

**Cherbourg Aboriginal Shire Council  
Annual Financial Statements  
For the year ended 30 June 2017**

# **Cherbourg Aboriginal Shire Council**

## **Financial statements**

For the year ended 30 June 2017

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**Cherbourg Aboriginal Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Fees and charges	3(a)	651,628	622,635
Rental income		1,084,370	1,053,687
Interest received		63,374	78,061
Sales revenue	3(b)	1,645,207	1,964,968
Other income		160,975	52,477
Grants, subsidies, contributions and donations	4(a)	2,775,763	2,692,181
		<u>6,381,317</u>	<u>6,464,009</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	1,569,591	279,594
Sales revenue	4(c)	3,761,988	5,558,439
<b>Total revenue</b>		<u>11,712,896</u>	<u>12,302,042</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	5	(3,592,070)	(3,225,021)
Materials and services	6	(2,693,354)	(2,860,181)
Finance costs		(12,836)	(10,410)
Depreciation and amortisation	9	(2,066,211)	(1,873,311)
<b>Total expenses</b>		<u>(8,364,471)</u>	<u>(7,968,923)</u>
<b>Net result</b>		<u>3,348,425</u>	<u>4,333,119</u>
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified to net result</i>			
Increase/(decrease) in asset revaluation surplus	12	(9,579,332)	904,943
<b>Total other comprehensive income for the year</b>		<u>(9,579,332)</u>	<u>904,943</u>
<b>Total comprehensive income for the year</b>		<u>(6,230,907)</u>	<u>5,238,062</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 2017

	Note	2017 \$	2016 \$
<b>Current assets</b>			
Cash and cash equivalents	7	3,931,373	2,873,557
Trade and other receivables	8	1,023,023	1,344,062
Inventories		159,917	148,574
Biological assets		391,500	312,174
<b>Total current assets</b>		<b>5,505,813</b>	<b>4,678,367</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	111,716,942	118,429,333
Biological assets		153,550	113,718
<b>Total non-current assets</b>		<b>111,870,492</b>	<b>118,543,051</b>
<b>Total assets</b>		<b>117,376,305</b>	<b>123,221,418</b>
<b>Current liabilities</b>			
Trade and other payables	10	860,292	493,031
Provisions	11	123,651	169,650
<b>Total current liabilities</b>		<b>983,943</b>	<b>662,681</b>
<b>Non-current liabilities</b>			
Provisions	11	168,559	104,027
<b>Total non-current liabilities</b>		<b>168,559</b>	<b>104,027</b>
<b>Total liabilities</b>		<b>1,152,502</b>	<b>766,708</b>
<b>Net community assets</b>		<b>116,223,803</b>	<b>122,454,710</b>
<b>Community equity</b>			
Asset revaluation surplus	12	40,588,824	50,168,156
Retained surplus		75,634,979	72,286,554
<b>Total community equity</b>		<b>116,223,803</b>	<b>122,454,710</b>

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 2017

	Note	Asset revaluation surplus 12 \$	Retained Surplus \$	Total \$
<b>Balance as at 1 July 2016</b>		50,168,156	72,286,554	122,454,710
Net operating surplus		-	3,348,425	3,348,425
<i>Other comprehensive income for the year</i>				
Decrease in asset revaluation surplus		(9,579,332)	-	(9,579,332)
<b>Total comprehensive income for the year</b>		<b>(9,579,332)</b>	<b>3,348,425</b>	<b>(6,230,907)</b>
<b>Balance as at 30 June 2017</b>		<b>40,588,824</b>	<b>75,634,979</b>	<b>116,223,803</b>
<b>Balance as at 1 July 2015</b>		<b>49,263,213</b>	<b>67,953,435</b>	<b>117,216,648</b>
Net operating surplus		-	4,333,119	4,333,119
<i>Other comprehensive income for the year</i>				
Increase in asset revaluation surplus		904,943	-	904,943
<b>Total comprehensive income for the year</b>		<b>904,943</b>	<b>4,333,119</b>	<b>5,238,062</b>
<b>Balance as at 30 June 2016</b>		<b>50,168,156</b>	<b>72,286,554</b>	<b>122,454,710</b>

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 2017

	Note	2017 \$	2016 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		3,337,965	3,498,426
Payments to suppliers and employees		(6,524,379)	(7,438,114)
		(3,186,414)	(3,939,688)
Interest received		63,374	78,061
Rental income		1,084,370	1,053,687
Non capital grants and contributions		2,775,763	2,692,181
Borrowing costs		(12,836)	(10,410)
<b>Net cash inflow (outflow) from operating activities</b>	16	724,257	(126,169)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(4,933,152)	(6,045,510)
Grants, subsidies, contributions and donations		1,569,591	279,594
Sales Revenue		3,697,120	5,558,439
<b>Net cash inflow (outflow) from investing activities</b>		333,559	(207,477)
<b>Net increase (decrease) in cash held</b>		1,057,816	(333,646)
Cash at beginning of the financial year		2,873,557	3,207,203
<b>Cash at end of the financial year</b>	7	3,931,373	2,873,557

*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 2017

### **1 Significant accounting policies**

#### **1.A Basis of preparation**

These general purpose financial statements for the period 1 July 2016 to 30 June 2017 have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board. They also comply with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

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

#### **1.B Date of authorisation**

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

#### **1.C Currency**

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

#### **1.D Adoption of new and revised Accounting Standards**

This year Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about related parties and transactions with those related parties. This information is presented in note 18.

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.

Cherbourg Aboriginal Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective at 30 June 2017.

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

##### *AASB 9 Financial Instruments*

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost, and financial assets will only be able to be measured at amortised cost where very specific conditions are met. Council is still assessing the potential impact of the initial application of this standard, which may include an adjustment (increase) to Council's provision for impairment of receivables.

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

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

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

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

#### **AASB 16 Leases**

AASB 16 is effective for financial years beginning on or after 1 July 2019. Council has some leases that are not on its balance sheet. These will need to be included on the balance sheet when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

All other new and amended Australian Accounting Standards and Interpretations which were issued at the date of authorization of the financial report, but have future commencement dates, are not likely to have a material impact on the financial statements

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

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

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

Valuation and depreciation of property, plant and equipment - Note 1.J and Note 9

Provisions - Note 1.N and Note 11

Contingencies - Note 14

Impairment of trade and other receivables- Note 1.I, Note 8 and Note 17

Valuation of biological assets - Note 1.K

### **1.F Revenue**

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

#### **Fees and charges**

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

#### **Grants and subsidies**

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

#### **Rental income**

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

#### **Sales Revenue**

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

### **1.G Financial assets and financial liabilities**

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

Cherbourg Aboriginal Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

#### **Financial assets**

Cash and cash equivalents (Note 1.H)

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

#### **Financial liabilities**

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

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



# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **1.H Cash and cash equivalents**

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

### **1.I Receivables**

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

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

### **1.J Property, plant and equipment**

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

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

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

#### Acquisition of assets

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

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

#### Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **1.J Property, plant and equipment (cont)**

#### Valuation

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

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

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

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

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

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

#### Capital work in progress

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

#### Depreciation

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

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

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

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

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

#### Deed of Grant in Trust Land

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

The land is administered by the Department of the Environment and Resource Management and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **1.K Biological assets**

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

### **1.L Impairment of non-current assets**

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

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

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

### **1.M Payables**

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

### **1.N Liabilities - employee benefits**

#### Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 10 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 10 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 15.

#### Long service leave

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

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **1.O Asset revaluation surplus**

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

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

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

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

### **1.P National competition policy**

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

### **1.Q Rounding and comparatives**

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

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

### **1.R Taxation**

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

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **2. Analysis of Results by Function**

#### **2(a) Components of council functions**

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

##### **Corporate services and governance**

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

##### **Community services**

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

##### **Economic and community development**

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

##### **Housing**

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

##### **Infrastructure**

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



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### 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 2017

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							
	2017	2017	2017	2017							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate & governance	2,496,374	108,365	-	-	2,604,739	3,224,727	-	3,224,727	(619,988)	(619,988)	30,293,842
Community services	268,786	144,447	276,325	-	689,558	357,112	-	357,112	56,121	332,446	2,068,455
Economic development	10,603	430,620	291,724	-	732,947	632,868	-	632,868	(191,645)	100,079	4,827,673
Housing	-	2,884,397		3,761,988	6,646,385	3,090,470	-	3,090,470	(206,073)	3,555,915	60,322,453
Infrastructure	-	37,725	1,001,542	-	1,039,267	1,059,294	-	1,059,294	(1,021,569)	(20,027)	19,863,882
Total Council	2,775,763	3,605,554	1,569,591	3,761,988	11,712,896	8,364,471	-	8,364,471	(1,983,154)	3,348,425	117,376,305

#### Year ended 30 June 2016

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							
	2016	2016	2016	2016							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate & governance	2,190,375	111,628	-	-	2,302,003	2,833,070	-	2,833,070	(531,067)	(531,067)	36,352,398
Community services	340,873	174,328	21,075	-	536,276	419,409	-	419,409	95,792	116,867	2,375,815
Economic development	144,213	376,765	-	-	520,978	714,969	-	714,969	(193,991)	(193,991)	2,826,042
Housing	-	3,081,959	-	5,558,439	8,640,398	3,196,574	-	3,196,574	(114,615)	5,443,824	62,920,507
Infrastructure	16,720	27,148	258,519	-	302,387	804,901	-	804,901	(761,033)	(502,514)	18,746,656
Total Council	2,692,181	3,771,828	279,594	5,558,439	12,302,042	7,968,923	-	7,968,923	(1,504,914)	4,333,119	123,221,418

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>3 Revenue analysis</b>			
<b>(a) Fees and charges</b>			
Community fees and charges		72,264	60,513
Post office commissions		12,000	12,000
Other fees and charges		567,364	550,122
		<u>651,628</u>	<u>622,635</u>
<b>(b) Sales revenue</b>			
<b>Sale of services</b>			
Recoverable works - BAS		1,422,121	1,568,192
Joinery sales		151,697	216,596
		<u>1,573,818</u>	<u>1,784,788</u>
<b>Sale of goods</b>			
Livestock sales		71,389	119,288
Cherbourg Fresh retail store		-	60,892
		<u>71,389</u>	<u>180,180</u>
<b>Total sales revenue</b>		<u>1,645,207</u>	<u>1,964,968</u>
<b>4 Grants, subsidies, contributions and donations</b>			
<b>(a) Recurrent</b>			
General purpose grants		1,535,124	1,535,124
State government subsidies and grants		1,240,639	1,157,057
		<u>2,775,763</u>	<u>2,692,181</u>
<b>(b) Capital</b>			
State government subsidies and grants		1,569,591	279,594
		<u>1,569,591</u>	<u>279,594</u>
<b>(c) Capital sales revenue</b>			
Recoverable capital works - BAS		3,761,988	5,558,439
		<u>3,761,988</u>	<u>5,558,439</u>
<b>Conditions over contributions</b>			
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		440,760	433,157
Non-reciprocal funds for expenditure on infrastructure		12,895	12,755
		<u>453,655</u>	<u>445,912</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		75,840	100,163
Non-reciprocal funds for expenditure on infrastructure		52,670	134,371
		<u>128,510</u>	<u>234,534</u>

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>5 Employee benefits</b>			
Total staff wages and salaries		2,789,263	2,523,053
Councillors' remuneration		308,893	300,566
Annual and long service leave entitlements		398,559	235,726
Superannuation	15	322,191	277,535
		<b>3,818,906</b>	<b>3,336,880</b>
Other employee related expenses		86,641	52,183
Less : Capitalised employee expenses		(313,477)	(164,042)
		<b>3,592,070</b>	<b>3,225,021</b>

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

Total Council employees at the reporting date:	2017	2016
Elected members	5	5
Administration staff	14	10
Depot and outdoors staff	57	45
Total full time equivalent employees	<b>76</b>	<b>60</b>

## 6 Materials and services

Administration supplies and consumables	69,285	105,157
Audit services	63,200	61,500
Consultants	199,848	51,303
Electricity	174,633	148,928
Emergency & flooding relief	-	75,127
Enterprise centre running costs	57,874	136,188
Licence fees	6,473	5,266
Insurance	305,338	313,638
Joinery expenses	129,626	123,652
Movement in inventory	(119,158)	(148,942)
Motor vehicle expenses	8,886	124,133
Printing & stationery	34,294	43,489
Repairs and maintenance	1,180,617	1,191,160
Subscriptions and advertising	278	237
Telephone & fax	78,496	50,055
Travel	82,192	11,993
Training	-	2,345
Water & sewerage operational costs	174,358	284,792
Bad and doubtful debts	121,738	181,660
Other materials and services	125,376	98,500
	<b>2,693,354</b>	<b>2,860,181</b>



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>7 Cash and cash equivalents</b>			
Cash at bank and on hand		3,931,373	2,873,557

Externally imposed expenditure restrictions at the reporting date are disclosed in note 19.

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.

## 8 Trade and other receivables

### Current

Housing rental & maintenance	1,774,309	2,041,443
Less provision for impairment	(817,977)	(759,621)
Prepayments	66,691	62,240
	<u>1,023,023</u>	<u>1,344,062</u>

Movement in accumulated impairment losses is as follows:

Opening balance	759,621	681,917
Bad debts written off	(63,382)	(103,956)
Additional provisions raised	121,738	77,704
Closing balance	<u>817,977</u>	<u>759,621</u>

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### Note 9: Property, Plant and Equipment

30th June 2017	Note	Land	Buildings	Houses	Motor vehicles	Plant and equipment	Furniture and fittings	Infrastructure	Work In Progress	TOTAL
Basis of measurement		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
<b>Opening Balances</b>										
Opening Gross Value		1,616,000	38,267,281	72,563,075	1,440,817	2,143,359	286,256	23,665,600	830,955	140,813,343
Accumulated Depreciation		-	6,542,173	9,212,469	971,160	1,410,186	269,126	3,978,896	-	22,384,010
<b>Opening Written Down Value</b>		<b>1,616,000</b>	<b>31,725,108</b>	<b>63,350,606</b>	<b>469,657</b>	<b>733,173</b>	<b>17,130</b>	<b>19,686,704</b>	<b>830,955</b>	<b>118,429,333</b>
<b>Movements during Year</b>										
Additions		-	-	-	86,481	420,588	-	87,086	4,338,997	4,933,152
Transfers between classes		-	156,173	2,922,231	-	-	-	-	(3,078,404)	-
Disposals		-	-	-	-	-	-	-	-	-
Depreciation		-	(557,393)	(1,004,814)	(57,215)	(102,460)	(2,213)	(342,116)	-	(2,066,211)
Revaluations	12	-	(4,677,157)	(5,598,106)	(165,923)	(133,192)	-	995,046	-	(9,579,332)
<b>Closing Balances</b>										
Closing Gross Value		1,616,000	40,111,658	81,747,618	1,061,200	2,761,495	286,256	26,330,928	1,983,977	155,919,132
Accumulated Depreciation		-	13,464,927	22,077,701	748,200	1,843,386	271,339	5,904,208	-	44,309,761
<b>Closing Written Down Value</b>		<b>1,616,000</b>	<b>26,646,731</b>	<b>59,669,917</b>	<b>333,000</b>	<b>918,109</b>	<b>14,917</b>	<b>20,426,720</b>	<b>2,091,548</b>	<b>111,716,642</b>
Estimated Useful Life (Years)		Not Depreciated	15 - 150	15 - 150	2 - 20	3 - 80	1 - 100	10 - 105		
<b>2017 Additions comprise:</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Infrastructure renewals		-	-	-	-	-	-	87,086	387,235	474,321
Other additions		-	-	-	86,481	420,588	-	-	3,951,762	4,458,831
<b>Total additions</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>86,481</b>	<b>420,588</b>	<b>-</b>	<b>87,086</b>	<b>4,338,997</b>	<b>4,933,152</b>



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### Note 9: Property, Plant and Equipment

30th June 2016		Land	Buildings	Houses	Motor vehicles	Plant and equipment	Furniture and fittings	Infrastructure	Work In Progress	TOTAL
Basis of measurement		Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	
<b>Opening Balances</b>										
Opening Gross Value		1,616,000	36,828,094	66,567,008	1,407,054	1,792,743	286,256	22,848,796	656,552	132,002,503
Accumulated Depreciation			5,793,913	6,553,862	916,834	1,406,782	266,346	3,712,575	-	18,650,312
<b>Opening Written Down Value</b>		<b>1,616,000</b>	<b>31,034,181</b>	<b>60,013,146</b>	<b>490,220</b>	<b>385,961</b>	<b>19,910</b>	<b>19,136,221</b>	<b>656,552</b>	<b>113,352,191</b>
<b>Movements during Year</b>										
Additions		-	257,415	1,538,177	-	175,313	-	-	4,074,605	6,045,510
Disposals		-	-	-	-	-	-	-	-	-
Depreciation		-	(533,522)	(908,732)	(50,089)	(61,842)	(2,780)	(316,346)	-	(1,873,311)
Revaluations	12	-	967,034	(1,192,187)	29,526	233,741	-	866,829	-	904,943
Transfers		-	-	3,900,202	-	-	-	-	(3,900,202)	-
<b>Closing Balances</b>										
Closing Gross Value		1,616,000	38,267,281	72,563,075	1,440,817	2,143,359	286,256	23,665,600	830,955	140,813,343
Accumulated Depreciation		-	6,542,173	9,212,469	971,160	1,410,186	269,126	3,978,896	-	22,384,010
<b>Closing Written Down Value</b>		<b>1,616,000</b>	<b>31,725,108</b>	<b>63,350,606</b>	<b>469,657</b>	<b>733,173</b>	<b>17,130</b>	<b>19,686,704</b>	<b>830,955</b>	<b>118,429,333</b>
Estimated Useful Life (Years)		Not Depreciated	15-150	15-150	2 - 20	3 - 80	1 - 100	10-105		

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### 9 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 tables summarise the classification of councils assets into the levels defined above.

#### 2017:

Asset Category	Level 1	Level 2	Level 3	Total
Land	-	1,616,000	-	1,616,000
Buildings and Houses	-	-	86,316,648	86,316,648
Motor Vehicles	-	333,000	-	333,000
Major Plant and Equipment	-	918,109	-	918,109
Infrastructure	-	-	20,426,720	20,426,720
	-	2,867,109	106,743,368	109,610,477

#### 2016:

Asset Category	Level 1	Level 2	Level 3	Total
Land	-	1,616,000	-	1,616,000
Buildings and Houses	-	-	95,075,714	95,075,714
Motor Vehicles	-	469,657	-	469,657
Major Plant and Equipment	-	733,173	-	733,173
Infrastructure	-	-	19,686,704	19,686,704
	-	2,818,830	114,762,418	117,581,248

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 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 2017.

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

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### 9 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.

##### Buildings and Houses (level 3)

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

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

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

Phase Points	Description
0 - 0.5	New or very good condition - very high level of remaining service potential.
1 - 1.5	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.
2 - 2.5	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short-term obsolescence.
3 - 3.5	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.
4 - 4.5	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the capital works plan to renew or replace in short-term. Very low level of remaining service potential.
5 - 5.5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.
6 - End of Life	Theoretical end of life.

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

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

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

##### Motor Vehicles (level 2)

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

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **9 Property, Plant and Equipment (Continued)**

#### **Major Plant and Equipment (level 2)**

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

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

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

#### **Road and Water Infrastructure Network (level 3)**

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

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

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

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

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

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

#### ***(iv) 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 9 (property, plant and equipment).

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>10 Trade and other payables</b>			
<b>Current</b>			
Creditors and accruals		546,711	185,232
Annual leave		260,300	258,569
Revenue in advance		53,281	49,230
		<u>860,292</u>	<u>493,031</u>
<b>11 Provisions</b>			
<b>Provision</b>			
<b>Current</b>			
Long service leave		123,651	169,650
		<u>123,651</u>	<u>169,650</u>
<b>Non-current</b>			
Long service leave		168,559	104,027
		<u>168,559</u>	<u>104,027</u>
Details of movements in provisions:			
<b>Long service leave</b>			
Balance at beginning of financial year		273,677	241,512
Long service leave entitlement arising		62,833	41,525
Long Service entitlement paid		(44,300)	(9,360)
Balance at end of financial year		<u>292,210</u>	<u>273,677</u>
<b>12 Asset revaluation surplus</b>			
<b>Movements in the asset revaluation surplus were as follows:</b>			
Balance at beginning of financial year		50,168,156	49,263,213
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings		(4,677,157)	967,034
Houses		(5,598,106)	(1,192,187)
Motor vehicles		(165,923)	29,526
Plant and equipment		(133,192)	233,741
Infrastructure		995,046	866,829
Balance at end of financial year		<u>40,588,824</u>	<u>50,168,156</u>
<b>Asset revaluation surplus analysis</b>			
The closing balance of the asset revaluation surplus comprises the following asset categories:			
Buildings		17,929,025	22,606,182
Houses		12,232,865	17,830,971
Motor vehicles		402,780	568,703
Plant and equipment		372,909	506,101
Infrastructure		9,651,244	8,656,199
		<u>40,588,823</u>	<u>50,168,156</u>



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>13 Commitments for expenditure</b>			
<b>Operating leases</b>			
Minimum lease payments in relation to non-cancellable operating leases are as follows:			
Within one year		6,960	6,960
One to five years		6,380	13,340
		<b>13,340</b>	<b>20,300</b>

## 14 Contingent liabilities

### Local Government Mutual

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

As at 30 June 2017 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 \$43,437.

### National Regulatory System for Community Housing Providers

Under amendments passed to the Housing Act 2003 during the 2014 financial year, council, as a service provider of community housing, is required to register for the National Regulatory System for Community Housing Provider (NRSCH). In order to become eligible for registration under the NRSCH council must complete certain pre-requisite actions, a number of which remain outstanding as at the date of this report.

Should council not obtain registration prior to 30 June 2019, 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 2017 these assets had a total value of \$59.67m (refer note 9).

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.

# **Cherbourg Aboriginal Shire Council**

## **Notes to the financial statements**

For the year ended 30 June 2017

### **15 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 three elements referred to as:

1. The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund;
2. The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
3. The Accumulated Benefits Fund (ABF), which is a defined contribution scheme as defined in AASB 119.

Council has no liability or interest in the ABF other than the payment of the statutory contributions as required by the Local Government Act 2009. Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional 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. The funding policy adopted in respect of the DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional 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.

As at the reporting date, 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 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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 Regional DBF are insufficient to meet members' benefits.

There are currently 65 entities contributing to the Regional DBF plan and any changes in the contribution rates would apply equally to all 65 entities. Cherbourg Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
<b>16 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities</b>			
Net operating result		3,348,425	4,333,119
Non-cash operating items:			
Depreciation and amortisation		2,066,211	1,873,311
		2,066,211	1,873,311
Investing and development activities:			
Capital grants and contributions and sales		(5,266,711)	(5,838,033)
		(5,266,711)	(5,838,033)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		321,039	262,161
(Increase)/decrease in inventory		(11,343)	45,610
(Increase)/decrease in biological asset		(119,158)	(152,624)
Increase/(decrease) in payables		367,261	(466,878)
Increase/(decrease) in other provisions		18,533	(182,835)
		576,332	(494,566)
Net cash inflow from operating activities		724,257	(126,169)



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### 17 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.

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.

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

The 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, as disclosed in notes 7 and 8.

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

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

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

30-Jun-17	Fully performing		Past due		Total
	Less than 30 days	30-60 days	61-90 days	Over 90 days	
	\$	\$	\$	\$	\$
Receivables	419,412	142,850	77,539	1,134,508	1,774,309
Less provision for impairment	-	-	-	(817,977)	(817,977)
Net Receivables	419,412	142,850	77,539	316,531	956,332

30-Jun-16	Fully performing		Past due		Total
	Less than 30 days	30-60 days	61-90 days	Over 90 days	
	\$	\$	\$	\$	\$
Receivables	498,087	117,161	97,257	1,328,938	2,041,443
Less provision for impairment	-	-	-	(759,621)	(759,621)
Net Receivables	498,087	117,161	97,257	569,317	1,281,822

#### Liquidity risk exposure

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

Council's only recognised financial liabilities are trade payables as disclosed in note 10 which have contractual maturity dates of 6 months or less.

**Tropical Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2017**

**18 Transactions with related parties**

**(a) Transactions with key management personnel (KMP)**

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management. The compensation paid to KMP for 2016/17 comprises:

	2017
	\$
Short-term employee benefits	748,334
Post-employment benefits	74,095
Long-term benefits	23,039
Termination benefits	-
<b>Total</b>	<b>845,468</b>

Detailed remuneration disclosures are provided in the annual report.

**(b) Transactions with other related parties**

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

Details of transactions between council and other related parties are disclosed below. Unless otherwise disclosed, all transactions were conducted on an arm's length basis:

Details of Transaction	Additional information	2017
		\$
Fees and charges charged to entities controlled by key management personnel	(i)	8,066
Employee expenses for close family members of key management personnel	(ii)	56,477
Purchase of materials and services from entities controlled by key management personnel	(iii)	7,924
Other services provided by a related entity	(iv)	17,815

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

(ii) Council employs 76 full time equivalent staff. Only 2 employees are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the relevant industrial award for the job they perform and Council's employment agreements.

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

(iv) Contract cleaning services provided by a related person of member of Council's KMP, on normal commercial terms.

**(c) Outstanding balances**

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

Receivables	Housing rent owed by key management personnel	Amounts owed by entities controlled by key management personnel
Current	\$2,960	\$2,948
Past due 31-60 days	\$3,503	\$7,918
Past due 61-90 days	\$2,090	-
More than 90 days overdue	\$9,602	-
<b>Total Owing</b>	<b>\$18,155</b>	<b>\$10,866</b>

**(d) Loans and guarantees to/from related parties**

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

**(e) Commitments to/from other related parties**

Council does not have commitments to/from related parties.

**(f) Transactions with related parties that have not been disclosed**

Most of the entities and people that are related parties of council live and operate within the Cherbourg Aboriginal Shire Council area. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include housing rental, joinery sales, building maintenance work and dog registration.

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



# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### 19 Tied grants by project

	Balance 01/07/16 \$	Revenue \$	Expense \$	Balance 30/06/2017 \$
<b>Commonwealth government grants</b>				
<b>Dept Education, Employment and Workplace Relation</b>				
<i>Barambah PACE Project</i>	(24,692)	-	-	(24,692)
<i>Carbon Farming Project</i>	1	-	-	1
<i>Community Training &amp; Employment Program</i>	124,167	-	-	124,167
<b>Total DEEWR Grants</b>	<b>99,476</b>	<b>-</b>	<b>-</b>	<b>99,476</b>
<b>Department of Infrastructure and Regional Development</b>				
<i>Roads to Recovery</i>	63	-	-	63
<b>Total</b>	<b>63</b>	<b>-</b>	<b>-</b>	<b>63</b>
<b>Dept of Families, Housing , Community Services and Indigenous Affairs</b>				
<i>CDEP Community Dev Project Fund</i>	(4,838)	-	-	(4,838)
<i>Garbage Normalisation</i>	(24)	-	-	(24)
<i>Job Creation Package Muns</i>	(41,389)	-	-	(41,389)
<i>Titans CDEP Project</i>	1	-	-	1
<i>CDEP Operational Support</i>	6,067	-	-	6,067
<i>Barambah PACE 2014</i>	25,713	-	-	25,713
<i>NAIDOC Activities</i>	24	-	-	24
<b>Total</b>	<b>(14,446)</b>	<b>-</b>	<b>-</b>	<b>(14,446)</b>
<b>Department of Health &amp; Ageing</b>				
<i>BMX Track, Park &amp; Playground</i>	6,729	-	-	6,729
<i>NKB Certification</i>	39,993	-	-	39,993
<i>Sporting Support</i>	1,620	-	-	1,620
<i>Job Creation - Respite</i>	(1,426)	-	-	(1,426)
<i>NJCP - Sport &amp; Rec</i>	(41,323)	103,000	107,020	(45,343)
<i>Indigenous Sports &amp; Rec Program 2010/2011</i>	(23,582)	-	-	(23,582)
<i>Indigenous Sports &amp; Rec Program 2011/2012</i>	(29,835)	-	-	(29,835)
<b>Total</b>	<b>(47,824)</b>	<b>103,000</b>	<b>107,020</b>	<b>(51,844)</b>
<b>Total - Commonwealth government</b>	<b>37,269</b>	<b>103,000</b>	<b>107,020</b>	<b>33,249</b>

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Balance 01/07/16	Revenue	Expense	Balance 30/06/2017
	\$	\$	\$	\$
<b>State government grants</b>				
<b>Department of Local Government</b>				
<i>GraffitiSTOP Funding</i>	(3,796)	-	-	(3,796)
<i>W4Q Projects 1</i>	-	702,000	482,798	219,202
<i>509K Projects</i>	-	-	95,227	(95,227)
<i>Cherbourg Cattleyards Infrastructure</i>	-	91,724	122,836	(31,112)
<i>Football Field Amenities Infrastructure</i>	-	76,860	156,173	(79,313)
<i>Rehabilitation of Ponds</i>	-	199,299	-	199,299
<i>IKC Cherbourg</i>	-	76,691	-	76,691
<i>Community Hall Refurbishment</i>	-	110,664	123,282	(12,618)
<i>Main Water Pipe Replacement</i>	-	56,700	92,307	(35,607)
<i>DILGP IKC Grant</i>	-	12,109	20,474	(8,365)
<i>Get Ready Queensland</i>	2,543	-	-	2,543
<i>Indigenous Economic Development Grant</i>	(16,325)	80,000	82,199	(18,524)
<i>LGGSP - Business Incentive Scheme</i>	(18,576)	-	-	(18,576)
<i>State Government Financial Aid Program</i>	(202,856)	1,535,124	1,914,992	(582,724)
<i>SGFA - Service Delivery Funds</i>	(24,986)	-	4,401	(29,387)
<i>Financial Assistance Grant</i>	785,557	881,250	903,010	763,797
<i>Enhancement of Asset Data</i>	(310)	-	-	(310)
<i>Natural Disasters Resilience Program</i>	(63)	-	-	(63)
<b>Total</b>	<b>521,188</b>	<b>3,822,421</b>	<b>3,997,699</b>	<b>345,910</b>
<b>Department of Employment, Economic Development and Innovation</b>				
<i>Employ Trainees</i>	(67,620)	-	-	(67,620)
<i>F.I.A - Cherbourg Fresh Commercial Expansion</i>	(12,878)	-	-	(12,878)
<i>SQW Construction</i>	(666)	-	-	(666)
<b>Total</b>	<b>(81,164)</b>	<b>-</b>	<b>-</b>	<b>(81,164)</b>
<b>Department of Communities</b>				
<i>Emergency Relief Program</i>	1,841	-	-	1,841
<i>Disability Funding Program</i>	188,290	-	-	188,290
<i>Home and Community Care Program</i>	(124,697)	-	-	(124,697)
<b>Total</b>	<b>65,434</b>	<b>-</b>	<b>-</b>	<b>65,434</b>
<b>Department of Health</b>				
<i>Injury Prevention, Safety Awareness</i>	1,667	-	-	1,667
<i>A&amp;TSI Public Health</i>	(58,499)	158,786	175,102	(74,815)
<b>Total</b>	<b>(56,832)</b>	<b>158,786</b>	<b>175,102</b>	<b>(73,148)</b>
<b>Department of Transport and Main Roads</b>				
<i>Tids Funding</i>	43,543	43,543	87,086	-
<b>Total</b>	<b>43,543</b>	<b>43,543</b>	<b>87,086</b>	<b>-</b>
<b>Department of State Development</b>				
<i>MRF Upgrade 1</i>	-	200,000	133,311	66,689
<b>Total</b>	<b>-</b>	<b>200,000</b>	<b>133,311</b>	<b>66,689</b>
<b>Department of Aboriginal and TI</b>				
<i>Sports and Recreation</i>	1,750	7,000	15,870	(7,120)
<b>Total</b>	<b>1,750</b>	<b>7,000</b>	<b>15,870</b>	<b>(7,120)</b>

# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

### Department of Education, Training and Employment

<i>Skilling Queenslander for Work</i>	21,483	-	26,549	(5,066)
<b>Total</b>	<b>21,483</b>	<b>-</b>	<b>26,549</b>	<b>(5,066)</b>

### Department of National Parks, Sport and Racing

<i>Get Out, Get Active Netball</i>	(9,374)	-	-	(9,374)
<b>Total</b>	<b>(9,374)</b>	<b>-</b>	<b>-</b>	<b>(9,374)</b>

### Department of Justice and Attorney - General

<i>Sports Complex Lighting</i>	10,537	-	13,661	(3,124)
<b>Total</b>	<b>10,537</b>	<b>-</b>	<b>13,661</b>	<b>(3,124)</b>

### Department of Environment and Resource

<i>Illegal Dumping Camera</i>	1,000	-	-	1,000
<i>Waste Facility Assistance</i>	(5,042)	-	-	(5,042)
<b>Total</b>	<b>(4,042)</b>	<b>-</b>	<b>-</b>	<b>(4,042)</b>

### Department of Community Safety

<i>LGS Subsidy</i>	12,162	-	-	12,162
<i>Community Drought Support</i>	55,979	-	48,265	7,714
<i>SES Subsidy -Freight Container</i>	3,000	-	-	3,000
<b>Total</b>	<b>71,141</b>	<b>-</b>	<b>48,265</b>	<b>22,876</b>

<b>Total - State government</b>	<b>583,664</b>	<b>4,231,750</b>	<b>4,497,543</b>	<b>317,871</b>
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# Cherbourg Aboriginal Shire Council

## Notes to the financial statements

For the year ended 30 June 2017

	Balance 01/07/16 \$	Revenue \$	Expense \$	Balance 30/06/2017 \$
<b>Other grant providers</b>				
<b>Keep Australia Beautiful</b>				
<i>Recycling Grant</i>	(4,886)	-	-	(4,886)
<b>Total</b>	<b>(4,886)</b>	<b>-</b>	<b>-</b>	<b>(4,886)</b>
<b>Burnett mary Regional Group</b>				
<i>Drought Assistance Funding</i>	-	-	-	-
<i>Cherbourg Parthenium Control</i>	4,500	-	-	4,500
<b>Total</b>	<b>4,500</b>	<b>-</b>	<b>-</b>	<b>4,500</b>
<b>Burnett Inland Economic Development Organisation</b>				
<i>Cultural Diversity</i>	4,879	-	1,652	3,227
<i>Formal Training</i>	3,766	-	-	3,766
<i>Murri Network</i>	17,672	-	1,003	16,669
<b>Total</b>	<b>26,317</b>	<b>-</b>	<b>2,655</b>	<b>23,662</b>
<b>State Library of Queensland</b>				
<i>Indigenous Knowledge Centre</i>	22,505	10,603	24,010	9,098
<b>Total</b>	<b>22,505</b>	<b>10,603</b>	<b>24,010</b>	<b>9,098</b>
<b>Rio Tinto - A.C.I.C.C</b>				
<i>A.C.I.C.C - Barambah PaCE</i>	2,415	-	-	2,415
<i>A.C.I.C.C - Recycling</i>	140	-	-	140
<i>A.C.I.C.C - Cherbourg Café Project</i>	343	-	-	343
<b>Total</b>	<b>2,898</b>	<b>-</b>	<b>-</b>	<b>2,898</b>
<b>Total - Other grant providers</b>	<b>51,334</b>	<b>10,603</b>	<b>26,665</b>	<b>35,272</b>
<b>Total grants</b>	<b>672,267</b>	<b>4,345,353</b>	<b>4,631,228</b>	<b>386,392</b>
<b>Less: Financial Assistance Grant</b>	<b>(785,557)</b>	<b>-</b>	<b>-</b>	<b>(763,797)</b>
<b>Add: Overdrawn Grant Balances</b>	<b>717,683</b>	<b>-</b>	<b>-</b>	<b>1,402,039</b>
<b>Total Tied Grants as at 30 June</b>	<b>604,393</b>	<b>-</b>	<b>-</b>	<b>1,024,634</b>

# **Cherbourg Aboriginal Shire Council**

## **Financial statements**

For the year ended 30 June 2017


### **Management Certificate**

For the year ended 30 June 2017

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 3 to 32, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's transactions for the financial year and financial position at the end of the year.

  
\_\_\_\_\_  
**Mayor**

Arnold Murray

Date: 19/10/2017

  
\_\_\_\_\_  
**Chief Executive Officer**

Warren Collins

Date: 19/10/2017



## INDEPENDENT AUDITOR'S REPORT

To the Councillors of Cherbourg Aboriginal Shire Council

### Report on the Audit of the Financial Report

#### Opinion

I have audited the financial report of Cherbourg Aboriginal Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2017, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the certificate given by the Mayor and Chief Executive Officer.

#### Basis for opinion

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

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

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

#### Other information

Other information comprises the information included in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current-year financial sustainability statement and long-term financial sustainability statement.

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

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

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

## **Responsibilities of the council for the financial report**

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

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

## **Auditor's responsibilities for the audit of the financial report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

## Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2017:

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

C G Strickland



C G STRICKLAND CA  
as Delegate of the Auditor-General

Queensland Audit Office  
Brisbane

## Cherbourg Aboriginal Shire Council

### Current-year Financial Sustainability Statement For the year ended 30 June 2017

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)	-31%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by infrastructure depreciation expense.	53%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-68%	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 2017.

#### Certificate of Accuracy For the year ended 30 June 2017

This current-year financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the regulation). In accordance with Section 212(5) of the Regulation we certify that this current-year financial sustainability statement has been accurately calculated.



Mayor  
Arnold Murray

Date: 19/10/2017



Chief Executive Officer  
Warren Collins

Date: 19/10/2017

## **INDEPENDENT AUDITOR'S REPORT**

To the Councillors of Cherbourg Aboriginal Shire Council

### **Report on the Current-Year Financial Sustainability Statement**

#### **Opinion**

I have audited the accompanying current-year financial sustainability statement of Cherbourg Aboriginal Shire Council for the year ended 30 June 2017, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Cherbourg Aboriginal Shire Council for the year ended 30 June 2017 has been accurately calculated.

#### **Basis of opinion**

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

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

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

#### **Emphasis of matter – basis of accounting**

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

#### **Other information**

Other information comprises the information included in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the current-year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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



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

### **Responsibilities of the council for the current-year financial sustainability statement**

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

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

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

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

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

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

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


C G Strickland CA  
as Delegate of the Auditor-General

Queensland Audit Office  
Brisbane

**Cherbourg Aboriginal Shire Council**  
**Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2017**

Measures of Financial Sustainability	Measure	Target	Projected for the years ended									
			Actuals at 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-31%	-38%	-40%	-41%	-42%	-43%	-44%	-46%	-48%	-50%
Asset sustainability ratio	Capital expenditure on the replacement of infrastructure assets (renewals) divided by infrastructure depreciation	greater than 90%	53%	35%	51%	55%	56%	56%	56%	56%	56%	56%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	not greater than 60%	-68%	-72%	-63%	-58%	-50%	-48%	-33%	-33%	-33%	-33%

Certificate of Accuracy	
For the long-term financial sustainability statement prepared as at 30 June 2017	
The long-term financial sustainability statement has been prepared pursuant to Section 178 of this Local Government Regulation 2012 (the regulation)	
In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated	
 Mayor Arnold Murray	 Chief Executive Officer Warren Collins
Date: 19/10/2017	Date: 19/10/2017