

**Cherbourg Aboriginal Shire Council
Financial Statements
For the year ended 30 June 2014**

Cherbourg Aboriginal Shire Council

Financial statements

For the year ended 30 June 2014

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Cherbourg Aboriginal Shire Council

Statement of Comprehensive Income

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
Income			
Revenue			
Recurrent revenue			
Fees and charges	3(a)	395,383	404,125
Rental income	3(b)	777,904	663,134
Interest received	3(c)	34,992	31,159
Sales revenue	3(d)	1,015,480	1,302,986
Other income	3(e)	71,413	170,804
Grants, subsidies, contributions and donations	4(a)	3,960,984	4,697,988
		<u>6,256,156</u>	<u>7,270,196</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	580,649	1,780,352
Sales revenue	4(c)	4,608,713	1,930,473
Total revenue		<u>11,445,518</u>	<u>10,981,021</u>
Capital income	5	-	-
Total income		<u>11,445,518</u>	<u>10,981,021</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(3,505,053)	(4,222,399)
Materials and services	7	(3,205,361)	(2,965,748)
Finance costs	8	(15,270)	(24,874)
Depreciation and amortisation	9	(1,309,115)	(1,228,416)
		<u>(8,034,799)</u>	<u>(8,441,437)</u>
Capital expenses	10	(70,107)	(79,799)
Total expenses		<u>(8,104,906)</u>	<u>(8,521,236)</u>
Net result		<u>3,340,612</u>	<u>2,459,785</u>
Other comprehensive income			
<i>Items that will not be reclassified to net result</i>			
Increase in asset revaluation surplus	18	2,033,976	2,168,308
Total other comprehensive income for the year		<u>2,033,976</u>	<u>2,168,308</u>
Total comprehensive income for the year		<u>5,374,588</u>	<u>4,628,093</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 2014

	Note	2014 \$	2013 \$
Current assets			
Cash and cash equivalents	11	1,574,235	1,689,252
Trade and other receivables	12	1,208,629	583,601
Inventories	13	153,808	165,960
Biological assets	15	128,147	238,883
Total current assets		<u>3,064,819</u>	<u>2,677,696</u>
Non-current assets			
Property, plant and equipment	14	108,547,125	103,193,742
Biological assets	15	70,392	80,578
Total non-current assets		<u>108,617,517</u>	<u>103,274,320</u>
Total assets		<u>111,682,336</u>	<u>105,952,016</u>
Current liabilities			
Trade and other payables	16	801,635	892,101
Provisions	17(a)	638,515	162,768
Borrowings	17(b)	-	14,845
Total current liabilities		<u>1,440,150</u>	<u>1,069,714</u>
Non-current liabilities			
Provisions	17(a)	75,799	65,644
Borrowings	17(b)	-	24,859
Total non-current liabilities		<u>75,799</u>	<u>90,503</u>
Total liabilities		<u>1,515,949</u>	<u>1,160,217</u>
Net community assets		<u>110,166,387</u>	<u>104,791,799</u>
Community equity			
Asset revaluation surplus	18	47,798,028	45,764,052
Retained surplus	19	62,368,359	59,027,747
Reserves	20	-	-
Total community equity		<u>110,166,387</u>	<u>104,791,799</u>

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 2014

Note	Asset revaluation surplus 18 \$	Retained Surplus 19 \$	Reserves 20 \$	Total \$
Balance as at 1 July 2013	45,764,052	59,027,747	-	104,791,799
Net operating surplus	-	3,340,612	-	3,340,612
Other comprehensive income for the year	-	-	-	-
Increase in asset revaluation surplus	2,033,976	-	-	2,033,976
Total comprehensive income for the year	2,033,976	3,340,612	-	5,374,588
Balance as at 30 June 2014	47,798,028	62,368,359	-	110,166,387
Balance as at 1 July 2012	43,595,744	55,104,075	1,463,887	100,163,706
Net operating surplus	-	2,459,785	-	2,459,785
Other comprehensive income for the year	-	-	-	-
Increase in asset revaluation surplus	2,168,308	-	-	2,168,308
Total comprehensive income for the year	2,168,308	2,459,785	-	4,628,093
Transfers to and from reserves				
Transfers from other reserves	-	1,463,887	(1,463,887)	-
Total transfers to and from reserves	-	1,463,887	(1,463,887)	-
Balance as at 30 June 2013	45,764,052	59,027,747	-	104,791,799

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 2014

	Note	2014 \$	2013 \$
Cash flows from operating activities			
Receipts from customers		1,412,248	2,414,729
Payments to suppliers and employees		(6,736,944)	(6,913,833)
		(5,324,696)	(4,499,104)
Interest received		34,992	31,159
Rental income		777,904	663,134
Non capital grants and contributions		3,960,984	4,697,988
Borrowing costs		(15,270)	(676)
Net cash inflow (outflow) from operating activities	24	(566,086)	892,501
Cash flows from investing activities			
Payments for property, plant and equipment		(4,741,744)	(2,814,663)
Grants, subsidies, contributions and donations		5,189,362	2,410,826
Proceeds from sale of property, plant and equipment		43,155	16,950
Net cash inflow (outflow) from investing activities		490,773	(386,887)
Cash flows from financing activities			
Repayment of borrowings		(39,704)	(4,592)
Net cash inflow (outflow) from financing activities		(39,704)	(4,592)
Net increase (decrease) in cash held		(115,017)	501,022
Cash at beginning of the financial year		1,689,252	1,188,230
Cash at end of the financial year	11	1,574,235	1,689,252

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 2014

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements for the period 1 July 2013 to 30 June 2014 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*.

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

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. 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.

1.C Constitution

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

1.D 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.E Currency

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

1.F Adoption of new and revised Accounting Standards

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the application of AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 for the first time this year has resulted in greater disclosures.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.F Adoption of new and revised Accounting Standards (cont)

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Effective for annual
report periods
beginning on or after:

AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2017
AASB 10 Consolidated Financial Statements	1 January 2014
AASB 11 Joint Arrangements	1 January 2014
AASB 1055 Budgetary Reporting	1 July 2014
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2015
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014
AASB 12 Disclosure of interest in other entities	1 January 2014
AASB 2013-3 Amendments to AASB 136- Recoverable Amount Disclosures for Non Financial Assets	1 January 2014
AASB 2013-1 Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements	1 July 2014

The reported results and position of the council will not change on adoption of the other pronouncements as they do not result in any changes to the council's existing accounting policies. Adoption will, however, result in changes to information currently disclosed in the financial statements. The council does not intend to adopt any of these pronouncements before their effective dates.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.G 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.N and Note 14

Impairment of property, plant and equipment - Note 1.P and Note 10

Provisions - Note 1.S and Note 17

Contingencies - Note 22

Impairment of trade and other receivables- Note 1.K, Note 12 and Note 27

Valuation of biological assets - Note 1.O and Note 15

1.H 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.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

Non-cash contributions

Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets at the fair value of the contribution received. Non-cash contributions below the thresholds are recorded as revenue and expenses.

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.

Interest and dividends

Interest received from term deposits is accrued over the term of the investment.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.I 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 (Note 1.J)

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

Financial liabilities

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

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

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if the Council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

Cherbourg Aboriginal Shire Council does not recognise any financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

1.J 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.K 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. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June 2014. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.L Inventories

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution are:

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

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

1.M Investments

Term deposits with original maturity dates in excess of three months are reported as investments, while deposits with original maturity dates of less than three months are reported as cash equivalents. At 30 June 2014 Council did not have any investments.

1.N 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. All the major upgrades and maintenance for the houses are treated as operating expenditure.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.N 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 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 14.

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 14.

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 2014

1.O 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.P 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 the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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

1.Q Leases

Leases of plant and equipment under which the Council as lessee assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.R 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.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.S Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is not expected that the leave will be paid in the next twelve months the liability is discounted to its present value. If council has an unconditional right to defer settlement of leave liabilities beyond twelve months the liability is treated as non-current, all other leave liabilities are treated as current liabilities. Otherwise the liability is treated as non-current.

Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 16 as a payable.

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. This liability represents an accrued expense and is reported in Note 16 as a payable. 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 23.

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 17 as a provision.

1.T 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.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

1.U Retained surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.V Restricted cash

Council cash and cash equivalents are subject to a number of internal restrictions that limit the amount that is available for discretionary or future use. These restrictions are accounted for using an internal management accounting system. Internal restrictions that have been placed on council's cash and cash equivalents are now disclosed in note 11.

1.W 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.X 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.Y Trust funds held for outside parties

Council is holding no trust funds for outside parties at reporting date.

1.Z 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 2014

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, sports and recreational services, and management of the home and community care program.

Economic and community development

This comprises Council enterprises incorporating cattle stud farm, crop and vegetable production and retail sales, 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 2014

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 2014

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							
	2014	2014	2014	2014							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate & governance	1,915,817	102,655	1,000	-	2,019,472	3,005,509	-	3,005,509	(987,037)	(986,037)	31,289,003
Community services	557,805	172,290	31,832	-	761,927	599,857	-	599,857	130,238	162,070	2,064,263
Economic development	670,465	462,819	-	-	1,133,284	1,598,103	-	1,598,103	(464,819)	(464,819)	3,811,909
Housing	-	1,554,649	4,608,713	-	6,163,362	1,765,892	-	1,765,892	(211,243)	4,397,470	57,289,272
Infrastructure	816,898	2,758	547,817	-	1,367,473	1,065,438	70,107	1,135,545	(245,782)	231,928	17,227,889
Total Council	3,960,985	2,295,171	5,189,362	-	11,445,518	8,034,799	70,107	8,104,906	(1,778,643)	3,340,612	111,682,336

Year ended 30 June 2013

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							
	2013	2013	2013	2013		2013	2013				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate & governance	2,270,390	186,821	-	-	2,457,211	2,897,926	27,507	2,925,433	(440,715)	(468,222)	34,082,678
Community services	747,325	148,691	4,000	-	900,016	607,512	-	607,512	288,504	292,504	1,890,980
Economic development	1,041,962	450,668	134,028	-	1,626,658	1,855,487	-	1,855,487	(362,857)	(228,829)	3,280,312
Housing	-	1,786,028	3,230,473	-	5,016,501	2,298,151	-	2,298,151	(512,123)	2,718,350	49,699,093
Infrastructure	638,311	-	342,324	-	980,635	782,361	52,292	834,653	(144,050)	145,982	16,998,953
Total Council	4,697,988	2,572,208	3,710,825	-	10,981,021	8,441,437	79,799	8,521,236	(1,171,241)	2,459,785	105,952,016

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

Note	2014 \$	2013 \$
3 Revenue analysis		
(a) Fees and charges		
Community fees and charges	70,684	72,760
Post office commissions	12,000	12,000
Other fees and charges	312,699	319,365
	<u>395,383</u>	<u>404,125</u>
(b) Rental income		
Housing rental income	777,904	663,134
	<u>777,904</u>	<u>663,134</u>
(c) Interest received		
Bank interest	34,992	31,159
	<u>34,992</u>	<u>31,159</u>
(d) Sales revenue		
Sale of services		
Recoverable works - Q-Build	555,161	852,664
Joinery sales	267,048	255,062
	<u>822,209</u>	<u>1,107,726</u>
Sale of goods		
Livestock sales	51,537	84,462
Cherbourg Fresh retail store	141,734	110,798
	<u>193,271</u>	<u>195,260</u>
Total sales revenue	<u>1,015,480</u>	<u>1,302,986</u>
(e) Other income		
Incentives - Job Network Scheme	3,000	58,723
Other income	68,413	112,081
	<u>71,413</u>	<u>170,804</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

Note	2014 \$	2013 \$
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants	1,467,686	1,695,097
State government subsidies and grants	2,102,993	1,625,323
Commonwealth government subsidies and grants	390,305	1,351,568
Contributions and Donations	-	26,000
	<u>3,960,984</u>	<u>4,697,988</u>
(b) Capital		
State government subsidies and grants	437,761	476,353
Commonwealth government subsidies and grants	142,888	4,000
Contributions and Donations	-	1,300,000
	<u>580,649</u>	<u>1,780,352</u>
(c) Capital sales revenue		
Recoverable capital works - Q-Build	4,608,713	1,930,473
	<u>4,608,713</u>	<u>1,930,473</u>

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	215,589	472,057
Non-reciprocal funds for expenditure on infrastructure	157,035	160,220
	<u>372,624</u>	<u>632,277</u>

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	290,377	569,469
Non-reciprocal funds for expenditure on infrastructure	118,890	111,507
	<u>409,267</u>	<u>780,976</u>

5 Capital income

Revaluations

Revaluation up of property, plant and equipment reversing previous revaluation down.

Total capital income

-	-
-	-

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
6 Employee benefits			
Total staff wages and salaries		2,967,107	3,512,855
Councillors' remuneration		264,806	277,726
Annual and long service leave entitlements		243,797	275,882
Superannuation	23	275,829	341,496
		<u>3,751,539</u>	<u>4,407,959</u>
Other employee related expenses		99,855	95,639
Less : Capitalised employee expenses		(346,341)	(281,199)
		<u>3,505,053</u>	<u>4,222,399</u>

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

Total Council employees at the reporting date:	2014	2013
Elected members	5	5
Administration staff	11	17
Depot and outdoors staff	48	67
Total full time equivalent employees	<u>64</u>	<u>89</u>

7 Materials and services

Administration supplies and consumables	99,281	63,025
Audit services	74,664	52,471
Consultants	125,003	111,612
CDEP Activity materials	99,962	72,234
Electricity	151,191	133,670
Emergency & flooding relief	175,383	40,524
Enterprise centre running costs	135,380	187,196
Licence fees	8,177	5,147
Insurance	331,583	320,456
Joinery expenses	77,602	69,663
Movement in inventory	117,329	221,165
Motor vehicle expenses	79,890	79,085
Printing & stationery	34,373	46,390
Repairs and maintenance	809,672	756,471
Subscriptions and advertising	1,189	178
Telephone & fax	48,861	41,014
Travel	31,863	27,842
Training	12,000	29,133
Water & sewerage operational costs	224,979	214,792
Other materials and services	566,979	493,680
	<u>3,205,361</u>	<u>2,965,748</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
8 Finance costs			
Interest costs		5,019	676
Bank charges		10,251	24,198
		<u>15,270</u>	<u>24,874</u>
9 Depreciation and amortisation			
Depreciation of non-current assets			
Buildings		343,694	308,241
Houses		523,389	501,798
Motor vehicles		66,726	82,121
Plant and equipment		76,058	64,872
Furniture and fittings		7,131	4,992
Infrastructure		292,117	266,392
	14	<u>1,309,115</u>	<u>1,228,416</u>
10 Capital expenses			
Revaluation decrement			
Revaluation down of property, plant and equipment	14	-	(24,000)
		<u>-</u>	<u>(24,000)</u>
Loss on disposal of property, plant and equipment			
Loss on disposal of property, plant and equipment		(70,107)	(55,799)
		<u>(70,107)</u>	<u>(55,799)</u>
Total capital expenses		<u>(70,107)</u>	<u>(79,799)</u>
11 Cash and cash equivalents			
Cash at bank and on hand		<u>1,574,235</u>	<u>1,689,252</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		862,144	938,727
Total unspent restricted cash		<u>862,144</u>	<u>938,727</u>

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.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	2014	2013
Note	\$	\$
12 Trade and other receivables		
Current		
Housing rental & maintenance	1,852,422	1,107,924
Less provision for impairment	(749,327)	(626,586)
Prepayments	105,534	102,263
	<u>1,208,629</u>	<u>583,601</u>
13 Inventories		
Inventories held for distribution		
Workshop, fuel and housing stock	153,808	165,960
	<u>153,808</u>	<u>165,960</u>
Total inventories	<u>153,808</u>	<u>165,960</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

14 Property, plant and equipment

Council - 30 June 2014

Basis of measurement

Asset values

Opening gross value as at 1 July 2013

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Closing gross value as at 30 June 2014

Note	Land	Buildings	Houses	Motor vehicles	Plant and equipment	Furniture and fittings	Infrastructure	Work in progress	Total
	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Valuation	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,616,000	34,572,609	59,583,975	1,603,885	1,833,480	286,256	21,440,349	786,431	121,722,985
	-	238,883	1,072,202	116,156	30,000	-	253,554	3,030,949	4,741,744
	-	-	-	(398,130)	-	-	-	-	(398,130)
18	-	662,896	(129,497)	57,871	(43,465)	-	111,488	-	659,293
	-	28,556	3,768,885	-	-	-	-	(3,797,441)	-
	1,616,000	35,502,944	64,295,565	1,379,782	1,820,015	286,256	21,805,391	19,939	126,725,892

Accumulated depreciation and impairment

Opening balance as at 1 July 2013

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2014

	-	5,505,414	6,757,824	1,043,776	1,277,857	252,627	3,691,745	-	18,529,243
9	-	343,694	523,389	76,058	66,726	7,131	292,117	-	1,309,115
	-	-	-	(284,908)	-	-	-	-	(284,908)
18	-	(233,590)	(809,413)	22,373	73	-	(354,126)	-	(1,374,683)
	-	-	-	-	-	-	-	-	-
	-	5,615,518	6,471,800	857,299	1,344,656	259,758	3,629,736	-	18,178,767

Total written down value as at 30 June 2014

Residual value

Range of estimated useful life in years

1,616,000	29,887,426	57,823,765	522,483	475,359	26,498	18,175,655	19,939	108,547,125
-	18,544,591	33,409,423	-	-	-	6,162,712	-	58,116,726
Not depreciated.	20 - 60	40	5	2 - 50	2 - 20	10 - 80	-	-

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	1,072,202	-	-	-	253,554	-	1,325,756
-	238,883	-	116,156	30,000	-	-	3,030,949	3,415,988
-	238,883	1,072,202	116,156	30,000	-	253,554	3,030,949	4,741,744

Cherbourg Aboriginal Shire Council

Notes to the Financial Statements

For the year ended 30 June 2014

Council - 30 June 2013

Basis of measurement

Asset values

Opening gross value as at 1 July 2012

Additions

Disposals

Revaluation adjustment to asset revaluation surplus

Revaluation adjustment to income

Transfers between classes

Closing gross value as at 30 June 2013

Note	Land	Buildings	Houses	Motor vehicles	Plant and equipment	Furniture and fittings	Infrastructure	Work in progress	Total
	Valuation	Valuation	Valuation	Valuation	Valuation	Cost	Valuation	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,656,400	33,877,592	54,783,850	1,927,064	2,192,466	264,126	20,935,778	616,988	116,254,264
	-	-	1,300,000	57,370	70,502	22,130	596,286	2,112,670	4,158,958
	-	-	-	(369,174)	-	-	-	-	(369,174)
18	(16,400)	695,017	1,556,898	(11,375)	(429,488)	-	(91,715)	-	1,702,937
10	(24,000)	-	-	-	-	-	-	-	(24,000)
	-	-	1,943,227	-	-	-	-	(1,943,227)	-
	1,616,000	34,572,609	59,583,975	1,603,885	1,833,480	286,256	21,440,349	786,431	121,722,985

Accumulated depreciation and impairment

Opening balance as at 1 July 2012

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2013

9	-	5,308,964	6,613,330	1,228,947	1,369,358	247,635	3,294,388	-	18,062,622
	-	308,241	501,799	82,121	64,872	4,992	266,392	-	1,228,417
	-	-	-	(296,425)	-	-	-	-	(296,425)
18	-	(111,791)	(357,305)	29,133	(156,373)	-	130,965	-	(465,371)
10	-	-	-	-	-	-	-	-	-
	-	5,505,414	6,757,824	1,043,776	1,277,857	252,627	3,691,745	-	18,529,243
	1,616,000	29,067,195	52,826,151	560,109	555,623	33,629	17,748,604	786,431	103,193,742
	-	15,437,380	30,052,011	-	60,707	-	5,821,093	-	51,371,191
	Not depreciated.	20 - 60	40	5	2 - 50	2 - 20	10 - 80	-	-

Total written down value as at 30 June 2013

Residual value

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	-	-	-	-	596,286	-	596,286
-	-	1,300,000	57,370	70,502	22,130	-	2,112,670	3,562,670
-	-	1,300,000	57,370	70,502	22,130	596,286	2,112,670	4,158,958

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

14 Property, Plant and Equipment (Continued)

(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 table summarises the classification of councils assets into the levels defined above. Comparative information has not been presented as permitted by the transitional provisions of AASB 13.

Asset Category	Level 1	Level 2	Level 3	Total
Land	-	1,616,000	-	1,616,000
Buildings and Houses	-	-	87,711,193	87,711,193
Motor Vehicles	-	522,483	-	522,483
Major Plant and Equipment	-	475,359	-	475,359
Infrastructure	-	-	18,175,657	18,175,657
	-	2,613,842	105,886,850	108,500,692

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 equipment 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 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 2014.

Asset Category	Valuation Effective 30 June 2014	Performed By	Effective Date of Last Comprehensive Valuation	Performed By
Land	Desktop	APV Valuers and Asset Management	30/06/2012	APV Valuers and Asset Management
Buildings and Houses	Desktop	APV Valuers and Asset Management	30/06/2012	APV Valuers and Asset Management
Motor Vehicles	Desktop	APV Valuers and Asset Management	30/06/2012	APV Valuers and Asset Management
Major Plant and Equipment	Desktop	APV Valuers and Asset Management	30/06/2012	APV Valuers and Asset Management
Infrastructure	Desktop	APV Valuers and Asset Management	30/06/2012	APV Valuers and Asset Management

Council adopted AASB13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

14 Property, Plant and Equipment (Continued)

(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.

As noted above the last comprehensive valuation of land assets was undertaken effective 30 June 2012. No indexation factor was applied to the opening value of land in deriving the valuation as at 30 June 2014.

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 asset has 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, residual value at the time the asset is considered to be no longer available for use, 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. Residual values have been calculated at a component level and are based on the cost that would be incurred to restore the asset's service potential back to "as new" if it were allowed to deteriorate to a condition which was deemed to deliver

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

Phase Points	Description
0H - 0M	New or very good condition - very high level of remaining service potential.
1H - 1M	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2H - 2M	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short-term obsolescence.
3H - 3M	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.
4H - 4M	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.
5H - 5M	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), estimated residual values, estimated useful lives, pattern of consumption, asset condition, and the indexation rate applied in the current period desktop valuation update.

An indexation factor of 2% was applied to the opening capital replacement value of building and house assets in deriving the 30 June 2014 desktop valuation.

The indexation percentages 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.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

14 Property, Plant and Equipment (Continued)

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. Indexation rates of 0-1% were applied to motor vehicle assets in the current period desktop valuation.

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. Under both approaches the indexation rates applied in the current period desktop valuation update, being 0-1%, are also considered to be a significant valuation input.

No items of major plant and equipment were valued using a 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). 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.

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 utilising 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, residual value at the time the asset is considered to be no longer available for use, 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

An identical condition rating scale as provided above in relation to buildings and houses is utilised 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), estimated residual values, estimated useful lives, pattern of consumption, asset condition, and the indexation rate applied in the current period desktop valuation update.

The following indexation rates were applied in deriving the 30 June 2014 desktop valuation updates for road and water infrastructure network assets:

Class	Indexation Factor
Water & Sewerage Infrastructure - Civil	1%
Water & Sewerage Infrastructure - Other	0%
Roads	1%
Other Structures	2%

The indexation percentages applied in the infrastructure 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.

(iv) Significant Unobservable Inputs and Sensitivity Analysis

The range of unobservable inputs (i.e. Level 3 inputs) applied in the valuation of council's assets as at 30 June 2014, together with the sensitivity of asset valuations to changes in these inputs, are outlined below for each class of asset measured at fair value:

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

14 Property, Plant and Equipment (Continued)

Buildings and Houses

Significant Unobservable Input	Range of Inputs	Relationship of unobservable input to fair value
Residual Value	\$0 - \$1,486,069	The higher the residual value, the higher the fair value
Condition Rating	0H - 6M	The higher the condition rating, the lower the fair value

Infrastructure - Roads, Drainage and Bridge Network

Significant Unobservable Input	Range of Inputs	Relationship of unobservable input to fair value
	Varies depending on the type of material and minimum construction standard	
Standard material usage quantities	standard	The higher the usage quantities, the higher the fair value
Condition Rating	0H - 3M	The higher the condition rating, the lower the fair value
Residual Value Percentage	0% - 50%	The higher the residual value, the higher the fair value

Infrastructure - Water and Sewerage Networks

Significant Unobservable Input	Range of Inputs	Relationship of unobservable input to fair value
	Varies depending on the type of material and minimum construction standard	
Standard material usage quantities	standard	The higher the usage quantities, the higher the fair value
Condition Rating	0H - 4M	The higher the condition rating, the lower the fair value
Residual Value Percentage	0% - 80%	The higher the residual value, the higher the fair value

Other Structures

Significant Unobservable Input	Range of Inputs	Relationship of unobservable input to fair value
Residual Value Percentage	0% - 30%	The higher the residual value, the higher the fair value
Condition Rating	1H - 4H	The higher the condition rating, the lower the fair value

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

The changes in level 3 assets with recurring fair value measurements are detailed in note 14 (property, plant and equipment) on page 23.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
15 Biological assets			
Current			
Livestock		128,147	238,883
		<u>128,147</u>	<u>238,883</u>
Non-Current			
Livestock		70,392	80,578
		<u>70,392</u>	<u>80,578</u>
16 Trade and other payables			
Current			
Creditors and accruals		469,319	537,823
Annual leave		275,623	286,077
Revenues in advance		56,693	68,201
		<u>801,635</u>	<u>892,101</u>
17 Provisions and Borrowings			
(a) Provision			
Current			
Legal matters (see note 22)		488,549	-
Long service leave		149,966	162,768
		<u>638,515</u>	<u>162,768</u>
Non-current			
Long service leave		75,799	65,644
		<u>75,799</u>	<u>65,644</u>
Details of movements in provisions:			
Long service leave			
Balance at beginning of financial year		228,412	232,514
Long service leave entitlement arising		52,107	37,935
Long Service entitlement paid		(54,754)	(42,037)
Balance at end of financial year		<u>225,765</u>	<u>228,412</u>
(b) Borrowings			
Current			
Loans - Other		-	14,845
		<u>-</u>	<u>14,845</u>
Non-current			
Loans - Other		-	24,859
		<u>-</u>	<u>24,859</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Note	2014 \$	2013 \$
18 Asset revaluation surplus			
Movements in the asset revaluation surplus were as follows:			
Balance at beginning of financial year		45,764,052	43,595,744
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		-	(16,400)
Buildings		896,486	806,808
Houses		679,916	1,914,203
Motor vehicles		35,498	(40,508)
Plant and equipment		(43,538)	(273,115)
Infrastructure		465,614	(222,680)
Balance at end of financial year		<u>47,798,028</u>	<u>45,764,052</u>
Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Buildings		20,015,071	19,118,585
Houses		19,381,715	18,701,799
Motor vehicles		535,707	500,209
Plant and equipment		347,818	391,356
Infrastructure		7,517,717	7,052,103
		<u>47,798,028</u>	<u>45,764,052</u>
19 Retained surplus			
Movements in the retained surplus were as follows:			
Retained surplus at beginning of financial year		59,027,747	55,104,075
Net result attributable to Council		3,340,612	2,459,785
Transfers (to)/ from capital reserves for future capital project funding, or from reserves funds that have been expended:	20		
Unspent capital grants reserve		-	23,241
Net transfers (to)/from recurrent reserves for future project funding, or from reserves funds that have been expended:			
Non-capital grants reserve		-	1,440,646
Retained surplus at end of financial year		<u>62,368,359</u>	<u>59,027,747</u>
20 Reserves			
Total reserves		<u>-</u>	<u>-</u>
Movements in reserves:			
Unspent capital grants reserve			
Balance at beginning of financial year		-	23,241
Transfer to the retained surplus/capital funds expended in the period		-	(23,241)
Balance at end of financial year		<u>-</u>	<u>-</u>
Movements in recurrent reserves:			
Non-capital grants reserve reserve			
Balance at beginning of financial year		-	1,440,646
Transfer to retained surplus		-	(1,440,646)
Balance at end of financial year		<u>-</u>	<u>-</u>

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

Note	2014 \$	2013 \$
21 Commitments for expenditure		
Operating leases		
Minimum lease payments in relation to non-cancellable operating leases are as follows:		
Within one year	5,899	27,123
One to five years		33,023
	<u>5,899</u>	<u>60,146</u>
Finance leases		
The above minimum lease payments are payable as follows:		
Within one year		14,845
One to five years		24,859
		<u>39,704</u>

Contractual commitments

At the reporting date, the Council does not have any contractual commitments not recognised in the financial statements.

22 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2014 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 \$86,967.

Legal preceeding against council

A claim was lodged against council on the 24 September 2014 in the district court of Queensland by a former supplier of printing and copying equipment. The claim, in the amount of \$463,775 plus accrued interest and legal fees, relates to an alleged breach of contract by council pursuant to a lease of equipment under a 60 month agreement dated 27 January 2011. Council terminated the aforementioned contract early on the grounds of dispute over the monthly rental charge, and continues to defend the claim on this basis. The amount claimed represents the unpaid monthly rental charges through to the original contractual maturity date of January 2016.

While council intends to pursue its defence against the claim, the full amount of the potential liability advised by council's lawyers, being \$488,549 (refer note 17(a)), has been raised as a provision at 30 June 2014 in light of prevailing uncertainty in relation to this matter.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

22 Contingent liabilities (continued)

National Regulatory System for Community Housing Providers

Under amendments passed to the Housing Act 2003 during the financial year, council, as a service provider of community housing, is required to register for the newly established 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, a number of which remain outstanding as at the date of this report.

Should council not obtain registration prior to 30 June 2015, there would be three alternatives available for Council's consideration :

1. Transfer or return of community housing assets to the Department of Housing and Public Works;
2. Repayment of contingent liability of any funded assets (i.e purchasing the Department's interest in community housing assets); or
3. Transfer of assets to another provider that is registered under the NRSCH.

The most likely outcome should council fail to obtain registration under the NRSCH would be the removal of community housing assets from council's balance sheet. At 30 June 2014 these assets had a total value of \$57.824m (refer note 14).

Council consider that it is probable registration will be obtained within the required timeframe, however as the likelihood of not obtaining registration cannot be considered remote, disclosure of the alternatives has been made above.

23 Superannuation

The Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has two elements referred to as the Defined Benefits Fund (DBF) and the Accumulation Benefits Fund (ABF). The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

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

Any amount by which either fund is over or under funded would only affect future benefits and contributions to the DBF, and is not an asset or liability of the Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

The audited general purpose financial report of the scheme as at 30 June 2012 (the most recent available) which was not subject to any audit qualification, indicates that the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

23 Superannuation (continued)

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

The next actuarial investigation will be conducted as at 1 July 2015.

	Note	2014 \$	2013 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	275,829	341,496

24 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities

Net operating result	3,340,612	2,459,785
Non-cash operating items:		
Depreciation and amortisation	1,309,115	1,228,416
Revaluation adjustments	-	24,000
	1,309,115	1,252,416
Investing and development activities:		
Net profit / loss on disposal of non-current assets	70,067	55,799
Capital grants and contributions	(5,189,362)	(3,710,826)
	(5,119,295)	(3,655,027)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(625,028)	509,727
(Increase)/decrease in inventory	12,152	628
(Increase)/decrease in biological asset	120,922	260,424
Increase/(decrease) in payables	(90,466)	68,650
Increase/(decrease) in other provisions	485,902	(4,102)
	(96,518)	835,327
Net cash inflow from operating activities	(566,086)	892,501

25 Events after the reporting period

There were no material adjusting events after the balance date.

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

27 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. The Council minimises its exposure to financial risk in the following ways:

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.

When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the *Statutory Bodies Financial Arrangements Act 1982*. Council does not have any external borrowings as at 30 June 2014 and is therefore not exposed to any material levels of interest rate risk.

Cherbourg Aboriginal Shire Council measures material risk exposure using a variety of methods as follows:

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Maturity analysis

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.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provisions for impairment.

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

Council's maximum exposure to credit risk is as follows:

	Note	2014 \$	2013 \$
Financial assets			
Cash and cash equivalents	11	1,574,235	1,689,252
Receivables	12	1,103,095	481,338
Guarantee	22	86,967	94,749
		<u>2,764,297</u>	<u>2,265,339</u>

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.

The following represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

Cherbourg Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

27 Financial instruments (cont)

30-Jun-14	Fully performing		Past due		Total
		Less than 30 days	30-60 days	61-90 days	
		\$	\$	\$	\$
Receivables		820,986	122,444	39,459	869,533
Less impairment		-	-	(749,327)	(749,327)
Net Receivables		820,986	122,444	39,459	1,103,095

30-Jun-13	Fully performing		Past due		Total
		Less than 30 days	30-60 days	61-90 days	
		\$	\$	\$	\$
Receivables		141,591	59,020	74,732	832,581
Less impairment		-	-	(626,586)	(626,586)
Net Receivables		141,591	59,020	74,732	205,995

Liquidity risk

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 following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2014					
Trade and other payables	469,319	-	-	469,319	469,319
Finance lease liabilities	-	-	-	-	-
	469,319	-	-	469,319	469,319
2013					
Trade and other payables	537,823	-	-	537,823	537,823
Finance lease liabilities	14,845	24,859	-	39,704	39,704
	552,668	24,859	-	577,527	577,527

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

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

28 Tied grants by project

	Balance	Revenue	Expense	Transfer between grants	Balance
	01/07/13				30/06/2014
	\$	\$	\$		\$
Commonwealth government grants					
Dept Education, Employment and Workplace Relation					
Barambah PACE Project	19,222	132,282	150,695	-	809
Carbon Farming Project	119,112	-	119,111	-	1
Community Training & Employment Program	124,167	-	-	-	124,167
Total DEEWR Grants	262,501	132,282	269,806	-	124,977
Department of Infrastructure and Regional Development					
Roads to Recovery	-	142,888	142,825	-	63
Total	-	142,888	142,825	-	63
Dept of Families, Housing , Community Services and Indigenous Affairs					
CDEP Wages	49,296	91,073	130,779	-	9,590
CDEP Service Fees	8,264	76,950	102,600	17,386	-
CDEP Work Readiness Project	80,093	77,090	119,165	(38,018)	-
CDEP Community Dev Project Fund	(4,838)	-	-	-	(4,838)
CDEP Development & Support Funds	93,985	107,206	221,823	20,632	-
Council Operational Municipal Services	(221)	775,958	618,703	-	157,034
Garbage Normalisation	(24)	-	-	-	(24)
Job Creation Package Muns	18,966	47,264	48,843	-	17,387
Titans CDEP Project	1	-	-	-	1
CDEP Operational Support	-	100,000	-	-	100,000
Barambah PACE 2014	-	90,000	64,287	-	25,713
NAIDOC Activities	3,000	-	2,976	-	24
Total	248,522	1,365,541	1,309,176	-	304,887
Department of Health & Ageing					
BMX Track, Park & Playground	6,729	-	-	-	6,729
NKB Certification	39,993	-	-	-	39,993
Sporting Support	1,620	-	-	-	1,620
Job Creation - Respite	(1,426)	-	-	-	(1,426)
NJCP - Sport & Rec	17,436	103,023	99,565	-	20,894
Indigenous Sports & Rec Program 2010/2011	(23,582)	-	-	-	(23,582)
Indigenous Sports & Rec Program 2011/2012	(29,835)	-	-	-	(29,835)
Total	10,935	103,023	99,565	-	14,393
Total - Commonwealth government	521,958	1,743,734	1,821,372	-	444,320

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Balance	Revenue	Expense	Balance
	01/07/13			30/06/2014
	\$	\$	\$	\$
State government grants				
Department of Local Government				
GraffitiSTOP Funding	83	2,000	1,456	627
Flood Gauge	(42,797)	38,516	-	(4,281)
Council Flood Drainage	4,688	-	-	4,688
Public Lighting	16,750	-	-	16,750
Get Ready Queensland	-	5,670	6,300	(630)
Indigenous Economic Development Grant	(17,739)	80,000	78,586	(16,325)
LGGSP - Business Incentive Scheme	-	138,600	157,429	(18,829)
State Government Financial Aid Program	-	1,467,686	1,467,686	-
SGFA - Service Delivery Funds	-	66,560	-	66,560
Financial Assistance Grant	550,064	289,408	216,345	623,127
Natural Disasters Resilience Program	53,128	-	53,191	(63)
Total	564,178	2,088,440	1,980,993	671,624
Department of Employment, Economic Development and Innovation				
Employ Trainees	(67,620)	-	-	(67,620)
Productivity Cherbourg	-	-	-	-
F.I.A - Cherbourg Fresh Commercial Expansion	(12,878)	-	-	(12,878)
SQW Flood Recovery	-	-	-	-
SQW Construction	(666)	-	-	(666)
Total	(81,164)	-	-	(81,164)
Department of Communities				
Emergency Relief Program	1,841	-	-	1,841
Disability Funding Program	188,290	-	-	188,290
Home and Community Care Program	(124,897)	-	-	(124,697)
Total	65,434	-	-	65,434
Department of Transport and Main Roads				
TIDS Funding	-	135,081	135,081	-
Total	-	135,081	135,081	-
Department of Health				
Injury Prevention, Safety Awareness	1,667	-	-	1,667
A&TSI Public Health	(4,935)	143,416	126,868	11,613
Total	(3,268)	143,416	126,868	13,280
Department of Environment and Resource				
Illegal Dumping Camera	-	1,000	-	1,000
Waste Facility Assistance	(5,042)	-	-	(5,042)
Total	(5,042)	1,000	-	(4,042)
Department of Community Safety				
LGS Subsidy	-	12,162	-	12,162
SES Subsidy -Freight Container	3,000	-	-	3,000
Total	3,000	12,162	-	15,162
Total - State government	543,138	2,380,099	2,242,942	680,294

Cherbourg Aboriginal Shire Council

Notes to the financial statements

For the year ended 30 June 2014

	Balance	Revenue	Expense	Balance
	01/07/13			30/06/2014
	\$	\$	\$	\$
Other grant providers				
indigenous Land corporation				
<i>Health & Safety Land Management</i>	19,245	-	19,245	-
Total	19,245	-	19,245	-
Burnett mary Regional Group				
<i>Cherbourg Parthenium Control</i>	4,500	-	-	4,500
Total	4,500	-	-	4,500
Burnett Inland Economic Development Organisation				
<i>Cultural Diversity</i>	7,545	-	2,015	5,530
<i>Formal Training</i>	8,231	-	1,148	7,083
<i>Murri Network</i>	19,693	-	1,828	17,865
Total	35,469	-	4,991	30,478
Community Benefit Gambling Fund				
<i>Security Fence - Radio Station</i>	13,239	-	13,239	-
Total	13,239	-	13,239	-
State Library of Queensland				
<i>Indigenous Knowledge Centre</i>	14,600	-	-	14,600
Total	14,600	-	-	14,600
Rio Tinto - A.C.I.C.C				
<i>A.C.I.C.C - Cherbourg Café Project</i>	343	-	-	343
Total	343	-	-	343
Total - Other grant providers	87,396	-	37,475	49,921
Total grants	1,152,491	4,123,833	4,101,789	1,174,535
Add back Overdrawn Grant Balances	336,300	-	-	310,736
Total Tied Grants as at 30 June	1,488,791	-	-	1,485,271

Cherbourg Aboriginal Shire Council

Financial statements

For the year ended 30 June 2014

Management Certificate

For the year ended 30 June 2014

Management Certificate

For the year ended 30 June 2014

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 38, 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

Ken Bone

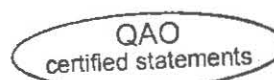
Date: 22/10/2014



Chief Executive Officer

Warren Collins

Date: 22/10/2014



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INDEPENDENT AUDITOR'S REPORT

To the Mayor of Cherbourg Aboriginal Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Cherbourg Aboriginal Shire Council, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility 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 prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Cherbourg Aboriginal Shire Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B MACRAE FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Cherbourg Aboriginal Shire Council

Current-year Financial Sustainability Statement For the year ended 30 June 2014

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)	-28%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	101%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-25%	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 2014.

Certificate of Accuracy

For the year ended 30 June 2014


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
Ken Bone

Date: 22/10/2014



Chief Executive Officer
Warren Collins

Date: 22/10/2014

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certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Cherbourg Aboriginal Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Cherbourg Aboriginal Shire Council for the year ended 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

The Council's Responsibility 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 Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. 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.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Cherbourg Aboriginal Shire Council, for the year ended 30 June 2014, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn 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.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B MACRAE FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane