proceeds relating to PPE		-	(503,387)
		<u>(5,286,946)</u>	<u>(4,279,120)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		(26,105)	641,942
(Increase)/ decrease in contract assets		(919,121)	-
(Increase)/decrease in inventory		133,207	(184,282)
Increase/(decrease) in payables		828,655	790,644
Increase/(decrease) in contract liabilities		1,118,641	-
Increase/(decrease) in provisions		67,528	(15,382)
		<u>1,202,806</u>	<u>1,232,922</u>
Net cash inflow from operating activities		<u>233,584</u>	<u>(615,354)</u>

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

24 Changes in accounting policy

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

All adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

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

Revenue standards - AASB 15 and AASB 1058

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

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

Opening contract balances on transition at 1 July 2019

	Balance at 1 July 2019
Contract assets	
- Under AASB 15	-
- Under AASB 1058	149,820
Total contract assets	<u>149,820</u>
Contract liabilities	
- Under AASB 15	-
- Under AASB 1058	3,481,089
Total contract liabilities	<u>3,481,089</u>

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

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

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Contract assets	1,068,941	1,068,941	-
Contract liabilities	(4,599,730)	(4,599,730)	-
Retained surplus	<u>(37,945,417)</u>	<u>3,530,789</u>	<u>(41,476,206)</u>
	<u>(41,476,206)</u>	<u>-</u>	<u>(41,476,206)</u>

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

24 Changes in accounting policy (Continued)

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Grants, subsidies, contributions and donations - capital	5,001,410	101,312	5,102,722
	<u>5,001,410</u>	<u>101,312</u>	<u>5,102,722</u>

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

Statement of cash flows for the year ended 30 June 2020

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

Lease standard - AASB 16

Council as a lessee

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

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

- Contracts which had been previously assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjusted by any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Impact of adopting AASB 16 at 1 July 2019

Changes to recognition, measurement and disclosure requirements have been identified. However, based on the nature of leases that were in effect at the date of transition, Council was not required to recognise an adjustment to opening retained surplus as a result of applying this standard for the first time.

25 Events after the reporting period

There were no material adjusting events after balance date

Wujal Wujal Aboriginal Shire Council

Notes to the Financial Statements

For the year ended 30 June 2020

26 Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic and found there were no material implications for the financial year ending 30 June 2020.

From 25 March to 3 July 2020, Wujal Wujal was part of the Cape York restricted area controlled with police checkpoints. During this time Council operations continued as normal except Indigenous Knowledge Centre was closed under State Government directive as non-essential service. During the lockdown there was another road check point at Mt Louis Station between Ayton and Rossville which was maintained by Council (along with QLD Police Services) at an expense of \$24,183.81. The pandemic affected & delayed some of Council's major capital projects as there were difficulties in getting plant equipment onsite and in having contractors access the region due to the state border restrictions. To mitigate the effects of the pandemic on the community, Council received a total funding of \$58,612.94 for the Aged Care & Arts Centre in 2019-2020 and received a funding of \$535,000 for 2020-21 COVID Works for Queensland subsequent to balance date. Council are expecting to receive a further \$535,000 in relation to this project in 2020-2021.

27 Going Concern

At 30 June 2020, council has a net current liability position of \$1,668,157 (2019: net current asset of \$4,083,934), and incurred an operating loss of \$2,283,051 in the 2020 financial year (2019: an operating loss \$2,686,324).

Council's net current liability position at 30 June 2020 is due to a net contract liability of \$4,599,730 arising from adopting new accounting standards for revenue recognition (AASB 15 and AASB 1058).

Despite the above net current liability position and operating losses, council has prepared the financial statement on a going concern basis for the following reasons:

- Council's primary sources of income, being grant funding, and construction and recoverable works, are expected to continue into the future
- Council has also ceased costly services of external project managers replaced by internal council staff providing considerable savings
- Since October 2019, council now actively manages and has substantially reduced outstanding debts
- Council have reviewed fees and charges as part of the 2021FY budget (approved July 2020) and the margins on BAS works and have increased both of these to be more in line with other indigenous councils
- The finance team have re-established relationship with funding bodies and government departments and now focus on progressively invoicing funding bodies as work is performed on projects
- Under the new senior management, council has exercised stricter control over procurement, is focusing on value for money and the reduction of discretionary spending and recurring operational costs

These measures will enable council to increase future revenue and reduce future spending and over time improve council's financial position.

Wujal Wujal Aboriginal Shire Council

Financial statements

For the year ended 30 June 2020

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

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 32, 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
Bradley Creek

Date: 28 / 10 / 2020



Chief Executive Officer
Stephen Wilton

Date: 28 / 10 / 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Wujal Wujal Aboriginal Shire Council

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

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

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

Material uncertainty related to going concern

I draw attention to Note 27 to the financial report, which indicates that the council's total current liabilities exceeded its total current assets by \$1,668,157 (2019: Net current asset of \$4,083,934) at 30 June 2020, and it incurred a net operating loss of \$2,283,051 for the year then ended (2019: operating loss of \$2,686,324).

As stated in Note 27, these circumstances indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern. 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 Wujal Wujal Aboriginal Shire Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

The councillors are also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations 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 2020:

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



Sri Narasimhan
as delegate of the Auditor-General

29 October 2020

Queensland Audit Office
Brisbane

Wujal Wujal Aboriginal Shire Council
Current-year Financial Sustainability Statement
 For the year ended 30 June 2020

Measures of Financial Sustainability

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

	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-35%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	40%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	30%	not greater than 60%

Note 1 - Basis of Preparation

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

Certificate of Accuracy
For the year ended 30 June 2020

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

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



Mayor
Bradley Creek

Date: 28 / 10 / 2020



Chief Executive Officer
Stephen Wilton

Date: 28 / 10 / 2020

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Wujal Wujal Aboriginal Shire Council

Report on the current year financial sustainability statement

Opinion

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

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

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

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

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



29 October 2020

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

**Wujal Wujal Aboriginal Shire Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020**

Measures of Financial Sustainability

Measure	Target	Actuals at	30 June								
		30 June	2021	2022	2023	2024	2025	2026	2027	2028	2029
Operating surplus ratio	Between 0% and 10%	-35%	-19%	-20%	-22%	-22%	-23%	-23%	-23%	-24%	-25%
Asset sustainability ratio	greater than 90%	40%	96%	97%	111%	106%	106%	106%	111%	95%	116%
Net financial liabilities ratio	not greater than 60%	30%	-19%	-21%	-23%	-25%	-26%	-28%	-30%	-31%	-33%

Net result divided by total operating revenue
 Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.
 Total liabilities less current assets divided by total operating revenue

Wujal Wujal Aboriginal Shire Council's Financial Management Strategy

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

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2020

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

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



Mayor
Bradley Creek
Date: 28 / 10 / 2020



Chief Executive Officer
Stephen Wilton
Date: 28 / 10 / 2020