

**Palm Island Aboriginal Shire Council
Financial Statements
For the year ended 30 June 2023**

Palm Island Aboriginal Shire Council

FINANCIAL REPORT

For the Year Ended 30 June 2023

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Statement of Comprehensive Income
For the Year Ended 30 June 2023

	Note	2023 \$	2022 \$
Income			
Recurrent revenue			
Fees and charges	3(a)	1,023,076	978,282
Rental income	3(b)	1,084,061	692,899
Interest received		8,661	166
Sales revenue	3(c)	7,838,827	1,147,918
Other income	3(d)	13,066,492	822,666
Grants, subsidies and donations	4(a)	13,382,977	8,716,514
Total recurrent revenue		36,404,094	12,358,445
Capital revenue			
Grants, subsidies and donations	4(b), 4(c)	18,455,098	6,087,421
Total capital revenue		18,455,098	6,087,421
Total income		54,859,192	18,445,866
Expenses			
Recurrent expenses			
Employee benefits	5	8,091,589	6,449,441
Materials and services	6	7,818,327	6,532,149
Finance costs	7	5,394	1,051,373
Depreciation and amortisation:			
Property, plant and equipment	12	7,043,012	6,389,713
ROAU Depreciation Expense		-	2,301
Total recurrent expenses		22,958,323	20,424,977
Capital expenses	8	-	1,539,894
Total expenses		22,958,323	21,964,871
Net result		31,900,869	(3,519,005)
Other comprehensive income			
Items that will not be reclassified to net result			
Increase (Decrease) in asset revaluation surplus	16	13,722,758	13,014,477
Total other comprehensive income for the year		13,722,758	13,014,477
Total comprehensive income for the year		45,623,627	9,495,472

Statement of Financial Position
as at 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	9	14,231,647	10,886,838
Receivables	10	6,554,838	1,569,070
Lease receivables	11(a)	1,592,982	1,482,917
Prepayments		72,635	73,982
Deposits on Plant & Equipment		693,352	-
Total current assets		23,145,455	14,012,807
Non-current assets			
Lease receivables	11(a)	52,683,794	42,499,288
Property, plant and equipment	12	200,054,612	173,730,464
Right of Use Asset		39,124	39,124
Total non-current assets		252,777,530	216,268,876
Total assets		275,922,984	230,281,684
Liabilities			
Current liabilities			
Payables	14	2,118,682	1,971,672
Provisions	15	833,979	682,198
Contract liabilities	13	6,149,626	6,445,701
Total current liabilities		9,102,287	9,099,571
Non current liabilities			
Provisions	15	59,018	44,061
Non Current Lease Liab		17,180	17,180
Total non-current liabilities		76,198	61,241
Total liabilities		9,178,486	9,160,812
Net community assets		266,744,499	221,120,873
Community equity			
Retained surplus		191,936,582	160,035,713
Asset revaluation surplus	16	74,807,918	61,085,160
Total community equity		266,744,499	221,120,873

Statement of Changes in Equity
For the Year Ended 30 June 2023

	Note	Retained surplus \$	Asset revaluation surplus \$	Total \$
Year ended 30 June 2023				
Balance as at 1 July 2022		160,455,083	61,085,160	221,540,243
Adjustment to Retained Earnings	25	(419,370)	-	(419,370)
Restated balance as at 30 June 2022		160,035,713	61,085,160	221,120,873
Net result		31,900,869	-	31,900,869
Increase/(decrease) in asset revaluation surplus	16		13,722,758	13,722,758
Total Comprehensive Income for the year		31,900,869	13,722,758	45,623,627
Balance as at 30 June 2023		191,936,582	74,807,917	266,744,499
Year ended 30 June 2022				
Balance as at 1 July 2021		163,922,453	48,070,683	211,993,136
Adjustment to Retained Earnings	25	51,636	-	51,636
Restated balance as at 30 June 2021		163,974,089	48,070,683	212,044,772
Net result		(3,519,005)	-	(3,519,005)
Increase/(decrease) in asset revaluation surplus	16		13,014,477	13,014,477
Total Comprehensive Income for the year		(3,519,005)	13,014,477	9,495,472
Balance as at 30 June 2022		160,455,083	61,085,160	221,540,243

Statement of Cash Flows
For the Year Ended 30 June 2023

		2023	2022
	Note	\$	\$
Cash flows from operating activities			
Receipts from customers		6,161,623	3,109,788
Payments to suppliers and employees		(16,468,029)	(13,542,075)
		(10,306,407)	(10,432,287)
Interest received		8,661	166
Recurrent grants and contributions		12,924,974	8,716,514
Finance charges		(5,394)	(5,326)
Net cash inflow (outflow) from operating activities	19	2,621,835	(1,720,932)
Cash flows from investing activities:			
Payments for property, plant and equipment		(15,392,335)	(3,488,383)
Proceeds from sale of property, plant and equipment		6,402	812,321
Capital grants and contributions		14,625,991	4,864,167
Finance lease receipts		1,482,917	1,395,645
Net cash inflow (outflow) from investing activities		722,975	3,583,750
Net increase in cash and cash equivalent held		3,344,810	1,862,818
Cash and cash equivalents at beginning of financial year		10,886,838	9,024,022
Cash and cash equivalents at end of financial year	9	14,231,648	10,886,839

Notes to the Financial Statements
For the Year Ended 30 June 2023

1 Information about these financial statements

1.A Basis of Preparation

The Palm Island 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 2022 to 30 June 2023. They are prepared in accordance with the *Local Government Act 2009* and the *Local Government Regulation 2012*

Council is a not-for-profit entity for financial reporting purposes and these financial statements comply with Australian Accounting Standards and Interpretations as applicable to not-for-profit entities.

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

1.B Basis of Consolidation

Council and its controlled entities together form the consolidated entity, the financial results, assets, and liabilities of these entities have been consolidated into these financial statements. Information about these entities is outlined in Note 25.

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

Palm Island Aboriginal Shire Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2022. None of these standards had a material impact on the reported position, performance and cash flows.

1.D Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2023, these standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a material impact for council then further information has been provided in this note.

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:

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

Provisions - Note 15

Valuation of finance leases - Note 11

Revenue recognition - Note 3

Contract liabilities - Note 14

1.F Financial Assets and Financial Liabilities

Council recognises a financial asset or a financial liability in the Statement of Financial Position when Council becomes a party to the contractual provisions of the instrument. Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial Assets

Cash and cash equivalents measured at amortised cost - Note 9

Receivables measured at amortised cost - Note 10

Lease receivables measured at fair value - Note 11

Financial Liabilities

Payables measured at amortised cost - Note 14

1.G Rounding and Comparatives

The financial statements are in Australian dollars and have been rounded to the nearest dollar.

Comparative information is generally restated where necessary to be consistent with the disclosures in the current reporting period.

1.H Volunteer Services

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

1.I Taxation

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

Notes to the Financial Statements
For the Year Ended 30 June 2023

Note 2 Analysis of results by function

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

(a) For the year ended 30 June 2023

Functions	Gross program income				Total Income (A+B+C+D)	Gross program expenses		Total expenses (F+G)	Net result from recurring Operations (A+B-F)	Net result (Totals)	Assets
	Recurring		Capital			Recurring (F)	Capital (G)				
	Grants (A)	Other (B)	Grants (C)	Other (D)							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
	13,382,977	23,021,117	18,455,098		54,859,192	22,958,323	-	22,958,323	13,445,771	31,900,869	275,922,984
Administration, Governance and Finance	802,979	1,381,267	1,107,306	-	3,291,552	1,377,499	-	1,377,499	806,746	1,914,052	16,555,379
	1,873,617	3,222,956	2,583,714	-	7,680,287	3,214,165	-	3,214,165	1,882,408	4,466,122	38,629,218
	3,211,914	5,525,068	4,429,224	-	13,166,206	5,509,997	-	5,509,997	3,226,985	7,656,209	66,221,516
Assets, Civil, Open Spaces and Facilities	6,022,340	10,359,503	8,304,794	-	24,686,636	10,331,245	-	10,331,245	6,050,597	14,355,391	124,165,343
Environmental Services	133,830	230,211	184,551	-	548,592	229,583	-	229,583	134,458	319,009	2,759,230
Sandy Boyd and Aged Care	1,070,638	1,841,689	1,476,408	-	4,388,735	1,836,666	-	1,836,666	1,075,662	2,552,070	22,073,839
Enterprises	267,660	460,422	369,102	-	1,097,184	459,166	-	459,166	268,915	638,017	5,518,460
Total Council	13,382,977	23,021,117	18,455,098	-	54,859,192	22,958,323	-	22,958,323	13,445,771	31,900,869	275,922,984

(b) For the year ended 30 June 2022

Functions	Gross program income				Total Income (A+B+C+D)	Gross program expenses		Total expenses (F+G)	Net result from recurring Operations (A+B-F)	Net result (Totals)	Assets
	Recurring		Capital			Recurring (F)	Capital (G)				
	Grants (A)	Other (B)	Grants (C)	Other (D)							
	\$	\$	\$	\$							
Administration, Governance and Finance	8,716,514	3,641,931	6,087,421	-	18,445,866	20,424,977	1,539,894	21,964,871	(8,066,532)	(3,519,005)	230,366,385
	522,991	218,516	365,245	-	1,106,752	1,225,499	92,394	1,317,892	(483,992)	(211,140)	13,821,983
	1,220,312	509,870	852,239	-	2,582,421	2,859,497	215,585	3,075,082	(1,129,314)	(492,661)	32,251,294
	2,091,964	874,063	1,460,981	-	4,427,008	4,901,993	369,575	5,271,569	(1,935,968)	(844,561)	55,287,932
Assets, Civil, Open Spaces and Facilities	3,922,431	1,638,869	2,739,340	-	8,300,640	9,191,240	692,951	9,884,192	(3,629,939)	(1,583,553)	103,664,873
Environmental Services	87,165	36,419	60,874	-	184,459	204,250	15,399	219,649	(80,665)	(35,190)	2,303,664
Sandy Boyd and Aged Care	697,321	291,354	486,994	-	1,475,669	1,633,998	123,192	1,757,190	(645,323)	(281,520)	18,429,311
Enterprises	174,330	72,839	121,748	-	368,917	408,500	30,798	439,297	(161,331)	(70,380)	4,607,328
Total Council	8,716,514	3,641,931	6,087,421	-	18,445,866	20,424,977	1,539,894	21,964,871	(8,066,532)	(3,519,005)	230,366,385

**Notes to the Financial Statements
For the Year Ended 30 June 2023**

2(c)

Analysis of results by function (continued)

The objectives of each Council function as reported in Notes 2(a) and 2(b) are as follows:

Governance

The objective of corporate governance is to provide structure and leadership to Council's operations. The function includes the office of the CEO and Councillors. Its goal is to deliver strategic decisions, policy development and the strategic planning documents for Council.

Administration

The objective of corporate services is to provide governance and administration support to the Council's operations. The function includes risk management, information technology, records and administration. The goal of this function is to provide internal services to the organisation to support the delivery of external services.

Financial

The objective of financial services is to provide financial administration support to the Council's operations. The function includes cash management, creditors, debtors and internal costing administration. The goal of this function is to provide internal services to the organisation to support the delivery of external services.

Assets, Civil, Open Spaces and Facilities

The objective of works and facilities is to provide direct services to the community in the area of roads, drainage and water. The goal of this function is to provide quality services that meet the community expectations and guideline requirements.

Environmental Services

The objective of environment services is to provide direct services to the community in the area of wastewater and waste. The goal of this function is to provide quality services that meet the community expectations and environmental legislation requirements.

Sandy Boyd and Aged Care

The objective of Sandy Boyd and Aged Care is to provide direct services to the aged and infirm members of the community. The goal of this function is to provide quality services that meet the community expectations, the service agreement and the licensing conditions.

Enterprises

The objective of enterprise is to provide direct services to the community where there has been market failure. The enterprises include the motel and a concrete batching plant. The goal of this function is to provide quality commercial services that meet the community expectations and have the potential to provide an income stream to Council.

Notes to the Financial Statements
For the Year Ended 30 June 2023

	2023	2022
	\$	\$

3 Revenue

(a) Fees and charges

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

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

Rates & Utility Charges	639,256	732,491
Landing fees - Airport	115,337	116,362
Landing fees - Jetty	159,715	93,138
Other fees and charges	63,191	36,291
Service charges	45,578	-
Total fees and charges	1,023,076	978,282

(b) Rental income

Rental revenue is recognised as income on a periodic straight line basis over the lease term.

Houses	35,294	7,609
Accommodation	158,114	117,854
Lease income	890,653	567,436
Total rental income	1,084,061	692,899

(c) Sales revenue

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

Revenue from 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.

Notes to the Financial Statements
For the Year Ended 30 June 2023

	2023 \$	2022 \$
(c) Sales revenue (cont.)		
Rendering of services & Sale of goods		
Contracts revenue	871,468	95,765
Equipment and labour hire	1,227,480	246,063
Motel income	812,006	378,076
Sundry sales	292,244	57,860
Gravel/Cement Sales	4,568,636	370,154
Diesel & petrol sales	66,993	-
Total sales revenue	7,838,827	1,014,292
(d) Other income		
Other Income	1,291,263	442,022
Gain on revaluation of finance leases	11,777,488	122,133
Gain on sale of assets	6,402	258,511
Total other income	13,075,153	822,666
4 Grants, subsidies and donations		
Grants and subsidies are to be classified as recurrent or capital depending on the purpose for which they were received and not on the purpose for which they were spent. General purpose grants and subsidies are all classified as recurrent regardless of how they are spent.		
(a) Recurrent Grants		
State subsidies and grants	4,711,853	5,026,312
Commonwealth subsidies and grants	8,671,123	3,690,202
Total recurrent grants	13,382,977	8,716,514
(b) Capital Grants		
State subsidies and grants	18,144,972	5,026,312
Commonwealth subsidies and grants	310,126	3,690,202
Total capital grants	18,455,098	8,685,196
(c) Assets Donated		
Leased houses relinquished	-	-
Total assets donated	-	-
Total grants, subsidies and donations	31,838,075	8,685,196
Timing of revenue recognition for grants		
Recognised over time	18,455,098	6,087,421
Recognised at a point in time	13,382,977	8,685,196
	31,838,075	14,772,617

Notes to the Financial Statements
For the Year Ended 30 June 2023

4 Grants, subsidies and donations (cont.)

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 vary in each 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 are recognised at the assets' fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard

Once the assets and liabilities have been recognised, 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 are 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.

	2023 \$	2022 \$
5 Employee benefits		
Staff wages and salaries	6,164,116	4,354,846
Councillors' remuneration	283,382	278,943
Termination benefits	-	120,309
Superannuation	713,246	542,140
Annual, sick and long service leave entitlements	604,663	604,878
	<u>7,765,407</u>	<u>5,901,116</u>
Correction Pay Sandy Boyd	-	203,235
Other employee related expenses	326,182	345,090
Total employee benefits	<u>8,091,589</u>	<u>6,449,441</u>

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

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

Total Council employees at the reporting date

	Number	Number
Councillors	5	5
Council staff - Full time	91	59
Total full time equivalent employees	<u>96</u>	<u>64</u>

Notes to the Financial Statements
For the Year Ended 30 June 2023

		2023	2022
		\$	\$
6 Materials, Contracts and Services			
Expenses are recorded on an accruals basis as Council receives the goods and services			
Administration and Operational expenses		2,422,731	2,567,841
Audit fees - external*		164,902	78,845
Audit fees - internal		-	35,692
Consultancies/professional fees/contractors		744,370	1,148,041
Cost of goods sold		2,406,884	543,466
Assets expensed		208,621	130,033
Freight		615,726	159,666
Motor vehicle costs		323,016	106,944
Repairs and maintenance		927,216	380,019
		-	-
Return of unused grants/ineligible costs to Funding bodies		4,862	1,381,601
Total materials, Contracts and Services		7,818,327	6,532,149
* Total audit fees quoted by the Queensland Audit Office relating to the 2022-23 financial statements are \$197,870			
7 Finance costs			
Bank charges		5,394	5,326
Receivables impairment Increase/decrease	10	-	1,046,047
Total finance costs		5,394	1,051,373
8 Capital expenses			
(a) Loss on disposal of non current assets			
Written down value of assets disposed of		-	197,406
Proceeds from disposals		-	-
Total loss on disposal of non current assets		-	197,406
(b) Revaluation decrement on property, plant and equipment			
Roads, Drainage and Bridge Network		-	1,342,489
Total revaluation decrement on property, plant and equipment		-	1,342,489
Total capital expenses	8	-	1,539,895
9 Cash and cash equivalents			
Cash at bank and on hand		14,221,647	10,876,838
Term deposits		10,000	10,000
Balance as per statement of cash flows		14,231,647	10,886,838

Notes to the Financial Statements
For the Year Ended 30 June 2023

	2023 \$	2022 \$
9 Cash and cash equivalents (cont.)		
Council's cash and cash equivalents are subject to a number of external restrictions that limit amounts available for discretionary and future use. These represent unspent government grants and subsidies.		
Cash and cash equivalents	14,231,647	10,886,838
Less: Externally imposed restrictions	(6,149,626)	(6,111,032)
Unrestricted cash	8,082,021	4,775,807

Cash and term deposits at call are held in the Commonwealth Bank in normal term deposits and business cheque accounts.

Cash and cash equivalents in the statement of cash flows includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The fair value of cash and cash equivalents approximate their carrying amounts.

10 Receivables		
Receivables	6,992,891	2,869,111
Less: Impairment	(1,067,725)	(1,177,005)
	5,925,166	1,692,106
GST Receivable / (Payable)	610,158	(38,334)
Fringe Benefit Tax paid in advance	19,514	-
Total Receivables	6,554,838	1,653,772

Movement in accumulated impairment losses is as follows:

Opening balance at 1 July	(1,177,005)	(562,472)
Debts written off	-	431,513
Impairment losses reduced	109,280	-
Impairment losses increased		(1,046,047)
Closing Balance at 30 June 2022	(1,067,725)	(1,177,005)

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

The fair value of receivables approximates the amortised cost less any impairment.

Debts are regularly assessed for collectability and allowance is made, where appropriate, for impairment. If an amount is recovered in a subsequent period it is recognised as revenue. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

11 Other Financial Assets

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.

Notes to the Financial Statements

11

Leases (cont.)

Council has leased a total of 434 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year ranged from \$3,149 to \$3,602. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (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. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains or losses on revaluation of finance lease assets are recognised as other income or other expenses. The calculation of fair value has included an estimate of average annual CPI increases of 4.20% and a discount rate of 4.55%.

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

	2023 \$	2022 \$
(a) Social Housing Lease Receivables		
Current	1,592,982	1,482,917
Non Current	52,683,794	42,499,288
Totalsocial housing lease receivables	54,276,776	43,982,205
(b) A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:		
Gross minimum lease payments due:		
Not later than one year	1,592,982	1,482,917
Later than one year but not later than five years	6,371,934	6,581,207
Later than five years	40,116,291	38,170,942
	48,081,207	46,235,065
Add: Estimated contingent rent	67,075,983	45,995,787
Less: Present value adjustment	(60,880,416)	(48,248,647)
Fair value of lease payments	54,276,774	43,982,205
(c) The fair value of lease payments are receivable as follows:		
(i) Not later than one year	1,592,982	1,482,917
(ii) Not later than five years	6,502,815	5,882,472
(iii) Later than five years	46,180,979	36,616,816
	54,276,776	43,982,205
Movements in finance leases were as follows:		
Opening balance	43,982,205	45,255,718
Less: lease surrendered/adjustments	-	-
Less: receipts	(1,482,917)	(1,395,645)
Gain (loss) on revaluation	11,777,488	122,133
Closing balance	54,276,776	43,982,204

Notes to the Financial Statements
For the Year Ended 30 June 2023

Note: 12 (a)

Property, plant and equipment
30 June 2023

Basis of measurement

Fair value category

		Land and Improvements	Buildings	Houses	Motor Vehicles	Other plant and equipment	Office equipment	Roads, Drainage and Bridge Network	Water	Sewerage	Other Infrastructure assets	Work in progress	Total
Note	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2	Level 2 & 3	Level 3					Level 3	Level 3	Level 3	Level 3		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value at 1 July 2022	-	62,917,634	10,691,649	706,966	3,840,606	270,018		32,942,700	77,843,557	26,973,019	45,864,028	1,105,055	263,155,231
Revaluation adjustment to asset revaluation surplus	16	3,535,734	-	-	-	-	-	2,568,191	7,246,871	2,105,522	4,229,356	-	19,685,676
Revaluation adjustment to expenses	8	-	-	-	-	-	-	-	-	-	-	-	-
Additions (includes donations)	-	2,503,427	857,459	338,332	1,677,794	-	-	2,705,865	97,270	12,938	2,991,535	8,434,027	19,618,646
Disposals	8	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes - from wip	-	36,681	-	-	-	-	-	251,929	-	-	282,426	(571,036)	-
Closing gross value at 30 June 2023	-	68,993,475	11,549,108	1,045,298	5,518,400	270,018		38,468,684	85,187,699	29,091,479	53,367,346	8,968,046	302,459,553
Accumulated Depreciation and Impairment													
Opening balance at 1 July 2022	-	28,044,203	3,946,531	510,038	2,899,432	253,063		11,430,331	18,661,990	11,566,316	12,112,862	-	89,424,767
Revaluation adjustment to asset revaluation surplus	16	1,516,191	-	-	-	-	-	809,670	1,598,533	786,465	1,226,304	-	5,937,162
Revaluation adjustment to expenses	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	-	2,088,445	172,165	82,760	218,312	2,901		1,112,678	1,156,526	682,881	1,526,344	-	7,043,012
Valuation of donated assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	8	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 30 June 2023	-	31,648,838	4,118,696	592,798	3,117,744	255,964		13,352,679	21,417,049	13,035,662	14,865,510	-	102,404,941
Carrying amount as at 30 June 2023	-	37,344,637	7,430,412	452,500	2,400,657	14,054		25,116,005	63,770,649	16,055,816	38,501,836	8,968,046	200,054,612
Range of estimated useful life in years													
		20-60	20-40	5-20	2-20	5-15		5-100	25-50	25-50	5 - 150	n/a	
Additions comprise:													
	\$	\$	\$	\$	\$	\$		\$	\$	\$	\$	\$	\$
Other Additions	-	2,503,427	857,459	338,332	1,677,794	-		-	97,270	12,938	2,991,535	8,434,027	16,912,781
Renewals	-	-	-	-	-	-		2,705,865	-	-	-	-	2,705,865
Total Additions	-	2,503,427	857,459	338,332	1,677,794	-		2,705,865	97,270	12,938	2,991,535	8,434,027	19,618,646

Notes to the Financial Statements

For the Year Ended 30 June 2022

Note: 12 (b)

Property, plant and equipment
30 June 2022

Basis of measurement

Fair value category

		Land	Buildings	Houses	Motor Vehicles	Other plant and equipment	Office equipment	Roads, Drainage and Bridge Network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Note		Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
		Level 2	Level 2 & 3	Level 3				Level 3	Level 3	Level 3	Level 3		
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value at 1 July 2021		210,000	56,806,139	10,691,649	664,425	3,720,253	270,018	30,895,428	71,880,711	24,372,913	40,752,054	1,240,495	241,504,085
Revaluation adjustment to asset revaluation surplus	17		6,745,098	-	-	-	-	-	5,926,931	2,558,721	3,813,718	-	19,044,468
Revaluation adjustment to expenses	8	-	-	-	-	-	-	729,447	-	-	-	-	729,447
Additions (includes donations)		-	1,213	-	84,359	582,307	-	954,099	35,915	41,385	333,876	1,455,225	3,488,380
Disposals	8	(210,000)	(634,817)	-	(41,818)	(461,955)	-	(262,559)	-	-	-	-	(1,611,149)
Transfers between classes								626,285			964,381	(1,590,665)	-
Closing gross value at 30 June 2022		-	62,917,634	10,691,649	706,966	3,840,606	270,018	32,942,700	77,843,557	26,973,019	45,864,028	1,105,055	263,155,231
Accumulated Depreciation and Impairment													
Opening balance at 1 July 2021		-	23,678,348	3,774,366	487,943	3,052,333	250,162	8,417,748	16,415,526	9,868,404	9,889,383	-	75,834,213
Revaluation adjustment to asset revaluation surplus	17	-	2,803,951	-	-	-	-	-	1,186,514	1,064,400	933,973	-	5,988,838
Revaluation adjustment to expenses								2,071,936					2,071,936
Depreciation provided in period		-	1,924,895	172,165	63,913	245,335	2,901	997,535	1,059,951	633,512	1,289,507	-	6,389,713
Valuation of donated assets		-	-	-	-	-	-	-	-	-	-	-	-
Disposals	8	-	(362,991)	-	(41,818)	(398,236)	-	(56,888)	-	-	-	-	(859,933)
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 30 June 2022		-	28,044,203	3,946,531	510,038	2,899,432	253,063	11,430,331	18,661,990	11,566,316	12,112,862	-	89,424,767
Carrying amount as at 30 June 2022		-	34,873,431	6,745,118	196,928	941,174	16,955	21,512,369	59,181,567	15,406,703	33,751,166	1,105,055	173,730,464
Range of estimated useful life in years													
		20-60	20-40	5-20	2-20	5-15	5-100	25-50	25-50	5 - 150	n/a		
Additions comprise:													
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other Additions		-	1,213	-	84,359	582,307	-	-	35,915	41,385	333,876	1,455,225	2,534,281
Renewals		-	-	-	-	-	-	954,099	-	-	-	-	954,099
Total Additions		-	1,213	-	84,359	582,307	-	954,099	35,915	41,385	333,876	1,455,225	3,488,380

Notes to the Financial Statements
For the Year Ended 30 June 2023

12(c) Property, plant and equipment

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. It comprises an area of approximately 7092 hectares. The land is administered by the Department of Resources and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

(i) Recognition

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

Individual assets valued below the asset recognition threshold are recognised as an asset if connected to a larger network.

Land under roads and reserve land under the Land Act 1994 or Land Title Act 1994 is controlled by the Queensland State Government and not recognised in the Council financial statements.

(ii) 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 impairment loss.

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

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

(iii) Depreciation

Assets are depreciated from the date of acquisition or when an asset is ready for use. Land, work in progress and road formation is not depreciated.

Where assets have separately identifiable significant components, these components have separately assigned useful lives.

Depreciation methods and estimated useful lives 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.

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

Key judgements and estimates:

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

(iv) Impairment

Property, plant and equipment held at cost is assessed for indicators of impairment annually. If an indicator exists of possible impairment, 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.

(v) Valuation

(a) Valuation Processes

Key judgements and estimates:

Some of Council's assets are measured at fair value for financial reporting purposes. In estimating the fair value the Council uses market observable data to the extent it is available and other inputs as necessary.

Property, plant and equipment measured at fair value is revalued annually, where required, so 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 an external professionally qualified valuer to perform a full comprehensive revaluation every 3 years where practical.

In the intervening years, Council an external professionally qualified valuer 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 and condition rating. The valuer then determines suitable indices which are applied to each class of asset.

(v) Valuation

Revaluation increases are recognised in the asset revaluation surplus unless they are reversing a previous decrease which was taken through the statement of comprehensive income, in that case the increase is taken to the statement of comprehensive to the extent of the previous decrease. Revaluation decreases are recognised in the asset revaluation surplus, where there is sufficient amount available in the asset revaluation surplus relating to that asset class. Where there isn't sufficient amount available in the surplus, the decrease is recognised in the statement of comprehensive income. Where the class of asset has previously decreased in value and this reduction was recognised as an expense, an increase in the value of the class is recognised in the income statement.

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.

Fair values are classified into three levels as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset.

There were no transfers between levels during the year.

(b) Valuation techniques used to derive fair value

Asset Class and FV Category	Valuation Approach	Last Comprehensive Revaluation	Valuer	Key Assumptions
Land (Level 2)	Market Value	30 June 2021	AssetVal	(i)
Buildings (Level 2)	Market Value	30 June 2021	AssetVal	(i)
Buildings (Level 3)	Current Replacement Cost	30 June 2021	AssetVal	(ii)
Houses (Level 3)	Current Replacement Cost	30 June 2018	APV	(iii)
Roads Network (Level 3)	Current Replacement Cost	30 June 2021	AssetVal	(iv)
Water (Level 3)	Current Replacement Cost	30 June 2021	AssetVal	(iv)
Sewerage (Level 3)	Current Replacement Cost	30 June 2021	AssetVal	(iv)
Other Infrastructure (Level 3)	Current Replacement Cost	30 June 2021	AssetVal	(iv)

Notes to the Financial Statements
For the Year Ended 30 June 2023

	2023	2022
	\$	\$
13 Contract Liabilities		
Contract liabilities		
Funds received upfront to construct Council controlled assets	6,149,626	6,445,701
Deposits received in advance of services provided	-	-
Total contract liabilities	6,149,626	6,445,701
Funds to construct Council controlled assets	4,288	6,159,017
	4,288	6,159,017
14 Payables		
Current		
Creditors and accruals	1,797,938	1,801,867
Superannuation	29,610	15,962
Accrued salaries and wages	291,134	153,843
Total payables	2,118,682	1,971,672

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

Notes to the Financial Statements

For the Year Ended 30 June 2023

	2023	2022
	\$	\$
15 Provisions		
Current	833,979	682,198
Non Current	59,018	44,061
	892,997	726,259

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

Long Service Leave - Current	213,003	205,995
Long Service Leave - Non Current	59,018	44,061
Total Long Service Provision	272,022	250,056

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.

Annual leave provision -current	620,976	476,203
--	----------------	----------------

A liability for annual leave and RDO entitlements 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 and includes related employee on costs. As council does not have an unconditional right to defer this liability beyond 12 months it is classified as current.

16 Asset revaluation surplus

The closing balance of the surplus is comprised of the following asset categories:

Land	-	-
Buildings	9,707,617	7,688,073
Houses	29,059,370	29,059,370
Roads, drainage and bridge network	1,758,522	-
Water	25,584,990	19,936,651
Sewerage	2,851,531	1,532,474
Other Infrastructure Assets	5,845,889	2,868,592
Total asset revaluation surplus	74,807,918	61,085,160

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

Notes to the Financial Statements
For the Year Ended 30 June 2023

17 Events after the reporting period

As at the date of this financial report, Council had divested itself of the Sandy Boyd Aged Care Facility, program and funding from the Commonwealth. Residents of the facility at the time of divestation, were relocated to The Good Sheppard Aged Care Facility in Townsville on 29.01.2024.

18 Superannuation

The amount of superannuation contributions paid by Council in this period for the benefit of employees was:

2023	2022
\$	\$
713,246	542,140

Notes to the Financial Statements
For the Year Ended 30 June 2023

19 Reconciliation of net result for the year to net cash flows
from operating activities

	2023	2022
	\$	\$
Net result	31,900,869	(3,519,005)
		-
		-
Non-cash operating items:		
Depreciation and amortisation	7,043,012	6,392,014
(Gain)/Loss on revaluation of finance leases	(11,777,488)	(122,133)
Project charges	(4,142,001)	-
Investing activities:		
Capital grants and contributions	(14,625,991)	(4,940,900)
(Gain)/loss on disposal of non current assets	(6,402)	(61,105)
Revaluation decrement on non current assets	-	1,342,489
Changes in operating assets and liabilities :		
(Increase) decrease in receivables	(5,789,186)	(234,342)
(Increase) decrease in prepayments	1,347	(12,554)
Increase (decrease) in payables	147,011	(651,622)
Increase (decrease) in contract liabilities	(296,075)	(47,985)
Increase (decrease) in employee provisions	166,738	134,211
Net cash inflow / (outflow) from operating activities	2,621,835	(1,720,932)

20 Financial instruments

Council has the following financial assets and liabilities - cash, receivables and payables. These financial instruments expose Council to credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from the council's investments and receivables. Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations.

Liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Council's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

Market risk

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

Notes to the Financial Statements
For the Year Ended 30 June 2023

21 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP are the Mayor, Councillors, and the Chief Executive Officer (CEO). The compensation paid to KMP comprises:

	2023	2022
	\$	\$
Short-term employee benefits	698,301	663,670
Post-employment benefits		112,637
Long-term benefits	1,287	
Termination Benefits		104,501
Total Benefits Payable	699,588	880,808

Detailed remuneration disclosures are provided in the annual report

(b) Transactions with other related parties

Other related parties include entities controlled by council and any associated entities. These entities are the **Land Trust and Palm Island Economic Development Corporation (PIEDC)**. **PIEDC is currently dormant**. Transactions with these related parties are disclosed in Note 23. Other related parties also include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse. Details of transactions between council and these other related parties are disclosed below:

Details of transactions	Notes	2023	2022
		\$	\$
Employee expenses for close family members of KMP		736,805	597,396
Total		736,805	597,396

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

Most of the entities and people that are related parties of council live and operate within the Palm Island Aboriginal Shire Council. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include: rent paid by KMP for community houses and registration fees for animals. Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

Notes to the Financial Statements
For the Year Ended 30 June 2023

22 Contingent Liabilities

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 2023 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

23 Controlled and Associated Entities

Land Trust

Councillors are trustees of the Land Trust. Income for the Trust is generated from leased land and commercial properties. Expenses relate primarily to legal, councillor wages, insurance, repairs and maintenance, and accounting costs. The financial results and assets and liabilities of the Land Trust have been consolidated into these financial statements.

Palm Island Economic Development Corporation Pty Ltd (PIEDC)

PIEDC is a wholly owned subsidiary of Council. The company generates income from a commercial property situated in Townsville.

Expenses relate primarily to professional fees, property management fees, rates and body corporate fees. All expenses are met by Council.

PIEDC was dormant throughout the financial year ended 30/06/2023.

24 Commitments

Council calculated the liability to the Australian Tax Office for Fringe Benefits Tax at 30 June 2022 to be \$149,008. There were sufficient instalments made by Council to the ATO over a period of time to cover the whole of this liability. At 30 June 2023 Council's capital works commitments totalled \$8,968,046.00.

Notes to the Financial Statements
For the Year Ended 30 June 2023

25 Prior period errors
Contract Liabilities

There was an Error in the Contract Liabilities figure carried forward from 2022 - 2023 of \$641,041 for the Works for Queensland 19-21 Project - Jetty Reclamation.

Accommodation fees for Aged Care were incorrectly carried forward as a liability totaling \$(374,139.50)

Grant funding for Peter Gumbellah \$56,889.51, Motel Managers Residence (\$24,164.07) and REPA DRFA Category B \$35,041.01 were adjusted due to incorrect costings

	Previous 30-Jun-22	30/06/2022 Adjustments	Restated 30-Jun-22
Statement of Financial Position	\$	\$	\$
Contract Liabilities	6,111,032	334,669	6,445,701
Receivables	1,653,772	84,702	1,569,070
Retained surplus	160,455,083	419,370	160,035,713
 Statement of Changes in Equity			
Retained surplus	160,455,083	419,370	160,035,713

Palm Island Aboriginal Shire Council

Notes to the Financial Statements
For the Year Ended 30 June 2023

Management Certificate
For the year ended 30 June 2023

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 25, 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

Cr Alf Lacey

Date



24/4/2025

Chief Executive Officer

Michael Bissell

Date



24/4/2025

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Palm Island Aboriginal Shire Council

Report on the audit of the financial report

Qualified Opinion

I have audited the financial report of Palm Island Aboriginal Shire Council.

The financial report comprises the statement of financial position as at 30 June 2023, 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 material accounting policy information and the certificate given by the Mayor and Chief Executive Officer.

In my opinion, except for the effects of the matters described in the *Basis for qualified opinion* section of my report, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2023, 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.

Basis for qualified opinion

Fees and Charges: Landing Fees – Airport and Jetty

Council was unable to provide sufficient and appropriate evidence to demonstrate the completeness of the reported amounts of landing fees for the year ending 30 June 2022 and 30 June 2023. Council has not established effective internal controls and does not obtain sufficiently detailed records to evidence the number of passengers who arrive at the airport or jetty, or the volume of goods transported to Palm Island. Accordingly, as the evidence available to me was limited, my audit procedures were restricted to the amounts recorded in the financial records. Consequently, I am unable to, and do not, express an opinion over landing fees reported in Note 3 (a) Fees and Charges of \$115,337 and \$159,715 (2022: \$116,362 and \$93,138). I was unable to quantify the impact of this matter on the financial report due to an absence of reliable data.

Rental Income: Lease Income

Council was unable to provide sufficient and appropriate evidence to demonstrate that records and lease agreements they held were complete and lease income was accurately calculated for the year ending 30 June 2022 and 30 June 2023. Accordingly, as the evidence available to me was limited, my audit procedures were restricted to the amounts recorded in the financial records. I am therefore unable to, and do not, express an opinion on the completeness and accuracy of lease income reported in Note 3 (b) Rental income as \$890,653 (2022: \$567,436). I was unable to quantify the impact of this matter on the financial report due to an absence of reliable data.

Sales Revenue: Motel Income

Council was unable to provide sufficient and appropriate evidence to demonstrate that records were complete for motel income for the year ending 30 June 2022 and 30 June 2023. Council have not established effective internal controls over the recognition of revenue or retained sufficient records of the number of customers in respect of motel income. I am therefore unable to, and do not, express an opinion on the completeness of motel income reported in Note 3 (c) as \$812,006 (2022: \$378,076). I was unable to quantify the impact of this matter on the financial report due to an absence of reliable data.

Employee Benefits: Staff Wages and Salaries

Council was unable to provide sufficient and appropriate evidence to demonstrate the completeness and accuracy of staff wages and salaries for the year ending 30 June 2022 and 30 June 2023. The results of my audit testing of data entry processes for staff timesheets indicated ineffective controls. Also, in our sample testing, the hours of work recorded on timesheets did not agree to amounts paid to staff; and supporting documentation could not be relied upon to demonstrate the completeness and accuracy of the salaries and wages paid.

I am therefore unable to and do not express an opinion on the completeness and accuracy of staff wages and salaries reported in Note 5 Employee benefits of staff wages and salaries of \$6,164,116 (2022: \$4,354,846). I was unable to quantify the impact of this matter on the financial report due to an absence of reliable data.

Comparatives for Rental Income: Accommodation Income

In 2021–22, Council was unable to provide sufficient and appropriate evidence to demonstrate the basis for the reporting of Accommodation income of \$117,854 for the year ending 30 June 2022 in Note 3 (b) to the financial report. I was unable to, and did not, express an opinion on the completeness of accommodation income reported at that time. Since the completeness of accommodation income affects the determination of the Net Results, I am unable to determine whether adjustments to the net results and opening Retained Surplus might be necessary for 2022–23.

For the year ended 30 June 2023, Council was able to provide sufficient and appropriate evidence to over the completeness of accommodation income of \$158,114 for the year ending 2023 in Note 3 (b) to the financial report.

Comparatives for Service Charges

In 2021–22, Council was unable to provide sufficient and appropriate evidence to demonstrate the basis for the reporting of Service Charges included in Fees and charges of \$595,067 for the year ending 30 June 2022 in Note 3 (a) to the financial report. I was unable to, and did not, express an opinion on the completeness of accommodation income reported at that time. Since the completeness of Service Charges affects the determination of the Net Results, I am unable to determine whether adjustments to the Net Results and opening Retained Surplus might be necessary for 2022–23.

For the year ended 30 June 2023, Council was able to provide sufficient and appropriate audit evidence over the completeness of service charges (reclassified and included in Rates & Utility Charges) of \$639,256 for the year ending 2023 in Note 3 (a) to the financial report.

Comparatives for Correction Pay Sandy Boyd

In 2021–22, Council was unable to provide sufficient and appropriate evidence to demonstrate the basis for the reporting of the Correction Pay Sandy Boyd reported in Employee Benefits of Staff Wages and Salaries of \$203,235 for the year ending 30 June 2022 in Note 5 to the financial report. I was unable to, and did not, express an opinion on the completeness or accuracy of accommodation income reported at that time. Since the completeness of Correction Pay affects the determination of the Net Results, I am unable to determine whether adjustments to the Net Results and opening Retained Surplus might be necessary for 2022–23.

For the year ended 30 June 2023, Council was able to provide sufficient and appropriate evidence over the completeness of the Correction Pay Sandy Boyd of \$0.00 for the year ending 2023 in Note 5 to the financial report.

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 (including Independence Standards)* (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 qualified opinion.

Other information

The councillors are responsible for the other information.

The other information comprises the information included in the entity's annual report for the year ended 30 June 2023, but does not include the financial report and my auditor's report thereon.

At the date of this auditor's report, the available other information in Palm Island Aboriginal Shire Council's annual report for the year ended 30 June 2023 is the current year financial sustainability statement and the long-term financial sustainability statement.

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

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

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have qualified the audit opinion on the current year financial sustainability statement due to the qualifications outlined in this report.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of my auditor's report.

Report on other legal and regulatory requirements

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023, except for the effects of the matters described in the Basis for qualified opinion section of my report:

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

Prescribed requirements scope

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



David Adams
as delegate of the Auditor-General

24 April 2025

Queensland Audit Office
Brisbane

Palm Island Aboriginal Shire Council

Current year Financial Sustainability Statement
For the Year Ended 30 June 2023

Measures of Financial Sustainability	Actual	Target	How the measure is calculated
Council's performance at 30 June 2023 against key financial ratios and targets:			
a) Operating Surplus Ratio	36.93%	Between 0 and 10%	Net result (excluding capital items) divided by total operating revenue (excluding capital items)
b) Asset Sustainability Ratio	40.15%	Greater than 90%	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.
c) Net Financial Liabilities Ratio	-38.37%	Not greater than 60%	Total liabilities less current assets divided by total operating revenue (excluding capital items)

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 2023.

Certificate of Accuracy
For the year ended 30 June 2023

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
Cr Alf Lacey

Date:

24, 6, 2023

Chief Executive Officer
Michael Bissell


Date:

26, 4, 2025

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Palm Island Aboriginal Shire Council

Report on the Current-Year Financial Sustainability Statement

Qualified Opinion

I have audited the accompanying current year financial sustainability statement of Palm Island Aboriginal Shire Council for the year ended 30 June 2023, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, except for the effects of the matter described in the basis for qualified opinion paragraph below, in all material respects, the current year financial sustainability statement of Palm Island Aboriginal Shire Council for the year ended 30 June 2023 has been accurately calculated.

Basis for qualified opinion

I qualified my opinion on the 2022–23 general purpose financial statements of Palm Island Aboriginal Shire Council, as the Council was unable to provide sufficient and appropriate audit evidence on the completeness and accuracy of reported revenues over landing fees, lease income, motel income revenue and reported expenses for salaries and wages.

As revenue impacts on the calculation of the Operating Surplus Ratio and Net Financial Liabilities Ratio, and expenses also impacts the calculation of the Operating Surplus Ratio, I am unable to, and do not, form an opinion on the accuracy of the figures used in the calculation of these ratios; reported at 36.93% and -38.37% respectively.

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 (including independence standards)* (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 qualified 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

The councillors are responsible for the other information.

The other information comprises the information included in the entity's annual report for the year ended 30 June 2023, but does not include the financial sustainability statement and my auditor's report thereon.

At the date of this auditor's report, the available other information in Palm Island Aboriginal Shire Council's annual report for the year ended 30 June 2023 was the general-purpose financial statements and long-term financial sustainability statement.

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

In connection with my audit of the financial sustainability statement, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial sustainability statement 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 qualified the audit opinion on the general-purpose financial report which resulted in the qualifications outlined in this report.

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 councillor's 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.



David Adams
As delegate of the Auditor-General

24 April 2025

Queensland Audit Office
Brisbane

Palm Island Aboriginal Shire Council

Unaudited Long Term Financial Sustainability Statement
Prepared as at 30 June 2023

Measures of Financial Sustainability	Measure	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031	30 June 2032
Operating surplus ratio	Net result divided by total operating revenue	-47.37%	-44.82%	-45.11%	-45.50%	-45.89%	-46.28%	-46.68%	-47.09%	-47.50%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense	187.59%	201.84%	68.79%	133.55%	202.34%	202.34%	68.79%	133.55%	202.34%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	-33.12%	-26.27%	-69.31%	-86.63%	-77.29%	-67.31%	-105.60%	-118.91%	-106.37%

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 2023

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
Cr Alf Lacey

Date: 24/6/2025

Chief Executive Officer
Michael Bissell



Date: 24/6/2025