



Cherbourg Aboriginal Shire Council
Community Financial Report
2018-2019

Community Financial Report

The Community Financial report is prepared to provide residents, businesses and other stakeholders with an understanding of Council's financial performance and position for the 2018/19 financial year. It aims to give the reader a summary of Council's financial statements along with key financial statistics and ratios, including trends and forecasts.

Financial Statements are an audited formal record of the performance and position of Council. There are four financial statements and three sustainability ratios that assist in providing a high-level picture of Council finances for 2018/19.

The Financial Statements of Cherbourg Aboriginal Shire Council set out the financial performance, financial position, cash flows and the net wealth of council for the financial year ended 30 June 2019. These are described as:

1. Statement of Comprehensive Income

A summary of Cherbourg Aboriginal Shire Council's financial performance for the year ending 30 June 2019, listing both regular income and expenses and other comprehensive income which records items such as changes in the fair value of Council's assets and investments.

2. Statement of Financial Position

A 30 June 2019 snapshot of Cherbourg Aboriginal Shire Council's Financial Position including its Assets and Liabilities.

3. Statement of Changes in Equity

This is the overall change for the year (in dollars) of Cherbourg Aboriginal Shire Council's "net wealth".

4. Statement of Cash Flows

Indicates where Cherbourg Aboriginal Shire Council's cash came from and where it was spent.

5. Financial Sustainability Ratios

For reviewing Council performance and sustainability.

- a) Operating surplus
- b) Net financial liabilities
- c) Asset sustainability

Revenue

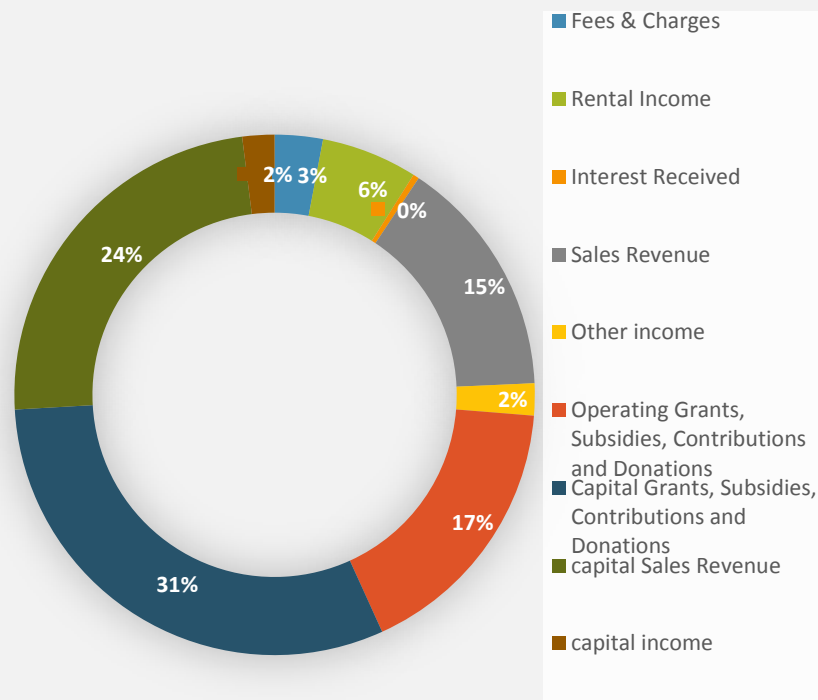
The two main categories of revenue are recurrent revenue and capital revenue. Council's recurrent revenue is money raised that is used to fund the operations of Council. Council raises recurrent revenue from income sources such as fees and charges, grants, subsidies and donations, sales revenue, rents and other income. Council's capital revenue is sourced for the purpose of constructing and/or reconstructing Council's assets now and into the future. Capital revenue consists of grants, subsidies and donations and capital sales revenue.

Overall recurrent revenue has increased by \$ 1.5M which is mainly attributed to increase in recurrent sales revenue. The implementation and operation of the Material Recovery Facility and Containers for Change program accounted for approximately \$500,000 of this increase. Further increases have been driven by an increase in Building and Asset Services work for the construction of houses in the community totalling approximately \$1m

The main source of recurrent income for the year was grants and subsidies comprising 40 % of recurrent revenue and 17 % of Council's total revenue. The second largest source of operating income was sales revenue comprising 35% of recurrent revenue. No rates have been levied within the local government area in the previous year. The income generated from fees and charges is 3% of total revenue.

Capital revenue for 2018/19 increased by \$ 2.45 which is mainly attributed to \$2.1m increase in capital grant and \$0.4m increase in capital sales revenue. Increase in capital grant revenue resulting from grants received for the construction of the Cherbourg to Murgon footpath. This was offset by other funding streams ceasing at the end of the previous period. Capital sales revenue has increased as a result of greater activity in the Building Asset Services activity for Council during the year.

Council received capital income of \$ 0.4m from sale of council owned land.



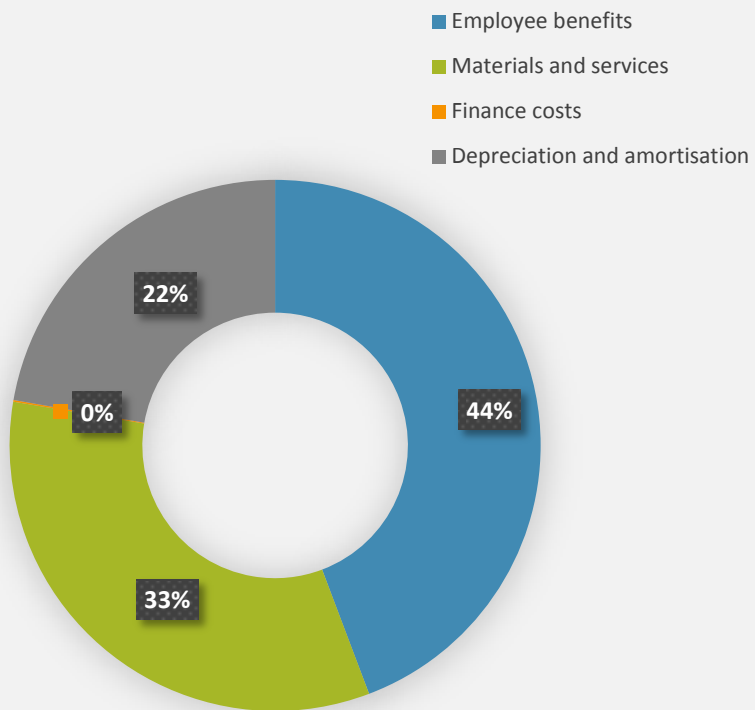
Expenses

Council's recurrent expenses include employee benefits, materials and services, finance costs and depreciation. Council's recurrent expenditure increased by \$1.71M compared to the previous year. This was due to the increase in employee benefits, materials and services and depreciation.

Total employee costs increased by \$0.8 m for 2018-19. The increase in employee benefits has been driven by the Material Recovery Facility and the Containers for change program. The combination of these has resulted in a significant uplift in total employee numbers during the year.

The total costs to Council for materials and services also increased in 2018/19 by \$0.8 m. The increase has also been driven by the Material Recovery Facility and the Containers for change program. The operating costs of these activities have risen by approximately \$400,000 since the prior period representing a significant uplift in activity in this area. The remaining increase in this account balance results from adjustments posted for the application of the expected credit loss model under AASB 9 and a reduction in the value of Biological assets.

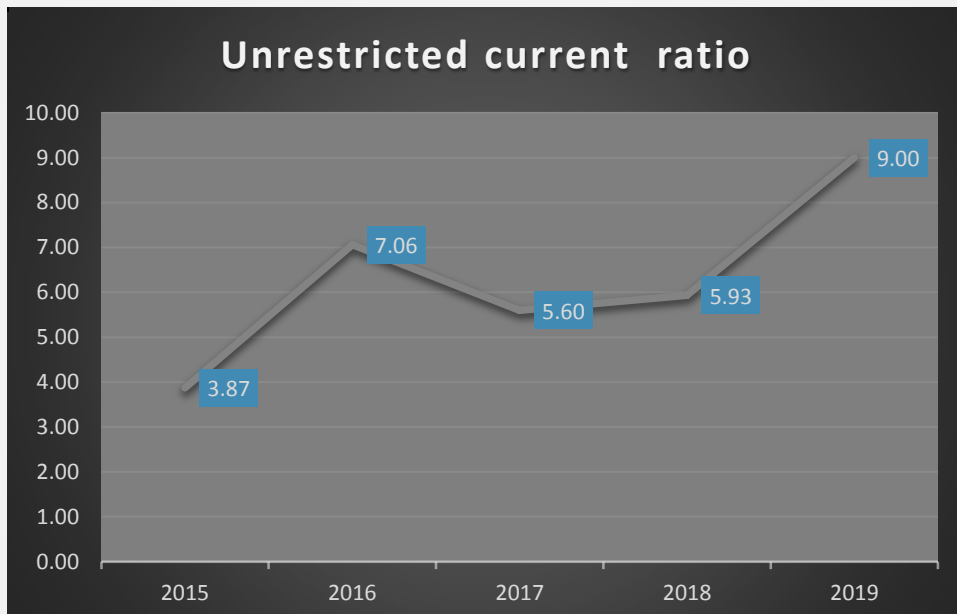
Employee benefits made up the largest type of expenditure at 44 % followed by materials and services at 33 % and depreciation at 22%.



The Statement of Financial Position

The balance sheet indicates that Cherbourg Aboriginal Shire Council's liquidity position – (current assets / current liabilities) continues to be very strong with a ratio of 9:1. This ratio means that the Cherbourg Aboriginal Shire Council has \$9 of cash and current assets for every \$1.00 of current liabilities.

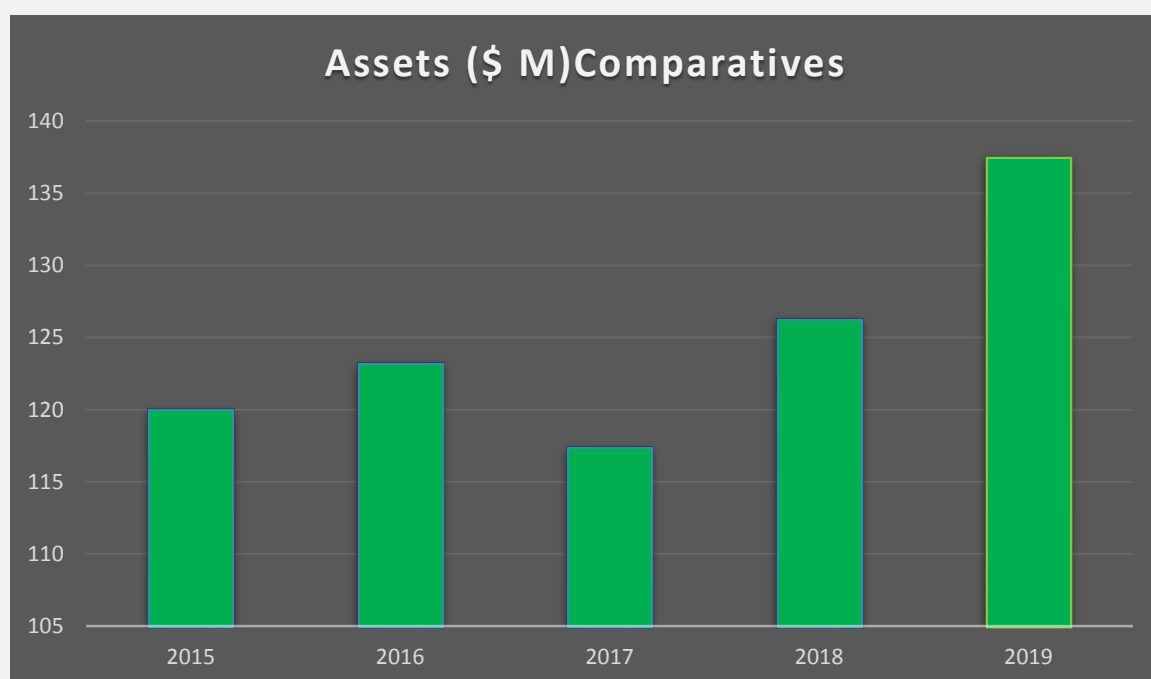
Cherbourg Aboriginal Shire Council has no borrowing and has total asset base of \$137 Million providing borrowing capacity for future capital projects. However, its negative operating surplus ratio suggests council may experience difficulty in repaying this debt.



Assets

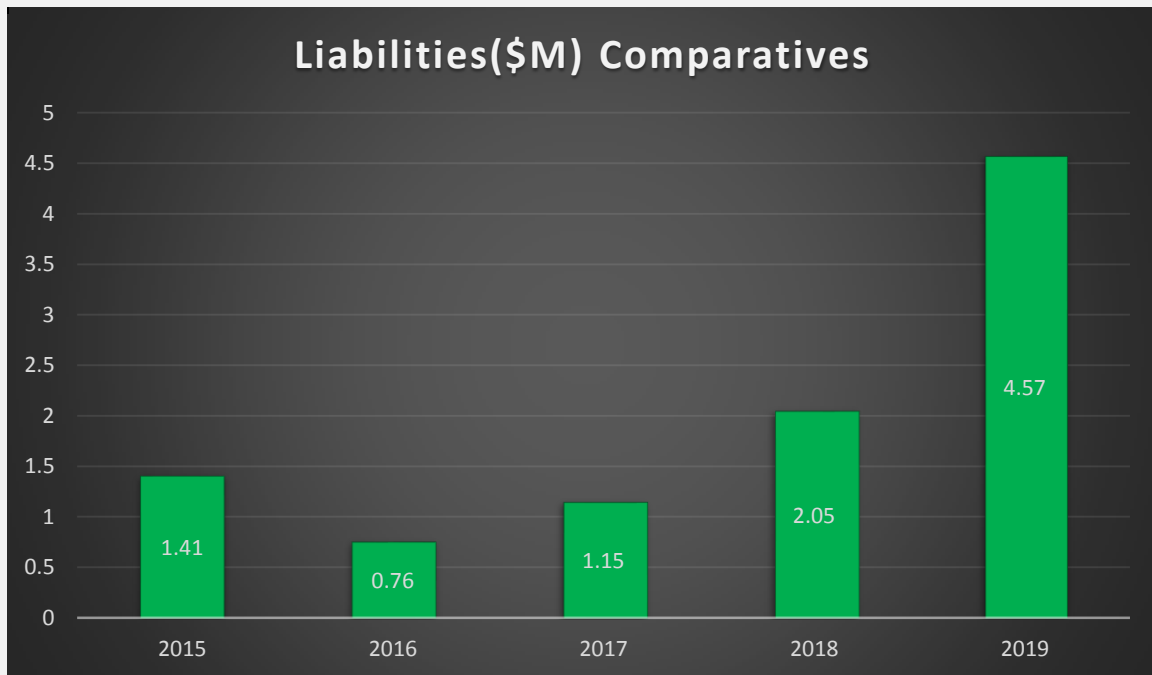
Cherbourg Aboriginal Shire council Current Assets include cash and cash equivalents, trade and other receivables and inventories. There was an increase in the cash balance of \$6.02 M. Given Council's high reliance on external grant funding, it is important that Council maintain a strong cash position. Council had invested \$2.21 M in a trust account with Queensland Treasury Corporation and \$ 9.02 M in cash reserve with Westpac Bank. Interest income for the year was \$72,893.

Property plant and equipment is the largest asset type comprising \$123M. Property plant and equipment is made up of Council asset classes including land, buildings, houses, infrastructure, plant and equipment, motor vehicles, furniture and fittings and works in progress. Council's Houses and Building assets are the largest component of property plant and equipment amounting to \$ 97.80M.



Liabilities

Council's liabilities comprise of provisions, and trade and other payables. Liabilities as at 30 June 2019 totalled \$4.57 million. Provisions balance comprises long service leave payable to employees (\$0.37 million) and refuse restoration (\$2.32 million). Trade and other payables total \$1.88 million.



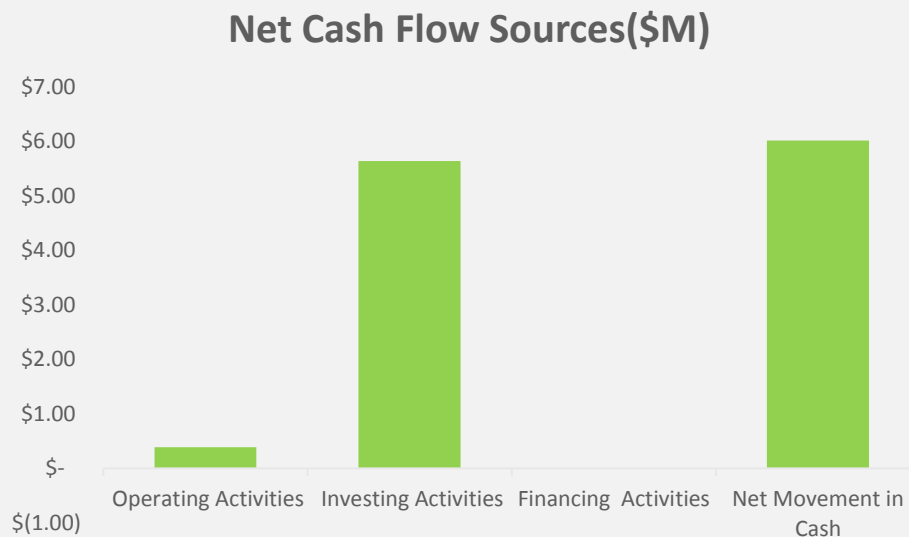
The Statement of Changes in Equity

The statement of changes in equity illustrates how the net worth of Council has changed as a result of activities undertaken during the period. Cherbourg Aboriginal Shire Council has Community Equity of \$ 132.92M at 30 June 2019.

The Statement of Cash Flows

This statement records the movement in cash holdings during the year. In 2019 the cash balance increased by \$6.02 M from \$6.08 million to a closing balance of \$12.10 million at year end. The Significant uplift in the year-end balance of cash and cash equivalents was due to increased grant and sales revenues as well as receipts from the sale of council owned land.

Council's cash flows from operating activities remains positive, with surplus operating cash of \$0.38 million. The cash flows from investing activities shows Council spent \$6.90 million investing in property plant and equipment, which was funded by capital revenue. This includes capital works on Council's infrastructure assets, houses, building and other asset classes.



Council's Capital Expenditure for 2018/2019 by Asset Class

- Houses
- Buildings
- Land
- Motor Vehicles
- Plant and Equipment
- Furniture & fittings
- Infrastructure
- Work in Progress

Council's Major Projects for 2018/2019

- New Housing Builds
- Existing Houses Major Upgrades
- DILGP-509 K Projects
 - Cattle Farm Infrastructure Upgrade
 - Water Infrastructure Stan Mickelo
 - WH & Management System
 - Council Office Development
- Cherbourg Rehabilitation of Ponds
- Cherbourg Material Recovery Facility Upgrade Stage 4
- Installation of CCTV Cameras
- Roads to Recovery
- Cherbourg Historical Precinct
- W4Q2 Projects
 - Bitumising Upgrade
 - Road Safety Barriers
 - Kerb Upgrade
 - Shop Streetscape Upgrade
 - Storage Expansion
 - Dairy Building Modification
 - Security fence
 - Irrigation Infrastructure Upgrade
 - Recycling Hopper
 - Fuel Storage Upgrade
 - Toilet Block Upgrade
 - Led Lighting
 - Footpath Upgrade
 - Roller Door Upgrade
 - IKC Playground Upgrade
 - Rainwater tank renovation & Installation
- Fire Management line and Fence Upgrade
- Container Refund Scheme
- Cherbourg Rising Main
- Cherbourg Solid Waste

- TIDS Program- Pavement Repairs
- Cherbourg MRF Hydrant Pumps Upgrade

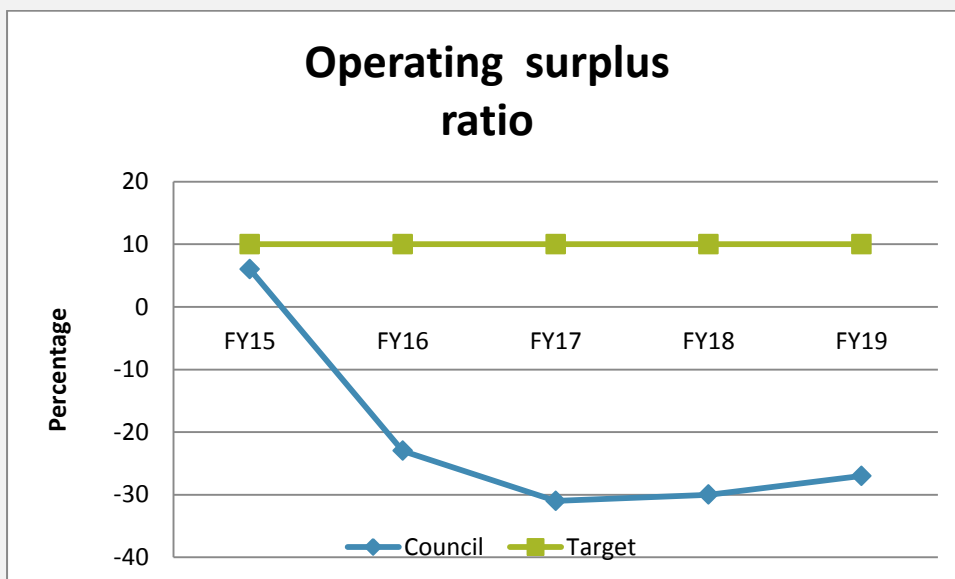
These expenditures have been funded through Grants and Contributions. Cherbourg Aboriginal Shire Council would like to thank the commonwealth and state Governments to their ongoing support to the development of the Cherbourg Aboriginal Shire Area.

Financial Sustainability Measures

The Financial Sustainability of Councils continues to be a cornerstone of the Local Government Act and a core responsibility of individual councils across Queensland. The Financial Sustainability indicators (in accordance with the Local Government regulation 2012) that council must publish are as follows:

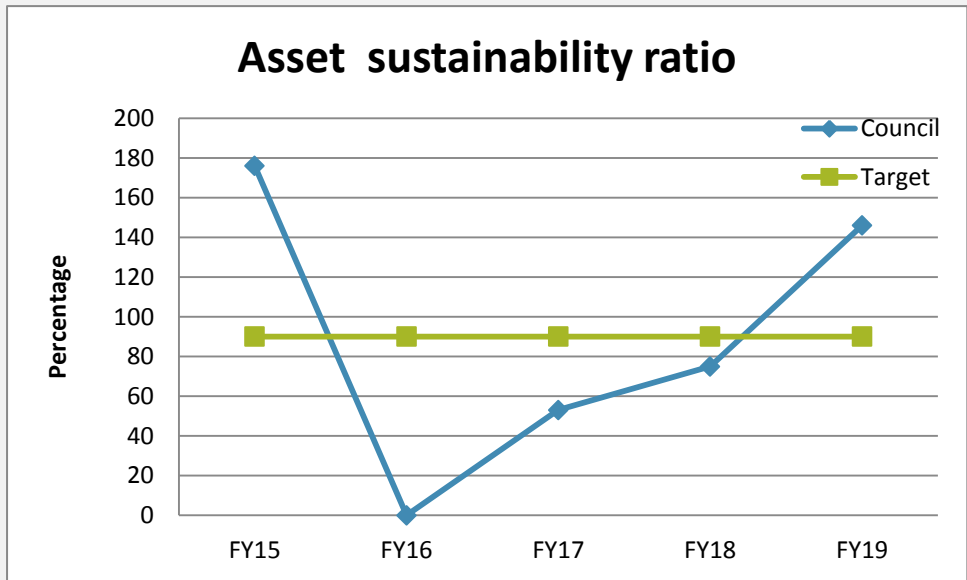
Operating Surplus Ratio:

Operating Surplus ratio shows council's ability to cover operating expenses through its continuing operating revenue raised (excluding capital grants and contributions). The target for the operating surplus ratio is between 0 and 10%. Since Cherbourg Aboriginal Shire Council is highly dependent on external grant funding, operating Surplus ratio at 30 June 2019 was at a deficit of 27%. Cherbourg Aboriginal shire council is aware of the need to generate its own revenues from its own operations and reduce its spending levels in the short-term.



Asset Sustainability Ratio:

This ratio measures the amount of capital expenditure on renewal of existing assets compared to the depreciation expense. The target for this ratio is greater than 90%. Cherbourg Council has met the benchmarks recommended in respect to Asset Sustainability Ratio. The average asset sustainability ratio indicates that Council may not be in a position to replace its assets as they near the end of their useful life. As such, Council may encounter a reduction in the asset’s service levels and /or useful lives previously expected.



Net Financial Liabilities Ratio:

This ratio represents Council's ability to fund its liabilities through its operating revenues. The target for this ratio is less than 60%. Council has no borrowings and low liabilities, which is why the ratio at 30 June 2019 was very low at -104%. The net financial liabilities ratio indicates that while Council's capital structure appears adequate for its size. If council intends to obtain debt funding for future capital projects, its negative operating surplus ratio suggests council may experience difficulty in repaying this debt.

