

**Cherbourg Aboriginal Shire Council
Annual Financial Statements
For the year ended 30 June 2019**

Cherbourg Aboriginal Shire Council

Financial statements

For the year ended 30 June 2019

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Cherbourg Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Income			
Revenue			
Recurrent revenue			
Fees and charges	3(a)	675,312	671,315
Rental income		1,162,486	1,044,971
Interest received		72,893	60,275
Sales revenue	3(b)	3,070,453	1,689,422
Other income		309,873	93,057
Grants, subsidies, contributions and donations	4(a)	3,472,876	3,684,601
		<u>8,763,893</u>	<u>7,243,641</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	6,249,498	4,177,215
Sales revenue	4(c)	4,885,449	4,507,506
Total revenue		<u>19,898,840</u>	<u>15,928,362</u>
Capital income	5	447,024	-
Total income		<u>20,345,864</u>	<u>15,928,362</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(4,945,487)	(4,119,672)
Materials and services	7	(3,718,343)	(2,910,868)
Finance costs		(7,119)	(8,538)
Depreciation and amortisation	11	(2,457,558)	(2,383,065)
Total expenses		<u>(11,128,507)</u>	<u>(9,422,143)</u>
Capital expenses			
Capital expenses	8	(2,325,679)	-
Total expenses		<u>(13,454,186)</u>	<u>(9,422,143)</u>
Net result		<u>6,891,678</u>	<u>6,506,219</u>
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Increase/(decrease) in asset revaluation surplus	14	1,883,673	1,484,108
Total other comprehensive income for the year		<u>1,883,673</u>	<u>1,484,108</u>
Total comprehensive income for the year		<u>8,775,351</u>	<u>7,990,327</u>

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

Cherbourg Aboriginal Shire Council

Statement of Financial Position

as at 30 June 2019

	Note	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	9	12,105,103	6,087,018
Trade and other receivables	10	1,133,819	1,198,321
Inventories		138,646	157,952
Biological assets		346,985	250,776
Total current assets		13,724,553	7,694,067
Non-current assets			
Property, plant and equipment	11	123,779,969	118,466,288
Biological assets		-	111,776
Total non-current assets		123,779,969	118,578,064
Total assets		137,504,522	126,272,131
Current liabilities			
Trade and other payables	12	1,281,484	1,122,592
Provisions	13	257,618	175,265
Total current liabilities		1,539,102	1,297,857
Non-current liabilities			
Trade and other payables	12	600,000	621,818
Provisions	13	2,440,138	138,326
Total non-current liabilities		3,040,138	760,144
Total liabilities		4,579,240	2,058,001
Net community assets		132,925,282	124,214,130
Community equity			
Asset revaluation surplus	14	43,956,605	42,072,932
Retained surplus		88,968,677	82,141,198
Total community equity		132,925,282	124,214,130

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

Cherbourg Aboriginal Shire Council

Statement of Changes in Equity

For the year ended 30 June 2019

	Note	Asset revaluation surplus	Retained Surplus	Total Community Equity
		\$	\$	\$
Balance as at 1 July 2018		42,072,932	82,141,198	124,214,130
Adjusted balance as at 1 July 2018	10		(64,199)	(64,199)
Net operating surplus		-	6,891,678	6,891,678
<i>Other comprehensive income for the year</i>				
Increase in asset revaluation surplus	14	1,883,673	-	1,883,673
Total comprehensive income for the year		1,883,673	6,827,479	8,711,152
Balance as at 30 June 2019		43,956,605	88,968,677	132,925,282
Balance as at 1 July 2017		40,588,824	75,634,979	116,223,803
Net operating surplus		-	6,506,219	6,506,219
<i>Other comprehensive income for the year</i>				
Decrease in asset revaluation surplus	14	1,484,108	-	1,484,108
Total comprehensive income for the year		1,484,108	6,506,219	7,990,327
Balance as at 30 June 2018		42,072,932	82,141,198	124,214,130

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

Cherbourg Aboriginal Shire Council

Statement of Cash Flows

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers		4,019,882	3,034,038
Payments to suppliers and employees		(8,340,258)	(6,696,121)
		(4,320,376)	(3,662,083)
Interest received		72,893	60,275
Rental income		1,162,486	1,044,971
Non capital grants and contributions		3,472,876	3,684,601
Net cash inflow (outflow) from operating activities	18	387,879	1,127,764
Cash flows from investing activities			
Payments for property, plant and equipment		(6,902,940)	(7,648,302)
Grants, subsidies, contributions and donations		6,249,498	4,177,215
Sales Revenue		4,885,449	4,507,506
Proceeds from sale of property, plant and equipment		1,405,318	-
Net cash inflow (outflow) from investing activities		5,637,325	1,036,419
Cash flows from financing activities			
Finance Expenses		(7,119)	(8,538)
Net cash inflow (outflow) from financing activities		(7,119)	(8,538)
Net increase (decrease) in cash held		6,018,085	2,155,645
Cash at beginning of the financial year		6,087,018	3,931,373
Cash at end of the financial year	9	12,105,103	6,087,018

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

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2018 to 30 June 2019 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

The Cherbourg Aboriginal Shire Council is constituted under the Queensland Local Government Act 2009 and is domiciled in Australia.

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 Currency

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

1.D Adoption of new and revised Accounting Standards

This year Council has applied AASB 9 *Financial Instruments* for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

Council has not restated comparative figures as the impact as at 30 June 2018 would not be material.

On 1 July 2018 (the date of initial application), the Council re-assessed the classification, measurement category and carrying amount of each financial instrument listed below. In accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories listed below.

Financial asset/ liability	Measurement category(unchanged)
Cash and Cash equivalents	Amortised cost
Receivables	Amortised cost
Other Financial assets	Amortised cost

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that may have a material impact upon Council's future financial statements are:

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1.D Adoption of new and revised Accounting Standards (Cont)

AASB 15 Revenue from Contracts with Customer; AASB 1058 Income of Not-for-Profit Entities; AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 15. AASB 1058 will replace AASB 1004 Contributions. Together, these standards come into effect from 1 July 2019 and contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that revenue is measured and recognised to identify whether there will be any material impact arising from these standards.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations these are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Council has identified that certain grants received during the 2018/19 financial year would require recognition in accordance with AASB 15. Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

	\$
Capital grants for deferral	(3,600,000)
Capital grants receivable	603,331

Revenue decrease of \$3,600,000 due to deferral of grant funding and an increase of \$603,331 due to revenue receivable resulting in a net decrease of \$2,996,669 (based on the facts available to Council at the date of assessment).

There would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities and statutory receivables.

A range of new disclosures will also be required by the new standards in respect of the Council's revenue.

Transition Method

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 16 Leases

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Leases in which the Council is a lessee

No significant impact is expected for the Council's finance leases.

Leases in which the Council is a lessor

No significant impact is expected for other leases in which the Council is a lessor.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

Peppercorn Leases

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

Transition Method

Council has assessed that, as a result of the application of AASB 16, there will be no material impact on 1 July 2019. Therefore there will be no adjustment on initial application.

1.E Critical accounting judgements and key sources of estimation uncertainty

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

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

- Valuation and depreciation of property, plant and equipment - Note 1.J and Note 11
- Provisions - Note 1.N & Note 13
- Restoration provisions - Note 1.N & Note 13
- Contingencies - Note 16
- Impairment of trade and other receivables- Note 1.I, Note 10 and Note 19
- Valuation of biological assets - Note 1.K

1.F Revenue

Rents, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Fees and charges

Fees and charges are recognised on delivery of the associated service.

Grants and subsidies

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. An equivalent amount is recognised as a restriction over cash balances until the funds are expended.

Rental income

Rental revenue from property is recognised as income on a periodic straight line basis over the lease term or when Council has entitlement to invoice for services provided.

Sales Revenue

Contract revenue is recognised at the agreed contract price due at the time of sale or service delivery. Sales revenue is further classified into capital revenue for major upgrades and recurrent revenue for minor repairs and maintenance work.

1.G Financial assets and financial liabilities

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

Cherbourg Aboriginal Shire 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 1.H)

Receivables - measured at amortised cost (Note 1.I)

Financial liabilities

Payables - measured at amortised cost (Note 1.M)

Council does not recognise any financial assets or financial liabilities at fair value in the statement of financial position. The carrying amount of cash and cash equivalents, trade receivables and trade payables approximate their fair value due to their short-term, liquid nature.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1.H Cash and cash equivalents

Cash and cash equivalents 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 with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

1.I Receivables

Trade 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 collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment.

All known bad debts were written-off at 30 June. Council reviews receivable balances on an individual basis to assess the expected credit losses of trade receivables from individual customers. If an amount is recovered in a subsequent period it is recognised as revenue.

The effect of initially applying AASB 9 on Council's financial instruments is described in Note 1.D. An adjustment to the comparative information has not been necessary as the impact is not material.

1.J Property, plant and equipment

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

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

- Land
- Buildings
- Houses
- Motor Vehicles
- Plant and Equipment
- Furniture and fittings
- Infrastructure -Roads & Bridges
- Infrastructure -Water
- Infrastructure -Sewerage
- Infrastructure -Other Structures
- Work in Progress

Acquisition of assets

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

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

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure.

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

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1.J Property, plant and equipment (cont)

Valuation

Land, buildings, houses, major plant and equipment including motor vehicles and all infrastructure assets are measured at fair value under the the revaluation model, in accordance with AASB116 *Property, Plant and Equipment*. Other plant and equipment is measured at cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by comprehensively revaluing these assets at least once every five years, with interim valuations using a suitable index being otherwise performed on an annual basis where there has been a material variation in the index.

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.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Details of valuers and methods of valuations are disclosed in Note 9.

Capital work in progress

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

Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment 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.

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.

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

The estimated useful lives of property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in Note 9.

Deed of Grant in Trust Land

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 334 of the Land Act 1962. It comprises an area of approximately 3,130 hectares.

The land is administered by the Department of the Environment and Resource Management 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.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1.K Biological assets

The Council has a beef livestock operation. These assets are valued at market value at reporting date. In view of the immaterial nature of this operation the accounting principles under AASB 141 related to biological assets have not been applied. The costs incurred in this operation are included in Council's general operations as they are incurred.

1.L Impairment of non-current assets

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

1.M Payables

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

1.N Liabilities - employee benefits

Salaries and wages

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

Annual leave

A liability for annual leave is recognised. The portion expected to be paid within twelve months is calculated on current wage and salary levels and includes related employee on-costs. The portion not expected to be paid out within the next twelve month is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. As council does not have an unconditional right to defer settlement of the obligation beyond twelve months, all annual leave liabilities are classified as current.

Sick leave

Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

Superannuation

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. Details of those arrangements are set out in Note 15.

Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employment which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 11 as a provision.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

Landfill restoration provision

A provision is made for the cost of rehabilitation of assets and other future restoration costs where it is probable Council will be liable, or required, to incur costs on the cessation of use of these facilities.

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

The total projected cost of \$2,325,679 is expected to be incurred between 2028 and 2042. The figure excludes rehabilitating landfill cells on existing sites that are yet to be constructed or used.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

1.O Asset revaluation surplus

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

Increases and decreases on revaluation are offset within a class of assets.

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

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

1.P National competition policy

The Council has reviewed its activities to identify its business activities. Council has resolved that none of its activities fall within the National Competition Policy guidelines and has therefore chosen not to apply the Code of Competitive Conduct.

1.Q Rounding and comparatives

The financial statements have been rounded to the nearest \$1.

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

1.R Taxation

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

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

2. Analysis of Results by Function

2(a) Components of council functions

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

Corporate services and governance

This comprises the support functions for the Mayor and Councillors, Council and committee meetings and statutory requirements. It also includes management and reporting of Council's finances, information technology and administration.

Community services

Community services and facilities include cultural, health, welfare, disaster management, sports and recreational services, radio station, NDIS and management of the indigenous knowledge centre.

Economic and community development

This comprises Council enterprises incorporating cattle stud farm, material recycling facility, crop and vegetable production, and includes training and employment initiatives.

Housing

The provision, maintenance and upgrading of public housing within the DOGIT area, including the planning and construction of new houses and tenancy agreements.

Infrastructure

Provision and maintenance of water supply and services, drainage, sewerage services and treatment, refuse collection and waste disposal services.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

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 2019

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result		Assets		
	Recurring			Capital				Recurring	Capital			2019	2019		2019	2019
	Grants	Other	Grants	Other	Other	Other										
	2019	2019	2019	2019	2019	2019		2019	2019		2019	2019	2019	2019	2019	
	\$	\$	\$	\$	\$	\$		\$	\$		\$	\$	\$	\$	\$	
Corporate & governance	1,828,333	327,888	-	-	-	2,156,221	2,870,039	-	2,870,039	(713,818)	(713,818)	30,749,327				
Community services	952,401	729,414	472,540	-	-	2,154,355	952,945	-	952,945	728,870	1,201,410	2,273,704				
Economic & community development		827,715	798,475	-	-	1,626,190	1,605,253	-	1,605,253	(777,538)	20,937	12,414,441				
Housing	-	3,379,379	-	-	4,885,449	8,264,828	4,352,552	-	4,352,552	(973,173)	3,912,276	69,975,831				
Infrastructure	692,142	26,622	4,978,483	447,023	-	6,144,270	1,347,718	2,325,679	3,673,397	(628,954)	2,470,873	22,091,219				
Total Council	3,472,876	5,291,018	6,249,498	5,332,472	-	20,345,864	11,128,507	2,325,679	13,454,186	(2,364,613)	6,891,678	137,504,522				

Year ended 30 June 2018

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurring operations	Net Result	Assets
	Recurring			Capital				Recurring	Capital				
	Grants	Other	Grants	Other	2018	\$							
	2018	2018	2018	2018								2018	
Corporate & governance	1,801,005	111,759	-	-			1,912,764	\$	3,418,619	-	(1,505,855)	(1,505,855)	31,313,535
Community services	1,219,239	775,486	67,370	-			2,062,095		383,580	-	1,611,145	1,678,515	2,165,431
Economic & community development	25,000	555,034	1,043,500	-			1,623,534		1,056,349	-	(476,315)	567,185	5,739,703
Housing	-	2,098,699	-	4,507,506			6,606,205		3,332,573	-	(1,233,874)	3,273,632	66,137,595
Infrastructure	639,357	18,062	3,066,345	-			3,723,764		1,231,022	-	(573,603)	2,492,742	20,915,867
Total Council	3,684,601	3,559,040	4,177,215	4,507,506			15,928,362		9,422,143	-	(2,178,502)	6,506,219	126,272,131

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
3 Revenue analysis			
(a) Fees and charges			
Community fees and charges		62,100	58,100
Post office commissions		12,000	13,000
Other fees and charges		601,212	600,215
		675,312	671,315
(b) Sales revenue			
Sale of services			
Recoverable works - BAS		2,268,356	1,282,284
Joinery sales		46,346	224,528
		2,314,702	1,506,812
Sale of goods			
Livestock sales		226,158	153,311
Other Sales		529,593	29,299
		755,751	182,610
Total sales revenue		3,070,453	1,689,422
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
General purpose grants		2,440,475	2,360,362
State government subsidies and grants		554,459	1,324,239
Commonwealth government subsidies and grants		477,942	-
		3,472,876	3,684,601
(b) Capital			
State government subsidies and grants		2,534,609	4,177,215
Commonwealth government subsidies and grants		3,714,889	-
		6,249,498	4,177,215
(c) Capital sales revenue			
Recoverable capital works - BAS		4,587,298	4,348,102
Joinery capital works - BAS		298,151	159,404
		4,885,449	4,507,506
Conditions over contributions			
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:			
Non-reciprocal grants for expenditure on services		743,213	1,607,995
Non-reciprocal funds for expenditure on infrastructure		3,940,802	2,143,502
		4,684,015	3,751,497
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:			
Non-reciprocal grants for expenditure on services		841,924	764,302
Non-reciprocal funds for expenditure on infrastructure		340,006	285,891
		1,181,930	1,050,193

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
5 Capital income			
Proceeds from sale of plant and equipment		900	-
Less: Book value of plant and equipment sold		(5,294)	-
		(4,394)	-
Proceeds from sale of land and improvements		1,404,418	-
Less: Book value of land sold		(953,000)	-
		451,418	-
Total capital income		447,024	-

6 Employee benefits

Total staff wages and salaries		3,929,264	3,295,029
Councillors' remuneration		319,744	314,425
Annual and long service leave entitlements		424,273	342,761
Superannuation	17	423,767	304,076
		5,097,048	4,256,291
Other employee related expenses		144,376	135,663
Less : Capitalised employee expenses		(295,937)	(272,282)
		4,945,487	4,119,672

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

Total Council employees at the reporting date:	2019	2018
Elected members	5	5
Administration staff	13	12
Depot and outdoors staff	72	52
Total full time equivalent employees	90	69

7 Materials and services

Administration supplies and consumables	31,844	94,440
Audit services	60,000	45,771
Consultants	184,281	124,524
Electricity	172,762	168,167
Enterprise centre running costs	453,870	46,773
Licence fees	551	1,063
Insurance	375,452	314,252
Joinery expenses	154,761	163,204
Movement in inventory	34,873	184,463
Motor vehicle expenses	213,400	164,337
Printing & stationery	51,219	36,869
Radio Operating Expenses	17,024	-
Repairs and maintenance	1,297,719	994,397
Subscriptions and advertising	2,182	40
Telephone & fax	67,014	93,149
Travel	39,948	16,309
Water & sewerage operational costs	99,241	176,309
Bad and doubtful debts	177,388	1,020
Other materials and services	284,814	285,781
	3,718,343	2,910,868

8 Capital expenses

Provision for restoration of land		
Recognition of refuse restoration provision	2,325,679	-
	2,325,679	-

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
9 Cash and cash equivalents			
Cash at bank and on hand		12,105,103	6,087,018

Cash and deposits at call are held in the Westpac Bank in normal term deposits and business cheque accounts. The bank currently has short term rating of P-1 and long term rating of Aa2.

10 Trade and other receivables

Current

Trade receivables	2,150,646	1,963,305
Less provision for impairment	(1,057,086)	(828,234)
Prepayments	40,259	63,250
	<u>1,133,819</u>	<u>1,198,321</u>

Movement in accumulated impairment losses is as follows:

Opening balance	828,234	817,977
Opening balance adjustment on transition to AASB 9	64,199	-
Additional provisions raised	164,653	10,257
Closing balance	<u>1,057,086</u>	<u>828,234</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

11 Property, Plant and Equipment

(i) Fair Value Hierarchy

The fair values of assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. To provide an indication about the reliability of the inputs used in determining fair values, council classifies assets which are measured at fair value into the three levels prescribed under AASB 13, as follows:

Level 1: Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Fair value based on inputs that are directly or indirectly observable for the asset or liability.

Level 3: Fair value based on unobservable inputs for the asset and liability.

There were no transfers between levels during the year.

The following tables summarise the classification of councils assets into the levels defined above.

2019:

Asset Category	Level 1	Level 2	Level 3	Total
Land	-	663,000	-	663,000
Buildings and Houses	-	-	97,801,298	97,801,298
Motor Vehicles	-	497,402	-	497,402
Major Plant and Equipment	-	1,612,756	-	1,612,756
Infrastructure	-	-	22,091,217	22,091,217
	-	2,773,158	119,892,515	122,665,673

2018:

Asset Category	Level 1	Level 2	Level 3	Total
Land	-	1,616,000	-	1,616,000
Buildings and Houses	-	-	91,776,544	91,776,544
Motor Vehicles	-	351,429	-	351,429
Major Plant and Equipment	-	1,692,390	-	1,692,390
Infrastructure	-	-	21,297,677	21,297,677
	-	3,659,819	113,074,221	116,734,040

Council does not carry any assets or liabilities at fair value other than property, plant and equipment as described above.

(ii) Basis of valuation and valuation processes

All assets with the exception of furniture and fittings and capital work in progress are measured at fair value utilising the valuation basis' described below. Independent comprehensive valuations of each category of asset are undertaken on a rolling basis with each category being subject to comprehensive revaluation at least once every five years. In intervening years desktop valuation updates are performed either internally or by an independent valuer. Desktop valuations apply an indexation factor to the previous comprehensive valuation and consider any known factors giving rise to a change in asset condition which have occurred since the last comprehensive valuation. Where an independent valuer is engaged to undertake a desktop valuation update, a sample of assets will be physically inspected by the independent valuer in order to gauge changes in asset conditions.

The table below summarises the level of detail applied in determining the value of Council's assets as at 30 June 2019.

Asset Category	Valuation Effective 30 June 2019	Performed By	Effective Date of Last Comprehensive Valuation	Performed By
Land	Desktop	APV Valuers and Asset Management	30/06/2017	APV Valuers and Asset Management
Buildings and Houses	Desktop	APV Valuers and Asset Management	30/06/2017	APV Valuers and Asset Management
Motor Vehicles	Desktop	APV Valuers and Asset Management	30/06/2017	APV Valuers and Asset Management
Major Plant and Equipment	Desktop	APV Valuers and Asset Management	30/06/2017	APV Valuers and Asset Management
Infrastructure	Desktop	APV Valuers and Asset Management	30/06/2017	APV Valuers and Asset Management

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

11 Property, Plant and Equipment

(iii) Valuation techniques to derive fair values for level 2 and level 3 valuations

Land (level 2)

Land fair values have been determined by direct comparison to the sales prices of comparable properties in close proximity adjusted for difference in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre and the indexation rate applied in the current period desktop valuation update. All land values are based on the assumption that contaminants such as asbestos, chemicals, toxic wastes or other hazardous materials do not exist on these land parcels.

Buildings and Houses (level 3)

Community and residential buildings within the Cherbourg Aboriginal Shire Council are not able to be transferred on a market basis, and as such sales evidence is not available to support a market-based valuation approach. Buildings and houses are therefore valued using a depreciated replacement cost methodology, which estimates the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. The gross current values are derived from reference to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors and Rawlinson's (Australian Construction handbook).

A calculated accumulated depreciation charge is subtracted from the gross replacement cost to reflect the consumed or expired service potential of the asset. In determining the level of accumulated depreciation the assets have been disaggregated into significant parts which exhibit different patterns of consumption or useful lives. Allowance has been made for the typical asset lifecycle and renewal treatments of each component, the pattern of consumption of the asset's future economic benefits and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capacity, utilisation and obsolescence.

In order to assess the remaining service potential the following consumption scoring system is applied:

Phase Points	Description
0 - 0.99	New or very good condition - very high level of remaining service potential.
1 - 1.99	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2 - 2.99	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short-term obsolescence.
3 - 3.99	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.
4 - 4.99	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.
6 - End of Life	Theoretical end of life.

New buildings are valued at the actual cost of construction in the year they are constructed, and subsequently under the approach described above.

The most significant inputs into the valuation approach are construction cost unit rates (per square metre), the split between short and long-lived subcomponents, estimated useful lives, pattern of consumption, asset condition, and the indexation rate applied in periods where a desktop valuation is undertaken.

The replacement costs applied in the valuations were derived by APV Valuers and Asset Management from reference to costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook), construction data from the Australian Bureau of Statistics, and the valuer's own internal market research and costings.

Motor Vehicles (level 2)

Motor vehicle asset values are derived from comparable sales and relevant industry market price reference guides. The most significant inputs into the valuation approach are the make, size, year of manufacture and condition.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

11 Property, Plant and Equipment

Major Plant and Equipment (level 2)

Major plant and equipment asset values are generally derived from comparable sales and relevant industry market price reference guides. Where items of plant however are unique in design or there is insufficient market evidence to support the valuation, the valuation is performed using a depreciated replacement cost approach (as described for buildings and houses above).

The most significant inputs into the market based valuation approach are the make, size, year of manufacture and condition. Where assets are valued under a depreciated replacement cost approach significant inputs include the asset replacement cost, useful lives, pattern of consumption and asset condition.

No items of major plant and equipment were valued using depreciated replacement cost in the current year.

Road and Water Infrastructure Network (level 3)

Council categorises its road infrastructure into sealed and unsealed roads, which are managed in segments of no longer than 3km. All road segments are componentised into formation, pavement and seal (where applicable), and further into short and long-lived subcomponents. Drainage assets are segmented and componentised into pits, pipes, channels and floodways. Water and sewerage mains are segmented and componentised into standard and rising mains, and further into short and long-lived subcomponents.

Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Council also assumes a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

All road and water infrastructure network assets are valued using a depreciated replacement cost approach. Gross replacement costs are estimated through multiplying materials and labour unit prices (per measurement of area/length) determined by reference to market data for recent projects, costing guides such as Rawlinson's (Australian Construction Handbook) and benchmark data from similar councils, by volumes ascertained with reference to council minimum asset linear and area specifications.

In determining the level of accumulated depreciation assets are disaggregated into significant parts which exhibit different patterns of consumption or useful lives. Allowances are made for the typical asset lifecycle and renewal treatments of each component, the pattern of consumption of the asset's future economic benefit and the condition of the asset. Condition is assessed by taking into account both physical characteristics as well as holistic factors such as functionality, capacity, utilisation and obsolescence.

An identical condition rating scale as provided above in relation to buildings and houses is used for infrastructure assets in order to assess the remaining service potential.

The most significant inputs into the valuation approach are construction cost unit rates (per square metre), pattern of consumption, asset condition, and the indexation rate applied in the current period desktop valuation update.

Accumulated depreciation

In determining total useful life, remaining life, and accumulated depreciation, assets were generally subject to an inspection or an assessment to determine remaining useful life. Where site inspection were conducted (i.e. active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

11 Property, Plant and Equipment

	30th June 2019	Note	Land	Buildings	Houses	Motor vehicles	Plant and equipment	Furniture and fittings	Infrastructure	Work in Progress	TOTAL
Basis of measurement			Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Fair Value \$	Cost \$	Fair Value \$	Cost \$	\$
Opening Balances											
Opening Gross Value	1,616,000		1,616,000	39,714,966	86,824,873	1,106,218	3,696,823	286,256	27,566,951	1,719,543	162,531,630
Accumulated Depreciation	-		-	13,062,970	21,700,325	754,789	2,004,433	273,551	6,269,274	-	44,065,342
Opening Written Down Value	1,616,000		1,616,000	26,651,996	65,124,548	351,429	1,692,390	12,705	21,297,677	1,719,543	118,466,288
Movements during Year											
Additions	-		-	-	-	140,474	38,567	-	-	6,665,815	6,845,856
Transfers between classes	-		-	788,387	5,022,296	-	-	-	1,471,875	(7,282,558)	-
Disposals	(953,000)		(953,000)	-	-	-	(5,294)	-	-	-	(958,294)
Depreciation	-		-	(656,132)	(1,240,627)	(36,580)	(163,028)	(2,213)	(358,978)	-	(2,457,556)
Revaluations	-	12	-	1,041,216	1,069,614	42,079	50,121	-	(319,357)	-	1,883,673
Closing Balances											
Closing Gross Value	663,000		663,000	41,219,597	90,411,245	1,352,484	3,767,881	286,256	29,111,644	1,103,800	167,915,907
Accumulated Depreciation	-		-	13,394,130	20,435,414	855,082	2,155,125	275,764	7,020,427	-	44,135,942
Closing Written Down Value	663,000		663,000	27,825,467	69,975,831	497,402	1,612,756	10,492	22,091,217	1,103,800	123,779,965
Estimated Useful Life (Years)			Not Depreciated	15 - 150	15 - 150	2 - 20	3 - 80	1 - 100	10 - 105		
2019 Additions comprise:			\$	\$	\$	\$	\$	\$	\$	\$	\$
Infrastructure Renewals	-		-	424,401	1,911,627	-	-	-	1,241,840	-	3,577,868
Other additions	-		-	-	2,228,186	140,474	38,567	-	860,760	-	3,267,987
Total additions	-		-	424,401	4,139,813	140,474	38,567	-	2,102,600	-	6,845,856

For the year ended 30 June 2019

30th June 2018																		
Basis of measurement	Land		Buildings		Houses		Motor vehicles		Plant and equipment		Furniture and fittings		Infrastructure		Work in Progress		TOTAL	
	Fair Value		Fair Value		Fair Value		Fair Value		Fair Value		Cost		Fair Value		Cost			
Opening Balances	\$	1,616,000	\$	40,111,658	\$	81,747,618	\$	1,081,200	\$	2,761,495	\$	286,256	\$	26,330,928	\$	2,091,548	\$	156,026,703
Opening Gross Value		-		13,464,927		22,077,701		748,200		1,843,386		271,339		5,904,208				44,309,761
Accumulated Depreciation																		
Opening Written Down Value		1,616,000		26,646,731		59,669,917		333,000		918,109		14,917		20,426,720		2,091,548		111,716,942
Movements during Year																		
Additions		-		-		-		49,818				-				7,696,568		7,746,386
Transfers between classes				1,628,768		4,259,094		-		793,859		-		1,396,852		(8,068,573)		-
Disposals		-		-		-		-		-		-		98,083		-		(98,083)
Depreciation		-		(591,691)		(1,202,071)		(27,458)		(151,246)		(2,213)		(408,386)		-		(2,383,065)
Revaluations	12			(1,031,812)		2,397,608		(3,931)		141,668		1		(19,246)		-		1,484,108
Closing Balances																		
Closing Gross Value		1,616,000		39,714,966		86,824,873		1,106,218		3,696,823		286,256		27,566,951		1,719,543		162,531,630
Accumulated Depreciation		-		13,062,970		21,700,325		754,789		2,004,433		273,551		6,269,274		-		44,085,342
Closing Written Down Value		1,616,000		26,651,996		65,124,548		351,429		1,692,390		12,705		21,297,677		1,719,543		118,466,288
Estimated Useful Life (Years)		Not Depreciated		15 - 150		15 - 150		2 - 20		3 - 80		1 - 100		10 - 105				
2018 Additions comprise:		\$		\$		\$		\$		\$		\$		\$		\$		\$
Infrastructure Renewals		-		-		-		-		-		-		-		725,554		725,554
Other additions		-		-		-		49,818		-		-		-		6,971,014		7,020,832
Total additions		-		-		-		49,818		-		-		-		7,696,568		7,746,386

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

	2019	2018
Note	\$	\$
12 Trade and other payables		
Current		
Creditors and accruals	840,070	730,046
Annual leave	331,098	296,600
Revenue in advance	110,316	95,946
	1,281,484	1,122,592
Non-current		
Revenue in advance	600,000	621,818
	600,000	621,818
13 Provisions		
Current		
Long service leave	257,618	175,265
	257,618	175,265
Non-current		
Refuse restoration	2,325,679	-
Long service leave	114,459	138,326
	2,440,138	138,326
Details of movements in provisions:		
Refuse restoration		
Balance at beginning of financial year	-	-
Recognition	2,325,679	-
Balance at end of financial year	2,325,679	-
Long service leave		
Balance at beginning of financial year	313,591	292,210
Long service leave entitlement arising	91,798	60,778
Long Service entitlement paid	(33,312)	(39,397)
Balance at end of financial year	372,077	313,591
14 Asset revaluation surplus		
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	42,072,932	40,588,824
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Buildings	1,041,216	(1,031,812)
Houses	1,069,614	2,397,608
Motor vehicles	42,079	(3,931)
Plant and equipment	50,121	141,668
Infrastructure	(319,357)	(19,426)
Balance at end of financial year	43,956,605	42,072,932
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Buildings	17,938,429	16,897,213
Houses	15,700,087	14,630,473
Motor vehicles	440,928	398,849
Plant and equipment	564,698	514,577
Infrastructure	9,312,463	9,631,820
	43,956,605	42,072,932

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

15 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Note	2019 \$	2018 \$
Within one year	3,987	8,756
One to five years	43,030	8,910
	<u>47,017</u>	<u>17,666</u>

The council has entered in to operating leases on IT equipment , with lease term between two and five years. During the year an amount of \$3,987 (2018: \$8,756) was recognised as an expense in the statement of Profit or Loss in respect of operating leases.

16 Contingent liabilities

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 was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$49,511.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

17 Superannuation

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

Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the Local Government Act 2009.

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." 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. At the time of signing these financial statements this investigation is still in progress.

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.

There are currently 72 entities contributing to the Regional DBF plan and any changes in the contribution rates would apply equally to all 72 entities. Cherbourg Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	Note	2019 \$	2018 \$
Superannuation contributions made to the Regional Defined Benefits Fund	6	423,767	304,076
		2020 \$	
Contributions Council expects to make to the Regional Defined Benefits Fund for 2019-20		426,940	

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

	Note	2019 \$	2018 \$
18 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities			
Net operating result		6,891,678	6,506,219
Non-cash operating items:			
Depreciation and amortisation		2,457,558	2,383,065
		2,457,558	2,383,065
Investing and development activities:			
Net profit / loss on disposal of non-current assets		(447,024)	-
Capital grants and contributions and sales		(11,134,947)	(8,684,722)
		(11,581,971)	(8,684,722)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		64,502	(175,298)
(Increase)/decrease in inventory		34,873	1,965
(Increase)/decrease in biological asset		-	182,498
Increase/(decrease) in payables		137,074	884,118
Increase/(decrease) in other provisions		2,384,165	21,381
		2,620,614	914,664
Net cash inflow from operating activities		387,879	1,119,226

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2019

19 Financial instruments

Cherbourg Aboriginal Shire Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk.

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council.

Credit risk exposure

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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

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

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

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

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

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

30-Jun-19

	Not credit -impaired \$	Credit-impaired \$
Current	766,428	16,948
Past due 31-60 days	267,358	57,586
Past 61-90 days	101,001	46,605
More than 90 days	1,015,859	935,947
Total gross carrying amount	2,150,646	1,057,086
Loss allowance		1,057,086
	2,150,646	-

Liquidity risk exposure

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business.

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 of damage to the Council's reputation.

Council's only recognised financial liabilities are trade payables as disclosed in note 12 which have contractual maturity dates of 6 months or less.

20 Events after the reporting period

Under amendments passed to the Housing Act 2003 during the 2014 financial year, Council, as a service provider of community housing, is required to register for the National Regulatory System for Community Housing Provider (NRSCH). In order to become eligible for registration under the NRSCH, Council must complete certain pre-requisite actions. Council have completed the actions for registration , which was granted in September 2019.

Cherbourg Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2019

21 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2018/19 comprises:

	2019	2018
	\$	\$
Short-term employee benefits	912,857	891,816
Post-employment benefits	31,864	27,478
Long-term benefits	53,196	51,658
Termination benefits	0	0
Total	997,917	970,952

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

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

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

Details of Transaction	Additional information	2019	2018
		\$	\$
Fees and charges charged to entities controlled by key management personnel	(i)	8,282	8,282
Employee expenses for close family members of key management personnel	(ii)	118,234	105,830
Purchase of materials and services from entities controlled by key management personnel	(iii)	1,620	1,345

(i) Fees charged by Council to organisations where KMP are members of the organisation's controlling body.

(ii) Council employs 85 full time equivalent staff. Only 3 employees are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the relevant industrial award for the job they perform and Council's employment agreements.

(iii) Purchases by Council from organisations where KMP are members of the organisation's controlling body.

(c) Outstanding balances

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

Year ended 30 June 2019

Receivables	Housing rent owed by key management personnel	Amounts owed by entities controlled by key management personnel
Current	\$1,675	\$0
Past due 31-60 days	\$1,213	\$0
Past due 61-90 days	\$1,200	\$0
More than 90 days overdue	\$18,527	\$0
Total Owing	\$22,615	\$0

Cherbourg Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Year ended 30 June 2018

Receivables	Housing rent owed by key management personnel	Amounts owed by entities controlled by key management personnel
Current	\$1,880	\$0
Past due 31-60 days	\$2,071	\$0
Past due 61-90 days	\$1,320	\$0
More than 90 days overdue	\$15,649	\$0
Total Owing	\$20,920	\$0

(d) Loans and guarantees to/from related parties

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

(e) Commitments to/from other related parties

Council does not have commitments to/from related parties.

(f) 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 Cherbourg Aboriginal Shire Council area. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include housing rental, joinery sales, building maintenance work and dog registration.

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

Cherbourg Aboriginal Shire Council

Financial statements

For the year ended 30 June 2019

Management Certificate

For the year ended 30 June 2019

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 3 to 31, 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

Arnold Murray

Date: 18/10/2019



Acting Chief Executive Officer

Chatur Zala

Date: 18/10/2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Cherbourg Aboriginal Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Cherbourg 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 2019, 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 2019, 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 management certificate given by the Mayor and the Acting Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and 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 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 council for the financial report

The council is 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 council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is 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 2019:

- 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.



23 October 2019

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Cherbourg Aboriginal Shire Council

Current-year Financial Sustainability Statement For the year ended 30 June 2019

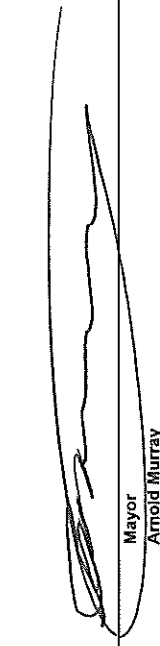
Measures of Financial Sustainability	How the measure is calculated	Actual	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-27%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by infrastructure depreciation expense.	146%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-104%	not greater than 60%

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 2019.

Certificate of Accuracy For the year ended 30 June 2019

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
Arnold Murray

Date: 18/10/2019



Acting Chief Executive Officer
Chatur Zala

Date: 18/10/2019

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Cherbourg Aboriginal Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Cherbourg Aboriginal Shire Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Acting 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 Cherbourg Aboriginal Shire Council for the year ended 30 June 2019 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland 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 of Queensland 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 the information included in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and the 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 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 council for the current year financial sustainability statement

The council is responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The council's responsibility also includes such internal control as the council determines 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.



23 October 2019

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Cherbourg Aboriginal Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2019

Measures of Financial Sustainability


	Measure	Target	Projected for the years ended									
			Actuals at 30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-27%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	-21%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by infrastructure depreciation	greater than 90%	146%	124%	122%	119%	117%	115%	112%	110%	108%	106%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-104%	-45%	-60%	-74%	-88%	-101%	-114%	-125%	-138%	-153%

Certificate of Accuracy


For the long-term financial sustainability statement prepared as at 30 June 2019

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.



Mayer
Arnold Murray



Acting Chief Executive Officer
Chairur Zala

Date: 18/10/2019

Date: 18/10/2019