

Cherbourg Aboriginal Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2022



General Purpose Financial Statements

for the year ended 30 June 2022

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Statement of Comprehensive Income

for the year ended 30 June 2022

	Notes	2022 \$	Restated 2021 \$
Income			
Revenue			
Recurrent revenue			
Fees and charges	3a	748,982	732,974
Sales revenue	3b	4,827,816	4,550,144
Grants, subsidies, contributions and donations	3c	4,354,874	4,463,204
Total recurrent revenue		9,931,672	9,746,322
Capital revenue			
Grants, subsidies, contributions and donations	3c	5,955,191	4,664,821
Total capital revenue		5,955,191	4,664,821
Rental income	12	1,116,662	1,166,518
Interest received		29,274	49,405
Other income		344,005	140,745
Capital income	4	—	576,185
Total income		17,376,804	16,343,996
Expenses			
Recurrent expenses			
Employee benefits	5	6,188,954	5,597,535
Materials and services	6	4,228,691	4,292,021
Finance costs		77,931	80,103
Depreciation and amortisation:			
- Property, plant and equipment	10	3,019,572	2,851,104
Total recurrent expenses		13,515,148	12,820,763
Other expenses			
Capital Expenses	7	848,714	8,515
Total other expenses		848,714	8,515
Total expenses		14,363,862	12,829,278
Operating result		3,012,942	3,514,718
Net Result		3,012,942	3,514,718
Other comprehensive income			
Amounts which will not be reclassified subsequently to the operating result			
Increase / (decrease) in asset revaluation surplus	15	59,799,172	(2,278,326)
Total other comprehensive income for the year		59,799,172	(2,278,326)
Total comprehensive income for the year		62,812,114	1,236,392

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

(*) Council has made a retrospective restatement as a consequence of a correction of error in accordance with AASB 108. Details are disclosed in Note 18.

Statement of Financial Position

as at 30 June 2022

	Notes	2022 \$	Restated 2021 \$
Assets			
Current assets			
Cash and cash equivalents	8	7,460,913	7,761,603
Receivables	9	1,014,255	999,324
Inventories		284,581	207,737
Contract assets	11	1,297,740	1,825,511
Other assets		231,071	95,104
Total current assets		10,288,560	10,889,279
Non-current assets			
Property, plant and equipment	10	203,635,188	140,484,164
Total non-current assets		203,635,188	140,484,164
Total Assets		213,923,748	151,373,443
Liabilities			
Current liabilities			
Payables	13	550,694	658,127
Contract liabilities	11	3,034,685	3,332,548
Provisions	14	795,559	702,173
Total current liabilities		4,380,938	4,692,848
Non-current liabilities			
Payables	13	537,545	559,363
Provisions	14	2,663,749	2,591,830
Total non-current liabilities		3,201,294	3,151,193
Total Liabilities		7,582,232	7,844,041
Net community assets		206,341,516	143,529,402
Community equity			
Asset revaluation surplus	15	101,772,255	41,973,083
Retained surplus/(deficiency)		104,569,261	101,556,319
Total community equity		206,341,516	143,529,402

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

(*) Council has made a retrospective restatement as a consequence of a correction of error in accordance with AASB 108. Details are disclosed in Note 18.

Statement of Changes in Equity

for the year ended 30 June 2022

	Notes	Asset revaluation surplus \$	Retained surplus \$	Total equity \$
2022				
Balance as at 1 July		41,973,083	101,556,319	143,529,402
Net result		—	3,012,942	3,012,942
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	10	59,799,172	—	59,799,172
Other comprehensive income		59,799,172	—	59,799,172
Total comprehensive income for the year		59,799,172	3,012,942	62,812,114
Balance as at 30 June		101,772,255	104,569,261	206,341,516
2021				
Balance as at 1 July		44,251,409	98,041,601	142,293,010
Net result		—	3,514,718	3,514,718
Other comprehensive income for the year				
- Increase/(decrease) in asset revaluation surplus	10	(2,278,326)	—	(2,278,326)
Other comprehensive income		(2,278,326)	—	(2,278,326)
Total comprehensive income for the year		(2,278,326)	3,514,718	1,236,392
Balance as at 30 June		41,973,083	101,556,319	143,529,402

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

(*) Council has made a retrospective restatement as a consequence of a correction of error in accordance with AASB 108. Details are disclosed in Note 18.

Statement of Cash Flows

for the year ended 30 June 2022

		2022	2021
	Notes	\$	\$
Cash flows from operating activities			
Receipts from customers		6,744,147	4,717,502
Payments to suppliers and employees		(11,509,908)	(10,211,250)
		<u>(4,765,761)</u>	<u>(5,493,748)</u>
Receipts			
Interest received		29,274	49,405
Rental income		1,116,662	1,166,518
Non capital grants and contributions		4,590,196	4,403,862
Payments			
Finance costs		(6,114)	(6,332)
Net cash inflow/(outflow) from operating activities	17	<u>964,257</u>	<u>119,705</u>
Cash flows from investing activities			
Receipts			
Proceeds from sale of property, plant and equipment		99,818	29,727
Grants, subsidies, contributions and donations		3,612,934	3,808,514
Payments			
Payments for property, plant and equipment		(4,977,699)	(6,276,988)
Net cash inflow/(outflow) from investing activities		<u>(1,264,947)</u>	<u>(2,438,747)</u>
Net increase/(decrease) in cash and cash equivalents held		<u>(300,690)</u>	<u>(2,319,042)</u>
plus: cash and cash equivalents - beginning		7,761,603	10,080,645
Cash and cash equivalents at the end of the financial year	8	<u>7,460,913</u>	<u>7,761,603</u>

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 1. Information about these financial statements

(a) Basis of preparation

These general purpose financial statements for the period 1 July 2021 to 30 June 2022 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*.

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

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.

(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.

(c) Currency

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

(d) New and revised Accounting Standards

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2021. None of the standards had a material impact on reported position, performance and cash flows.

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022. These standards have not been adopted by Council and will be included in the financial statements on their effective date. Where the standard is expected to have a material impact for Council then further information has been provided in this note.

While Council will align with any changes in AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and associated standards, AASB 2020-3 Amendments to Australian Accounting standards – Annual Improvements 2018-2020 and Other Amendments, and AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates, it does not currently anticipate any material impact upon its future financial statements

(e) Estimates and Judgements

Council makes a number of judgements, estimates and assumptions in preparing these financial statements. These are based on the best information available to Council at the time, however due to the passage of time, these assumptions may change and therefore the recorded balances may not reflect the final outcomes. The significant judgements, estimates and assumptions relate to the following items and specific information is provided in the relevant note:

- Revenue recognition - Note 3
- Valuation and depreciation of property, plant and equipment - Note 10
- Restoration provisions - Note 14
- Impairment of trade and other receivables- Note 9

(f) 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.

(g) Rounding and Comparatives

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies. Unless permitted otherwise by transition rules in a new accounting standard, comparative information is prepared on the same basis as the prior year. For the 2022 financial year some reclassifications have occurred.

(h) Taxation

Council 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.

(i) COVID-19

Due to the small size and nature of Council's operations, Council has assessed that there has been no material impact on its financial position as a result of the COVID-19 Pandemic.

Council has not been required to provide any concessions or relief to business and residents in the community housing during 2021/22. Impacts of COVID-19 on asset revaluations undertaken during the current year were assessed, however it was determined that there was not a significant impact and Council's assets as presented in the financial statement are at fair value.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2a. Council functions – component descriptions

Details relating to the Council's functions / activities as reported in Note 2(b) are as follows:

Corporate services and governance

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

Community services

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

Economic and community development

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

Housing

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

Infrastructure

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 2b. Council functions - analysis of results by function

Functions	Gross program income				Gross program expenses			Net result from		Net result	Total assets
	Recurring grants	Recurring other	Capital grants	Capital other	Total income	Recurring	Capital	Total expenses	recurring operations		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Functions											
2022											
Corporate and governance	2,952,648	227,870	—	—	3,180,518	(3,438,826)	—	(3,438,826)	(258,308)	(258,308)	10,288,560
Community services	1,064,900	894,378	—	—	1,959,278	(1,510,501)	—	(1,510,501)	448,777	448,777	33,244,830
Economic and community development	337,326	4,827,829	546,110	—	5,711,265	(3,944,060)	—	(3,944,060)	1,221,095	1,767,205	6,633,877
Housing	—	1,116,662	—	2,342,257	3,458,919	(2,472,720)	(848,715)	(3,321,435)	(1,356,058)	137,484	125,386,219
Infrastructure	—	—	3,066,824	—	3,066,824	(2,149,041)	—	(2,149,041)	(2,149,041)	917,783	38,370,262
Total	4,354,874	7,066,739	3,612,934	2,342,257	17,376,804	(13,515,148)	(848,715)	(14,363,863)	(2,093,535)	3,012,941	213,923,748
2021											
Corporate and governance	2,016,430	90,265	32,763	—	2,139,458	(3,120,333)	—	(3,120,333)	(1,013,638)	(980,875)	10,889,279
Community services	1,069,802	810,134	—	—	1,879,936	(1,432,829)	—	(1,432,829)	447,107	447,107	33,397,837
Economic and community development	115,300	3,391,315	1,823,448	—	5,330,063	(3,965,809)	—	(3,965,809)	(459,194)	1,364,254	6,391,680
Housing	—	2,924,256	—	—	2,924,256	(2,471,588)	(8,515)	(2,480,103)	452,668	444,153	68,359,749
Infrastructure	1,261,672	—	2,808,611	—	4,070,283	(1,830,204)	—	(1,830,204)	(568,532)	2,240,079	32,334,898
Total	4,463,204	7,215,970	4,664,822	—	16,343,996	(12,820,763)	(8,515)	(12,829,278)	(1,141,589)	3,514,718	151,373,443

Notes to the Financial Statements

for the year ended 30 June 2022

Note 3. Revenue

	2022	2021
	\$	\$

(a) Fees and charges

Fees and charges are recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided. The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the services. There is no material obligation by Council in relation to refunds or returns.

Building lease charges	8,395	8,145
Community fees and charges	68,007	65,400
Post office commissions	11,000	11,025
Service charges	661,580	648,404
Total fees and charges	748,982	732,974

(b) Sales revenue

Sale of goods revenue is recognised at the point in time that the customer obtains control of the goods, generally at delivery. Revenue from services is recognised when the service is rendered. Revenue from housing maintenance and major upgrade generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on the costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress as at the year end.

Rendering of services

Other sale of services	105,914	—
Recoverable works - BAS	2,839,317	2,762,201
Joinery sales	316,477	139,052
Total sale of services	3,261,708	2,901,253

Sale of goods

Livestock sales	58,084	74,279
Material recycling facility	62,238	3,241
Containers for change	1,445,786	1,547,712
Other sale of goods	—	23,659
Total sale of goods	1,566,108	1,648,891

Total sales revenue	4,827,816	4,550,144
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(c) Grants, subsidies, contributions and donations**Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied. The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 3. Revenue (continued)

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the assets fair value when the assets are received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standards. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred. Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

	2022 \$	2021 \$
(i) Operating		
General purpose grants	2,852,234	3,098,516
State government subsidies and grants	769,140	920,388
Commonwealth government subsidies and grants	716,500	411,300
Donations	17,000	—
Contributions	—	33,000
Total recurrent grants, subsidies, contributions and donations	4,354,874	4,463,204
(ii) Capital		
State government subsidies and grants	3,191,917	4,439,629
Commonwealth government subsidies and grants	421,017	225,192
Asset Contributions from State Government	2,342,257	—
Total capital grants, subsidies, contributions and donations	5,955,191	4,664,821

Note 4. Capital income

	2022 \$	2021 \$
Other capital income		
Insurance proceeds	—	576,185
	—	576,185
Total capital income	—	576,185

Notes to the Financial Statements

for the year ended 30 June 2022

Note 5. Employee benefits

	2022 \$	2021 \$
Employee benefit expenses are recorded when the service has been provided by the employee.		
Wages and salaries	4,681,992	4,317,988
Councillors remuneration	333,243	345,794
Annual, sick and long service leave entitlements	518,360	410,589
Superannuation	550,560	502,192
	<u>6,084,155</u>	<u>5,576,563</u>
Other employee related expenses	104,799	54,747
	<u>6,188,954</u>	<u>5,631,310</u>
Less: capitalised employee expenses	—	(33,775)
Total Employee benefits	<u>6,188,954</u>	<u>5,597,535</u>

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

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.

	2022 Number	2021 Number
Additional information:		
Total Council employees at the reporting date:		
Elected members	5	5
Administration staff	17	14
Depot and outdoors staff	85	81
Total full time equivalent employees	<u>107</u>	<u>100</u>

Notes to the Financial Statements

for the year ended 30 June 2022

Note 6. Materials and services

	2022	2021
	\$	\$
Expenses are recorded on an accruals basis as Council receives the goods or services.		
Administration supplies and consumables	72,729	55,195
Audit of annual financial statements by the Auditor-General of Queensland	55,514	61,592
Consultants	285,707	228,907
Electricity	232,912	218,247
Repairs and maintenance	1,290,922	1,199,800
Subscriptions and advertising	25,180	3,567
Travel	38,810	45,091
Insurance	496,696	329,093
Enterprise centre running costs	196,751	305,920
Licence fees	193	1,405
Joinery expenses	96,826	51,821
Motor vehicle expenses	522,253	517,754
Printing and stationery	71,693	102,982
Radio operating expenses	17,939	26,613
Telephone and fax	37,743	48,903
Water and sewerage operational costs	201,910	170,982
Bad and doubtful debts	95,635	(53,641)
Other materials and services	489,278	977,790
Total materials and services	4,228,691	4,292,021

Total audit fees quoted by the Queensland Audit Office relating to the 2021-22 financial statements are \$65,000 (2021: \$61,592)

Note 7. Capital expenses

		2022	2021
	Notes	\$	\$
Loss on disposal of non-current assets			
Proceeds from the disposal of property, plant and equipment		—	3,818
Less: carrying value of disposed property, plant and equipment	10	(855,882)	(6,286)
		855,882	2,468
Proceeds from sale of motor vehicles		99,818	25,909
Less: carrying value of disposed vehicles	10	(92,650)	(31,956)
		(7,168)	6,047
Loss on disposal of non-current assets		848,714	8,515

Notes to the Financial Statements

for the year ended 30 June 2022

Note 8. Cash, cash equivalents and financial assets

	2022 \$	2021 \$
Cash and cash equivalents in the statement of cash flows includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments 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.		
Cash and cash equivalents		
Cash at bank and on hand	7,460,913	7,761,603
Balance per Statement of Financial Position	7,460,913	7,761,603
Balance per Statement of Cashflows	7,460,913	7,761,603
(i) Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:		
Unspent government grants and subsidies	3,034,685	3,332,548
Total externally imposed restrictions on cash assets	3,034,685	3,332,548

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.

Note 9. Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery or advance 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.

Council reviews receivable balances on an individual basis to assess the expected credit losses of trade receivables from individual customers. If an amount is recovered in a subsequent period it is recognised as revenue.

	2022 \$	2021 \$
Current		
Trade receivables	2,415,504	2,304,939
Less: Provision for impairment	(1,401,249)	(1,305,615)
Net receivables	1,014,255	999,324

Notes to the Financial Statements

for the year ended 30 June 2022

Note 9. Receivables (continued)

	2022 \$	2021 \$
Movement in accumulated impairment losses is as follows:		
Opening balance at 1 July	1,305,615	1,380,075
Additional impairments recognised	95,634	—
Additional impairments		
Impairment debts written off during the year	—	(20,819)
Impairments reversed	—	(53,641)
Balance at the end of the year	1,401,249	1,305,615

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

2022

	Total \$ '000	Credit impaired \$ '000	Non-credit impaired \$ '000
Current	790,691	32,878	757,813
Past due 31-60 days	127,528	27,468	100,060
Past 61-90 days	83,928	38,727	45,201
More than 90 days	1,413,357	1,302,176	111,181
Total gross carrying amount	2,415,504	1,401,249	1,014,255
Loss allowance		1,401,249	

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment

	Land \$	Buildings \$	Houses \$	Motor vehicles \$	Plant and equipment \$	Furniture and fittings \$	Infrastructure \$	Work in progress \$	Total \$
2022									
Measurement basis	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	–
Opening gross balance	663,000	46,149,444	90,878,234	1,632,600	5,515,126	286,256	40,942,534	1,890,382	187,957,576
Additions *	–	–	3,258,240	13,723	521,521	–	3,034,473	491,999	7,319,956
Disposals	–	–	(1,245,385)	–	(873,829)	–	(63,340)	–	(2,182,554)
Revaluations	817,000	5,800,856	80,487,287	38,637	220,730	–	7,019,881	–	94,384,391
Work in progress transfers	–	–	–	–	84,018	–	1,266,001	(1,350,019)	–
Total gross value of property, plant and equipment	1,480,000	51,950,300	173,378,376	1,684,960	5,467,566	286,256	52,199,549	1,032,362	287,479,369
Opening accumulated depreciation and impairment	–	12,751,607	22,518,485	979,045	2,336,449	280,190	8,607,636	–	47,473,412
Depreciation expense	–	664,331	1,207,881	48,141	256,253	2,213	840,753	–	3,019,572
Disposals	–	–	(442,729)	–	(781,179)	–	(10,114)	–	(1,234,022)
Revaluations	–	5,289,532	24,708,520	(1,806)	197,961	–	4,391,012	–	34,585,219
Total accumulated depreciation and impairment property, plant and equipment	–	18,705,470	47,992,157	1,025,380	2,009,484	282,403	13,829,287	–	83,844,181
Total net book value of property, plant and equipment	1,480,000	33,244,830	125,386,219	659,580	3,458,082	3,853	38,370,262	1,032,362	203,635,188
Other information									
Range of estimated useful life (years)	Not depreciated	15-150	15-150	2-20	3-80	1-100	10-105		–
*Asset additions comprise									
Asset renewals	–	–	925,954	–	–	–	79,100	–	1,005,054
Other additions	–	–	2,332,286	13,723	605,539	–	4,221,375	–	7,172,923
Total asset additions	–	–	3,258,240	13,723	605,539	–	4,300,475	–	8,177,977

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment (continued)

	Land \$	Buildings \$	Houses \$	Motor vehicles \$	Plant and equipment \$	Furniture and fittings \$	Infrastructure \$	Work in progress \$	Total \$
2021									
Measurement basis	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Fair Value	Cost	—
Opening gross balance	663,000	45,652,224	89,500,568	1,861,938	4,682,536	286,256	42,719,300	1,165,346	186,531,168
Additions *	—	480,602	1,068,728	75,834	797,575	—	2,308,490	1,545,756	6,276,985
Disposals	—	—	—	(305,400)	(63,300)	—	—	—	(368,700)
Revaluations	—	(33,016)	308,938	228	—	—	(4,777,636)	—	(4,501,486)
Work in progress transfers	—	49,634	—	—	98,315	—	692,380	(820,720)	19,609
Total gross value of property, plant and equipment	663,000	46,149,444	90,878,234	1,632,600	5,515,126	286,256	40,942,534	1,890,382	187,957,576
Opening accumulated depreciation and impairment	—	12,957,111	22,570,617	1,205,191	2,145,364	277,977	8,000,057	—	47,156,317
Depreciation expense	—	689,094	1,217,448	48,825	207,240	2,213	686,284	—	2,851,104
Disposals	—	—	—	(273,444)	(57,014)	—	—	—	(330,458)
Revaluations	—	(894,598)	(1,269,580)	(1,527)	40,859	—	(78,705)	—	(2,203,551)
Total accumulated depreciation and impairment property, plant and equipment	—	12,751,607	22,518,485	979,045	2,336,449	280,190	8,607,636	—	47,473,412
Total net book value of property, plant and equipment	663,000	33,397,837	68,359,749	653,555	3,178,677	6,066	32,334,898	1,890,382	140,484,164
Other information									
Range of estimated useful life (years)	Not depreciated	15-150	15-150	2-20	3-80	1-100	10-105		—
*Asset additions comprise									
Asset renewals	—	360,202	1,068,728	—	—	—	2,221,602	—	3,650,532
Other additions	—	169,967	—	75,834	789,685	—	850,305	—	1,885,791
Total asset additions	—	530,169	1,068,728	75,834	789,685	—	3,071,907	—	5,536,323

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment (continued)

(a) Recognition

Property, plant and equipment are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and 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, Water, Sewerage and 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.

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.

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 341 of the *Land Act 1994*. It comprises an area of approximately 3,560 hectares.

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

(b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

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

Property, plant and equipment received in the form of contributions, for significantly less than fair value or as offsets to infrastructure charges are recognised as assets and revenue at fair value.

When Council raises a provision for the restoration of a Council-controlled site, such as a landfill site, the provision is initially recognised against property, plant and equipment. Subsequent changes in the provision relating to the discount rate or the estimated amount or timing of restoration costs are recognised against asset revaluation surplus.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment (continued)

(c) Depreciation

Assets are depreciated from the date of acquisition or when an asset is ready for use.

Land and work in progress are not depreciated.

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

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

Depreciation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions.

(d) Impairment

Property, plant and equipment 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, where the asset is held at cost. 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.

(e) Valuation

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

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

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

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

Separately identified components of assets are measured on the same basis as the assets to which they relate. Details of valuers and methods of valuations are shown below.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment (continued)

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.

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

	Date of latest valuation	Fair value measurement using			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 significant unobservable inputs	
	\$	\$	\$	\$	\$
2022					
Property, plant and equipment					
Land	30/06/22	—	1,480,000	—	1,480,000
Buildings and houses	30/06/22	—	—	158,631,049	158,631,049
Plant and equipment	30/06/22	—	3,458,082	—	3,458,082
Motor vehicles	30/06/22	—	659,580	—	659,580
Infrastructure	30/06/22	—	—	38,370,262	38,370,262
Total property, plant and equipment		—	5,597,662	197,001,311	202,598,973
2021					
Property, plant and equipment					
Land	30/06/17	—	663,000	—	663,000
Buildings and houses	30/06/17	—	—	101,757,587	101,757,587
Plant and equipment	30/06/17	—	3,178,677	—	3,178,677
Motor vehicles	30/06/17	—	653,555	—	653,555
Infrastructure	30/06/17	—	—	32,334,878	32,334,878
Total property, plant and equipment		—	4,495,232	134,092,465	138,587,697

(2) Valuation techniques used to derive level 2 and level 3 fair values

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged
Land	Market value	30/06/22	AssetVal

Index applied

Nil - comprehensive revaluation undertaken

Key assumptions and estimates (related data sources)

Sales price per square meter of comparable properties in close proximity adjusted for differences in key attributes such as property size.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 10. Property, plant and equipment (continued)

Asset class and fair value hierarchy	Valuation approach	Last comprehensive valuation date	Valuer engaged
Buildings and houses	Current replacement cost	30/06/22	AssetVal

Index applied

Nil - comprehensive revaluation undertaken.

Key assumptions and estimates (related data sources)

Buildings and houses are valued using a current 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).

Motor vehicles	Market value	30/06/22	AssetVal
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Index applied

Nil - comprehensive revaluation undertaken.

Key assumptions and estimates (related data sources)

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.

Plant and equipment	Market value	30/06/22	AssetVal
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Index applied

Nil - comprehensive revaluation undertaken.

Key assumptions and estimates (related data sources)

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).

Infrastructure	Current replacement cost	30/06/22	AssetVal
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Index applied

Nil - comprehensive revaluation undertaken.

Key assumptions and estimates (related data sources)

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 specification.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 11. Contract balances

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Contract assets arise when work has been performed by Council relating to a contract with customer (or capital grant paid in arrears) but no receivable has arisen since the invoice has not been raised.

A contract liability arises when Council has received consideration or has an unconditional right to receive consideration from the customer before the Council transfers a good or service to the customer. It is the obligation to transfer the good or service or the receipt of funds prior to performance obligations being satisfied.

	2022	2021
	\$	\$

(a) Contract assets

Current

Contract assets	1,297,740	1,825,511
Total current contract assets	1,297,740	1,825,511

The contract assets relates to the works completed for major projects such as Water Reservoirs, COVID Work for Queensland and Material Recovery Facility stage 5.

	2022	2021
	\$	\$

(b) Contract liabilities

Current

Funds received upfront to construct Council controlled assets	3,034,685	3,327,134
Non-capital performance obligations not yet satisfied	—	5,414
Total current contract liabilities	3,034,685	3,332,548

Revenue recognised that was included in the contract liability balance at the beginning of the year

Funds to construct Council controlled assets	882,535	1,627,376
Non-capital performance obligations	5,414	24,586
Total revenue included in the contract liability	887,949	1,651,962

The contract liability relates to major projects such as the Murgon Footpath Upgrade and Solid Waste Projects. It is expected that these projects will be completed during the 2022-2023 financial year.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 12. Leases

AASB 16 Leases

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

Council as a lessee

Council has applied the exception to lease accounting for leases of low-value assets and short-term leases. Council leases a number of items of equipment, a number of the assets are considered low value and are therefore not subject to lease accounting. Council recognises the payment associated with this lease as an expense on a straight-line basis over the lease term. During the year an amount of \$15,576 (2021: \$11,906) was recognised as an expense in the statement of Profit or Loss in respect of operating leases.

Council as a lessor

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease. Council has leased commercial buildings including the Canteen and other office rental premises. These were identified as operating leases and we have assessed that there will be no changes in Council's (lessor) accounting policy for rental income, per AASB 16.

Peppercorn Leases

Council is the lessee of a number of Deed of Grant in Trust leases, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council has elected not to apply the fair value measurement requirements to these leases.

	2022	2021
	\$	\$

Operating leases

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.

The minimum lease receipts are as follows:

Between one and two years	43,261	43,404
Between two and three years	43,686	27,336
Between three and four years	24,381	24,123
Between four and five years	24,429	24,155
Later than five years	489,005	488,407
Total lease receipts	624,762	607,425

Rental income (excluding variable lease payments not dependent on an index or rate)	1,116,662	1,166,518
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Notes to the Financial Statements

for the year ended 30 June 2022

Note 13. Payables

	2022	2021
	\$	\$
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.		
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.		
Current		
Creditors and accruals	451,500	544,101
Revenue in advance	99,194	114,026
Total current payables	550,694	658,127
Non-current		
Revenue in advance	537,545	559,363
Total non-current payables	537,545	559,363

Note 14. Provisions

Annual leave

A liability for annual leave is recognised. The portion expected to be wholly settled within twelve months is calculated on current wage and salary levels and includes related employee on-costs. The portion not expected to be wholly settled within twelve months is calculated on projected future wage and salary levels and related employee on-costs, discounted to present values. Annual leave which has vested (or will vest in less than 12 months) is classified as current regardless of the measurement basis used in AASB 119.

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.

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. Long service leave which has vested (or will vest in less than 12 months) is classified as current regardless of the measurement basis used in AASB 119.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 14. Provisions (continued)

	2022	2021
	\$	\$
Current		
Annual leave	421,562	397,262
Long service leave	373,997	304,911
Total current provisions	795,559	702,173
Non-current		
Long service leave	116,897	116,795
Refuse restoration	2,546,852	2,475,035
Total non-current provisions	2,663,749	2,591,830

Details of movements in non-employee provisions

Refuse restoration

Balance at beginning of financial year	2,475,035	2,401,264
Increase in provision due to unwinding of discount	71,817	73,771
Balance at end of financial year	2,546,852	2,475,035

Refuse restoration

Landfill restoration provision

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

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

Notes to the Financial Statements

for the year ended 30 June 2022

Note 15. 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.

Movements in the asset revaluation surplus

	Note	2022	2021
Balance as at 1 July		41,973,083	44,251,409
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
- Land		817,000	-
- Buildings		511,324	861,582
- Houses		55,778,767	1,578,518
- Motor vehicles		40,443	1,755
- Plant and equipment		22,769	57,455
- Infrastructure		2,628,870	(4,777,636)
Net movements in the asset revaluation surplus		59,799,173	(2,278,326)
Balance as at 30 June		101,772,256	41,973,083

Asset revaluation surplus analysis

	2022	2021
The closing balance of the asset revaluation surplus comprises the following asset categories:		
- Land	817,000	-
- Buildings	23,600,139	23,088,815
- Houses	69,431,113	13,652,346
- Motor vehicles	566,630	526,187
- Plant and equipment	227,424	204,655
- Infrastructure	7,129,950	4,501,080
	101,772,256	41,973,083

Notes to the Financial Statements

for the year ended 30 June 2022

Note 16. 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 2022 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 \$97,090.38.

Note 17. Reconciliation of net result for the year to net cash inflow/(outflow) from operating activities

	2022 \$	2021 \$
Net operating result from income statement	3,012,942	3,514,718
Non-cash items		
Depreciation and amortisation	3,019,572	2,851,104
	<u>3,019,572</u>	<u>2,851,104</u>
Investing and development activities		
Net (profit)/loss on disposal of assets	848,714	8,515
Capital grants and contributions	(5,955,191)	(4,746,773)
	<u>(5,106,477)</u>	<u>(4,738,258)</u>
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(110,565)	3,085
Increase/(decrease) in provision for doubtful debts	95,634	(74,460)
(Increase)/decrease in inventories	(76,844)	16,811
(Increase)/decrease in contract assets	527,771	(1,265,824)
(Increase)/decrease in other assets	(135,967)	77,264
Increase/(decrease) in payables	(92,601)	285,786
Increase/(decrease) in contract liabilities	(297,863)	(713,703)
Increase/(decrease) in employee leave entitlements	93,488	135,392
Increase/(decrease) in other provisions	71,817	73,771
Increase/(decrease) in other liabilities	(36,650)	(45,981)
	<u>38,220</u>	<u>(1,507,859)</u>
Net cash provided from/(used in) operating activities from the statement of cash flows	964,257	119,705

Notes to the Financial Statements

for the year ended 30 June 2022

Note 18. Correction of error

Nature of prior-period error

Following the finalisation of the prior year financial statements an error in the calculation of the balance of certain capital grants included in Contract Liabilities was discovered. Works relating to the grants had been completed but the revenue had not been fully recognised in accordance with AASB1058. As a result, Capital Grant Revenue was understated by \$938,259 and Contract Liabilities overstated by \$938,259.

As the impact of this error was material, comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Adjustments to the comparative figures for the year ended 30 June 2021

Statement of Financial Position

	Original Balance 30 June, 2021 \$	Impact Increase/ (decrease) \$	Restated Balance 30 June, 2021 \$
Total assets	151,373,443	—	151,373,443
Contract Liabilities	4,270,807	(938,259)	3,332,548
Other Liabilities	4,511,493	—	4,511,493
Total liabilities	8,782,300	(938,259)	7,844,041
Asset Revaluation Surplus	41,973,083	—	41,973,083
Retained Surplus	100,618,060	938,259	101,556,319
Total community equity	142,591,143	938,259	143,529,402

Statement of Comprehensive Income

	Original Balance 30 June, 2021 \$	Impact Increase/ (decrease) \$	Restated Balance 30 June, 2021 \$
Capital Grants	3,726,562	938,259	4,664,821
All other revenue	11,679,175	—	11,679,175
Total income	15,405,737	938,259	16,343,996
Total expenses	12,829,278	—	12,829,278
Net result	2,576,459	938,259	3,514,718

Notes to the Financial Statements for the year ended 30 June 2022

Note 19. Events after the reporting period

There were no material adjusting events after the balance date.

Note 20. Financial instruments and financial risk management

(a) 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 8)

Receivables - (Note 9)

Financial liabilities

Payables - (Note 13)

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.

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.

Financial risk management

Credit risk

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

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

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

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

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 20. Financial instruments and financial risk management (continued)

The Council's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due under both normal and stressed conditions, without incurring unacceptable losses of damage to the Council's reputation.

Council's only recognised financial liabilities are trade payables as disclosed in note 13 which have contractual maturity dates of 6 months or less.

Market risk

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

Note 21. Transactions with related parties

(a) Key management personnel

Transactions with key management personnel

KMP include the Mayor, councillors, council's Chief Executive Officer and some executive management.

Detailed remuneration disclosures are provided in the annual report.

	2022 \$	2021 \$
The compensation paid to key management personnel for comprises:		
Short-term employee benefits	965,157	911,060
Post-employment benefits	67,875	60,331
Long-term benefits	14,366	5,356
Total	1,047,398	976,747

(b) Other Related Parties

Transactions with other related parties

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

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

Details of transactions	Additional information	2022	2021
Fees and charges charged to entities controlled by key management personnel	(i)	8,953	8,692
Employee expenses for close family members of key management personnel	(ii)	99,227	111,102
Rental income charged to close family members of key management personnel		13,000	13,820

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

(ii) Council employs 91 full time equivalent staff. Only 3 employees are close family members of KMP. All close family members of KMP were employed through an arm's length process. They are paid in accordance with the relevant industrial award for the job they perform and Council's employment agreements.

Notes to the Financial Statements

for the year ended 30 June 2022

Note 21. Transactions with related parties (continued)

(c) Outstanding balances

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

	Housing rent owed by key management personnel	Amounts owed by entities controlled by key management personnel
Year ended 30 June 2022		
Receivables		
Current	\$3,472	\$0
Past due 31-60 days	\$1,050	\$0
Past due 61-90 days	\$840	\$0
More than 90 days overdue	\$26,022	\$0
Total owing	\$31,384	\$0
Year ended 30 June 2021		
Receivables		
Current	\$1,573	\$0
Past due 31-60 days	\$1,750	\$0
Past due 61-90 days	\$1,400	\$0
More than 90 days overdue	\$27,661	\$0
Total owing	\$32,384	\$0

(d) Loans and guarantees to/from related parties

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

(e) Commitments to/from other related parties

Council does not have commitments to/from related parties.

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

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

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

Management Certificate

for the year ended 30 June 2022

These General Purpose Financial Statements have been prepared pursuant to sections 176 and 177 of the Local Government Regulation 2012 (the Regulations) 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 2 to 30, 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.



Elvie Sandow

Mayor

20 October 2022



Chatur Zala

Chief Executive Officer

20 October 2022

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 2022, 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 2022, 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 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2022 was the current-year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 2022:

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

Prescribed requirements scope

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



Lisa Fraser
as delegate of the Auditor-General

21 October 2022

Queensland Audit Office
Brisbane

Current Year Financial Sustainability Statement

	Actual 2022	Target 2022
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Measures of financial sustainability

1. Operating surplus ratio

Net result (excluding capital items) ¹	(18.33)%	0% - 10%
Total operating revenue (excluding capital items) ²		

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) ³	37.05%	> 90.00%
Depreciation expense		

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net financial liabilities ratio

Total liabilities less current assets	(23.69)%	< 60.00%
Total operating revenue (excluding capital items) ²		

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

(1) Includes total recurrent revenue, interest and investment revenue, other income and total recurrent expenditure as disclosed in the Statement of Comprehensive Income. Excludes capital revenue grants, subsidies and contributions, other capital income, total capital expenses such as loss on disposal and write-off of assets, and early repayment expenses incurred in paying out loans.

(2) Includes total recurrent revenue, interest and investment revenue and other income as disclosed in the Statement of Comprehensive Income. Excludes capital revenue grants, subsidies and contributions and other capital income.

(3) Asset renewals are defined as expenditure on existing assets to return the assets to their original service potential (or useful life) while satisfying current construction and required standards. Excludes land and plant & equipment assets.

Note 1 - 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 2022.

Certificate of Accuracy

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.



Elvie Sandow

Mayor

20 October 2022



Chatur Zala

Chief Executive Officer

20 October 2022

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 2022, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s. 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current-year financial sustainability statement of Cherbourg Aboriginal Shire Council for the year ended 30 June 2022 has been accurately calculated.

Basis of opinion

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Cherbourg Aboriginal Shire Council's annual report for the year ended 30 June 2022 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current-year financial sustainability statement

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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



Lisa Fraser
as delegate of the Auditor-General

21 October 2022

Queensland Audit Office
Brisbane

Unaudited Long Term Financial Sustainability Statement

	Target 2022	Actual 2022	2023	2024	2025	2026	Forecast		2027	2028	2029	2030	2031	2032
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Measures of financial sustainability

1. Operating surplus ratio

Net result (excluding capital items) ¹Total operating revenue (excluding capital items) ² 0% - 10% **(18.33)%** (61.00)% (58.00)% (55.00)% (53.00)% (45.00)% (44.00)% (43.00)% (43.00)% (42.00)% (41.00)%

An indicator of which the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.

2. Asset sustainability ratio

Capital expenditure on the replacement of assets (renewals) ³Depreciation expense > 90.00% **37.05%** 54.00% 24.00% 24.00% 24.00% 24.00% 26.00% 26.00% 26.00% 26.00% 25.00% 25.00%

An approximation of the extent to which the infrastructure assets managed are being replaced as these reach the end of their useful lives.

3. Net financial liabilities ratio

Total liabilities less current assets

Total operating revenue (excluding capital items) ² < 60.00% **(23.69)%** (23.00)% (28.00)% (34.00)% (40.00)% (46.00)% (53.00)% (59.00)% (64.00)% (69.00)% (74.00)%

An indicator of the extent to which the net financial liabilities can be serviced by its operating revenue.

(1) Includes total recurrent revenue, interest and investment revenue, other income and total recurrent expenditure as disclosed in the Statement of Comprehensive Income. Excludes capital revenue grants, subsidies and contributions, other capital income, total capital expenses such as loss on disposal and write-off of assets, and early repayment expenses incurred in paying out loans.

(2) Includes total recurrent revenue, interest and investment revenue and other income as disclosed in the Statement of Comprehensive Income. Excludes capital revenue grants, subsidies and contributions and other capital income.

(3) Asset renewals are defined as expenditure on existing assets to return the assets to their original service potential (or useful life) while satisfying current construction and required standards. Excludes land and plant & equipment assets.

Cherbourg Aboriginal Shire Council Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a reasonable financial position whilst also being able to meet the community's current and future needs within the constraints of limited resources. Council acknowledges that it is highly reliant on grant funding to maintain its operations.

Certificate of Accuracy - Long Term Financial Sustainability Statement

This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

In accordance with Section 212(5) of the Regulation we certify that this long-term financial sustainability statement has been accurately calculated.



Elvie Sandow

Mayor

20 October 2022



Chatur Zala

Chief Executive Officer

20 October 2022