



CHARTERS TOWERS
REGIONAL COUNCIL

COMMUNITY

FINANCIAL REPORT

For the year ended

30 June 2020



CHARTERS TOWERS REGIONAL COUNCIL
COMMUNITY FINANCIAL REPORT
For the year ended 30 June 2020

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1. Statement of Comprehensive Income (Profit and Loss)

The Statement of Comprehensive Income details where Council received its money and how it spent this money in delivering services to the Region. The difference is Council's profit or loss, also known as the net result.

Financial Summary 2019/20

Summary Statement of Comprehensive Income (\$'000's)

Profit and Loss	2019/20	2018/19	2017/18	2016/17
Recurrent revenue	71,295	54,805	42,960	40,255
Less: Recurrent expenditure	72,235	50,189	45,270	39,510
Operating surplus / (deficit)	(940)	4,616	(2,310)	745
Capital revenue	6,804	6,045	8,096	4,848
Less: Capital expenses	2,047	7,992	2,016	2,732
Net Result	3,817	2,669	3,770	2,861

The Operating surplus or deficit is the outcome which results from deducting the day to day costs, including depreciation of Council's property plant and equipment, from the day to day revenues.

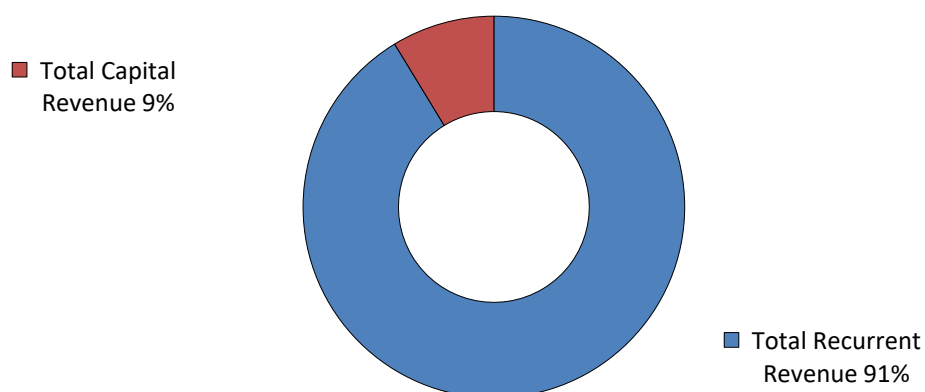
The Net result is arrived at by adding the Capital revenue and Capital expenses to the Operating surplus.

The large increase in Recurrent revenue and Recurrent expenditure in 2019/20 is due to the Disaster Recovery Funding and associated works. Disaster recovery funding revenue is \$25.2 million and Disaster recovery works expenditure is \$25.2 million.

1.1. Revenue – Where does the money come from?

This year Council received \$78.1 million in revenue which consisted of \$71.3 million in recurrent revenue and \$6.8 million in capital revenue.

Revenue Categories 2019-2020





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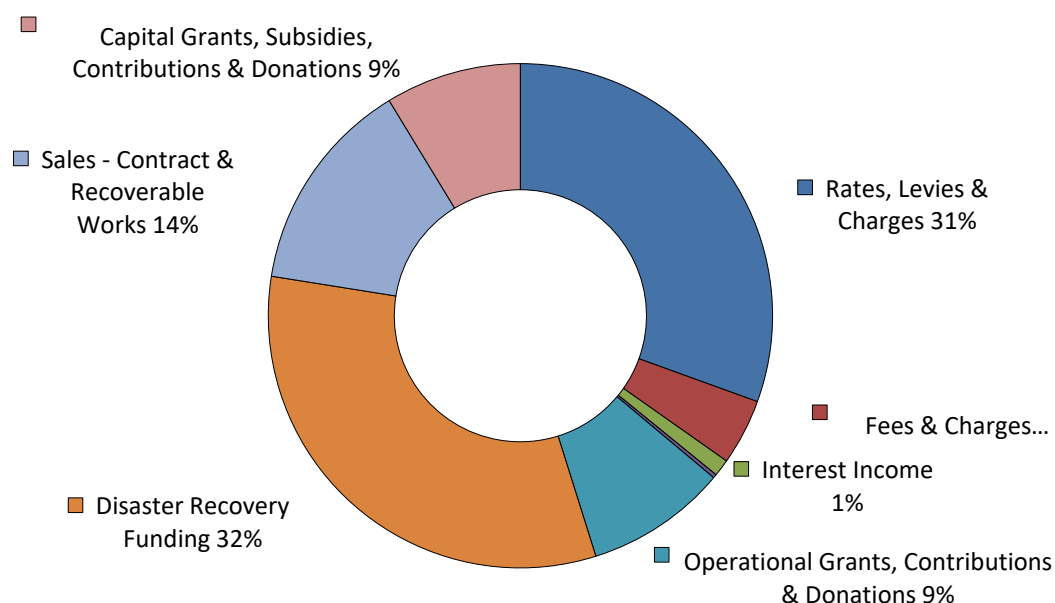
Recurrent Revenue (\$'000's)

Recurrent Revenue	2019/20	2018/19
Rates, levies and charges	23,844	22,682
Fees and charges	3,311	2,738
Grants, subsidies, contributions and donations		
• Operational grants	7,075	7,291
• Disaster recovery funding	25,267	5,983
Contract and recoverable works (including Main Roads)	10,761	14,933
Interest income	848	1,047
Other income	189	131
Total Recurrent Income	71,295	54,805

Council received Capital revenue totalling \$6.8 million from the State and Federal Government for the purpose of constructing Council assets. This included:

- Roads to Recovery Program, \$1.9 million
- Works for Queensland Program, \$1.2 million
- Transport Infrastructure Development Scheme (TIDS), \$0.94 million
- National Stronger Regions Fund, \$2.7 million

Total Income 2019-2020





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1.2. Expenses – Where was the money spent?

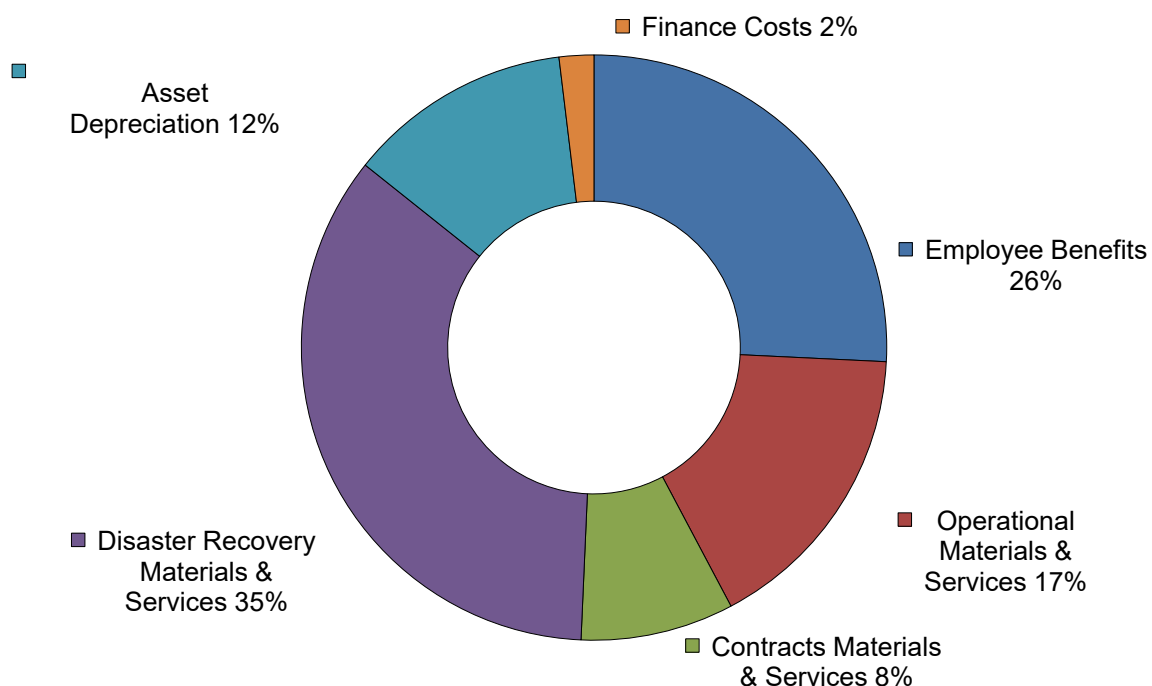
Council incurs both Recurrent (operating) and Capital expenditure in delivering services to the community.

Significant expenditure items for 2019/20 year are highlighted below.

Recurrent Expenses (\$'000's)

Recurrent Expenses	2019/20	2018/19
Salaries and wages and entitlements	19,128	20,029
(less) Capitalised employee costs	(562)	(968)
Total employee benefits	18,566	19,061
Materials and services		
• Operational (day to day expenses)	12,587	13,077
• Disaster recovery works	25,220	1,254
• Contracts and recoverable works	6,096	8,989
Asset depreciation	8,912	7,582
Finance costs	854	226
Total Recurrent Expenses	72,235	50,189

Recurrent Expenses 2019-2020





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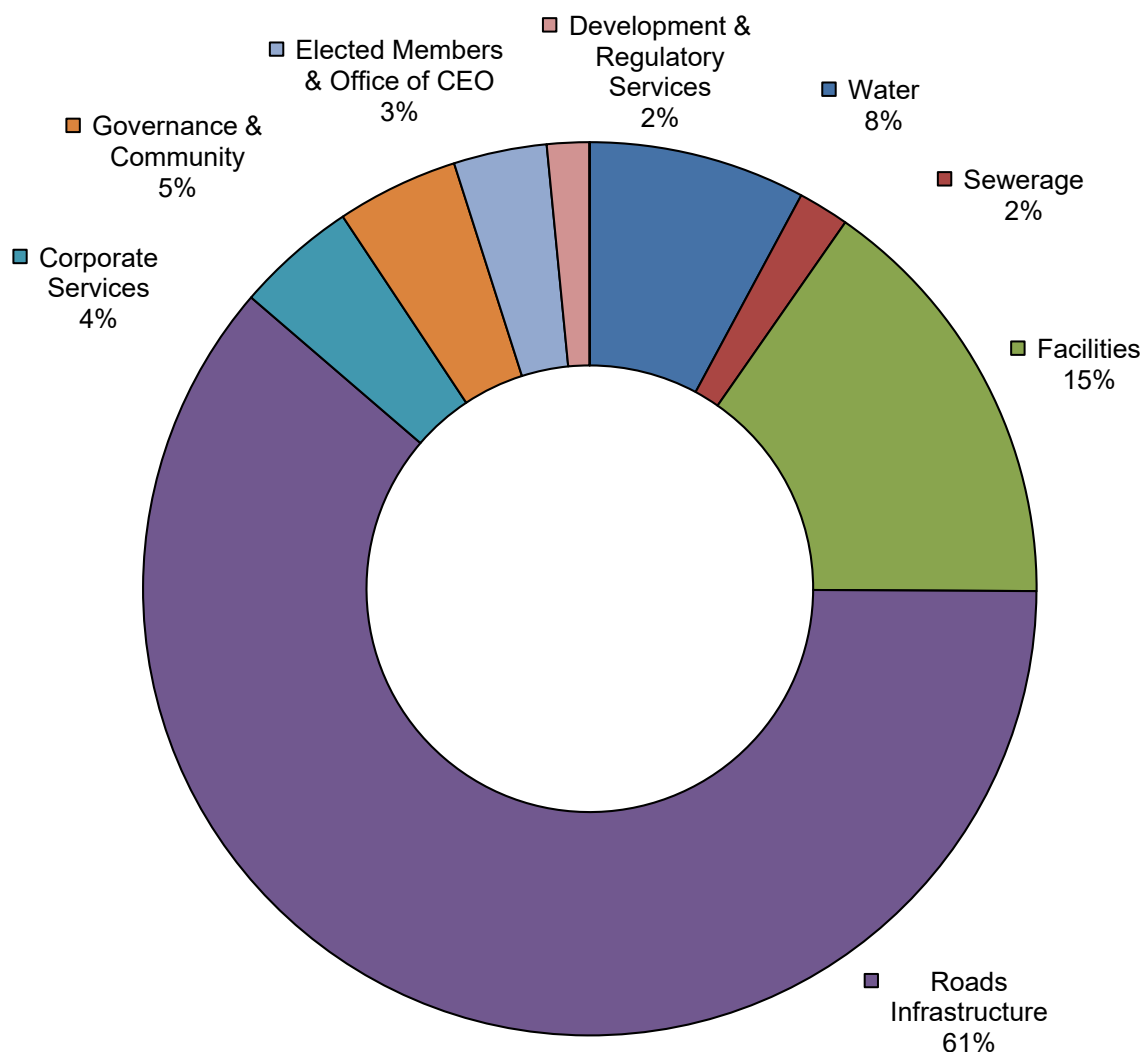
Expenditure by function

Funds raised through Recurrent revenue are used to provide services to the community. These include:

- Roads Infrastructure
- Water and Sewerage
- Facilities Management
- Governance and Community Services
- Development and Regulatory Services
- Corporate Services
- Elected Members and Office of CEO (including WHS)

In the reported financial year, these funds were consumed across the functions in the proportions shown. Non-Capital expenditure on Council roads infrastructure works was 61% of Council's total Recurrent expenses, which amounted to \$44.1 million of the total \$72 million.

Expenditure by Function 2019-2020





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2. Statement of Financial Position (Balance Sheet)

The Statement of Financial Position measures what Council owns (assets) and what Council owes (liabilities), resulting in net worth at the end of the financial year.

This statement is often referred to as the Balance Sheet and summarises the financial position of the Council at the end of the financial year.

2.1. Assets: What does Council own?

Council's 2019/20 total Assets amounts to \$523 million (2018/19 \$530.1 million). These are classified as either Current or Non-current assets in the annual financial statements.

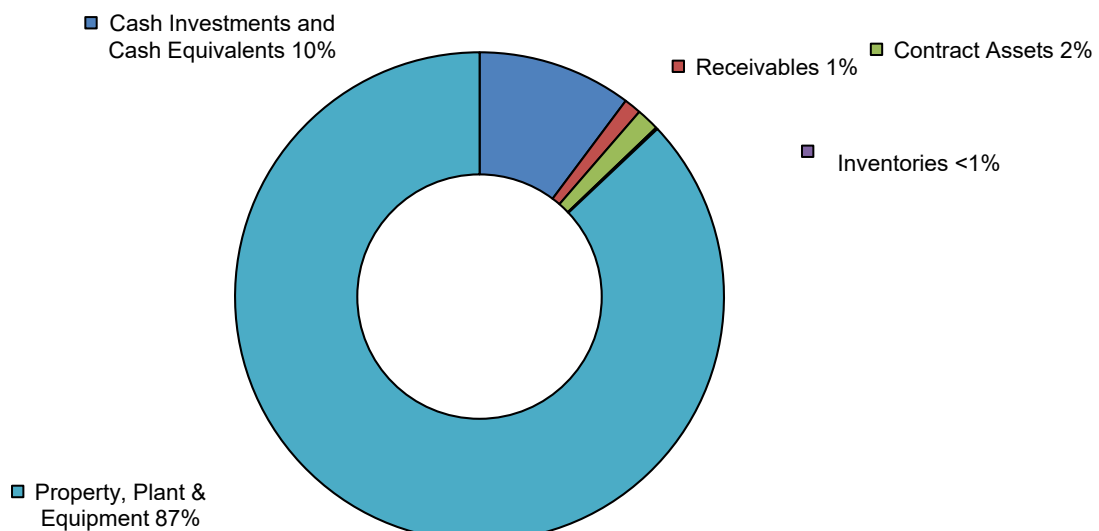
Total Assets (\$'000's)

Total Assets	2019/20	% of	2018/19
Current assets	67,829	13%	47,651
Non-current assets	455,200	87%	482,498
Total Assets	523,029	100%	530,149

Current assets include cash and other assets that are expected to be converted to cash within the year ahead, such as trade receivables, inventory and contract assets.

Non-current assets include long-term fixed asset investments that are used to provide infrastructure and services to the community. In the Balance Sheet these assets are called Property, plant and equipment and this captures the regions roads and drainage, water and sewerage assets, property (land and buildings), fleet, plant and equipment.

Asset Types 2019-2020





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2019/20 Current assets of \$67.8 million is an increase of \$20.1 million from 2018/19 Current assets of \$47.7 million. Current assets are presented in the table below.

Current Assets (\$'000's)

Current Assets	2019/20	2018/19
Cash (Bank transactions and QTC cash at call)	52,337	35,928
Investments (Short term deposits)	1,000	1,000
Receivables – Rates and utilities debtors	1,136	1,389
Receivables - Trade debtors	4,664	8,441
Prepayments	198	292
Inventories (Works Depot stores)	607	570
Inventories held for sale (VIC & World theatre)	28	31
Contract assets (grant expenses to be claimed – new Contracts Accounting Standard)	7,859	-
Total Current Assets	67,829	47,651

Significant increases and decreases in Current assets from last year include:

- an increase in Cash of \$16.4 million
- a new current asset called Contract assets, \$7.9 million. Contract assets are accounted for under a new Accounting Standard that aligns the timing between the revenue and expenses for grant and contract revenue. In this case certain grant and contract expenditure will remain on the balance sheet until the revenue for the grant and contract is claimable and due
- Trade receivables has decreased by \$3.8 million in 2019/20 to \$4.7 million

Non-current assets are presented in the table below.

Non-Current Assets (\$'000's)

Non-Current Assets	2019/20	2018/19
Property, plant and equipment (written down value)	455,196	482,478
Receivables – Loans community groups	4	20
Total Non-Current Assets	455,200	482,498

2019/20 Property, plant and equipment of \$455.2 million (2018/19 \$482.5 million) is presented at the assets written down value. The written down value is the difference between the gross value and the accumulated depreciation of an asset.



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The table below provides key information from the annual financial statements contained in Note 13 Property, plant and equipment.

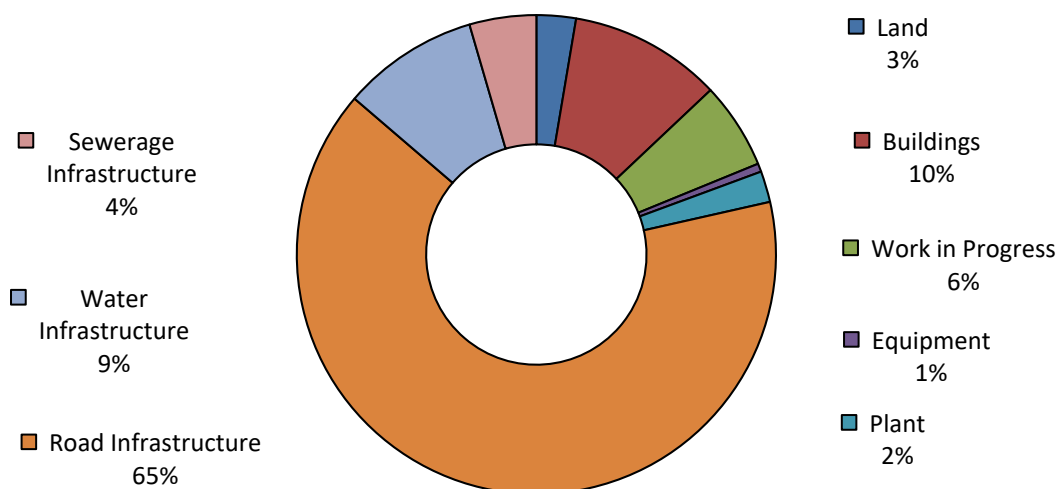
The table presents the:

- written down value of \$455.2 million at 30 June 2020 and \$482.5 million at 30 June 2019
- the allocation of the 2019/20 \$8.9 million annual depreciation charge across the asset classes
- the allocation of the 2019/20 \$17.6 million capital works across renewal works of \$12.7 million and new works of \$4.8 million

Property, Plant & Equipment (\$'000's)

Property, Plant & Equipment	Value 2019/20	Annual Depr'n	Renewal	New	Value 2018/19
Land	11,857	-	-	2,518	9,342
Buildings and structures	45,823	2,114	1,033	316	47,316
Plant	9,348	997	1,494	-	8,938
Equipment	2,496	332	7	1,026	1,408
Roads	288,524	3,303	4,008	296	323,354
Water	51,011	1,594	6,192	668	52,133
Sewerage	20,075	572	15	-	20,646
Work in progress	26,062				19,342
Total	455,196	8,912	12,749	4,824	482,479

Property, Plant & Equipment 2019-2020 (Written Down Value)





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2.2. Liabilities: What does Council owe?

Council's 2019/20 total Liabilities are \$35.3 million (2018/19 \$11.5 million). These are classified as either Current or Non-current liabilities in the annual financial statements.

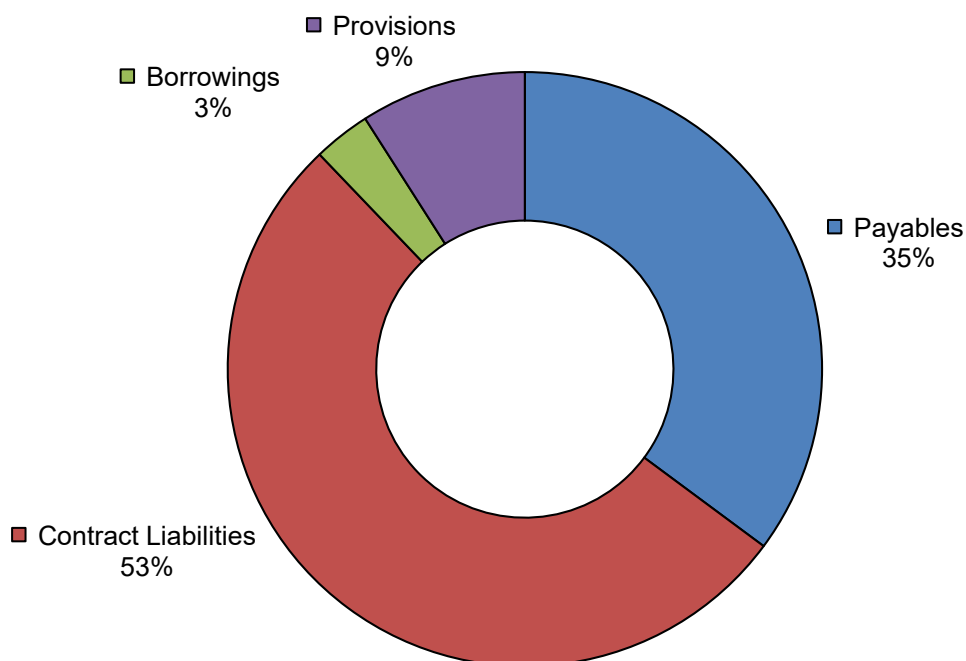
Total Liabilities (\$'000's)

Total Liabilities	2019/20	% of	2018/19
Current liabilities	32,639	92%	9,546
Non-current liabilities	2,652	8%	1,969
Total Liabilities	35,291	100%	11,515

Current liabilities include trade payables, contract liabilities and the portion of borrowings and provisions that are expected to be paid within the year ahead.

Non-current liabilities include long-term borrowings and provisions that have been applied to the region's infrastructure.

Liabilities 2019-2020





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2019/20 Current liabilities of \$32.6 million is an increase of \$23.1 million from 2018/19. Current liabilities are presented in the table below.

Current Liabilities (\$'000's)

Current Liabilities	2019/20	2018/19
Contract liabilities	18,497	-
Trade creditors and contract retentions	8,581	5,141
Prepaid rates and charges	1,487	-
Employee benefits (Annual leave, RDO, TIL)	2,268	2,401
Borrowings from QTC payable in next 12 months	145	141
Provisions – Employee long service leave	1,661	1,863
Total Current Liabilities	32,639	9,546

Significant increases and decreases in Current liabilities from last year include:

- a new current liability called Contract Liabilities, \$18.5 million. Contract liabilities are accounted for under a new Accounting Standard that aligns the timing between the revenue and expenses for grant and contract revenue. In this case certain grant and contract revenue will remain on the balance sheet until the expenditure for the grant and contract is claimable and payable
- Trade creditors and contract retentions has increased by \$3.4 million in 2019/20 to \$8.6 million
- Prepaid rates and charges as at 30 June 2020 of \$1.5 million are accounted for under a new Accounting Standard that aligns the timing of rates paid in advance with the year in which the rates are due. In this case certain ratepayers have paid in advance and this revenue will remain on the balance sheet until the 2020/21 rates are due

Non-current liabilities are presented in the table below.

Non-Current Liabilities (\$'000's)

Non-Current Liabilities	2019/20	2018/19
Borrowings from QTC (final repayment June 2027)	949	1,093
Provisions – Employee long service leave	362	317
Provisions – Landfill rehabilitation	1,341	559
Total Non-Current liabilities	2,652	1,969

The significant increase from last year is the landfill provision that has increased from \$0.6 million in 2018/19 to \$1.3 million in 2019/20.



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3. Statement of Changes in Equity: Net Worth

The Statement of Changes in Equity measures the changes in Council's Net worth and shows the movements in Retained surplus, Council capital and Asset revaluation surplus.

The 2019/20 net worth is \$487.7 million (2019/20: \$518.6 million) which comprises total Assets of \$523.0 million and total Liabilities of \$35.3 million.

Community equity is presented in the table below.

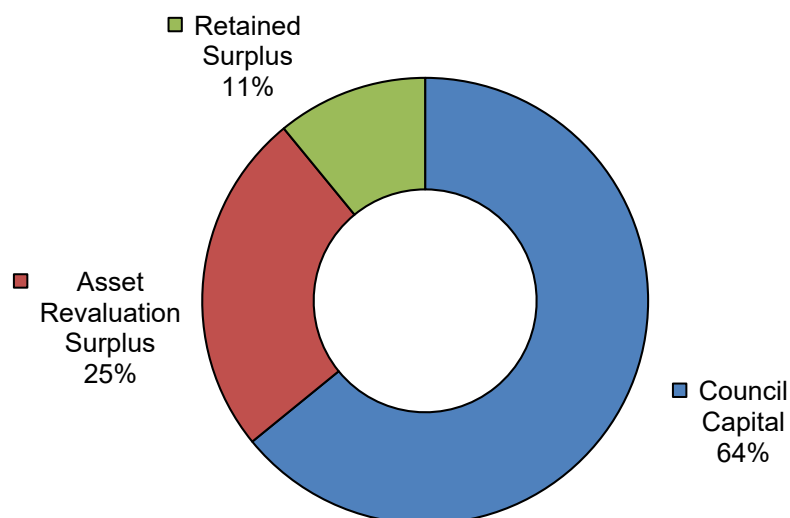
Community Equity (\$'000's)

Community Equity	2019/20	2018/19
Retained surplus	53,330	36,919
Council capital	312,673	327,191
Asset revaluation surplus	121,735	154,525
Total Community Equity	487,738	518,635

Significant increases and decreases in community equity include:

- Retained surplus has increased \$16.4 million in 2019/20 and includes the Net result of \$3.8 million and a transfer from Council capital of \$12.6 million to match available cash reserves
- Council capital has decreased by \$14.5 million in 2019/20 and includes the \$12.6 million transfer to Retained surplus and prior year adjustments from new Accounting Standards of \$1.9 million
- Asset revaluation surplus decreased by \$32.8 in 2019/20 million due to the required 2019/20 asset revaluation adjustments

Equity 2019-2020





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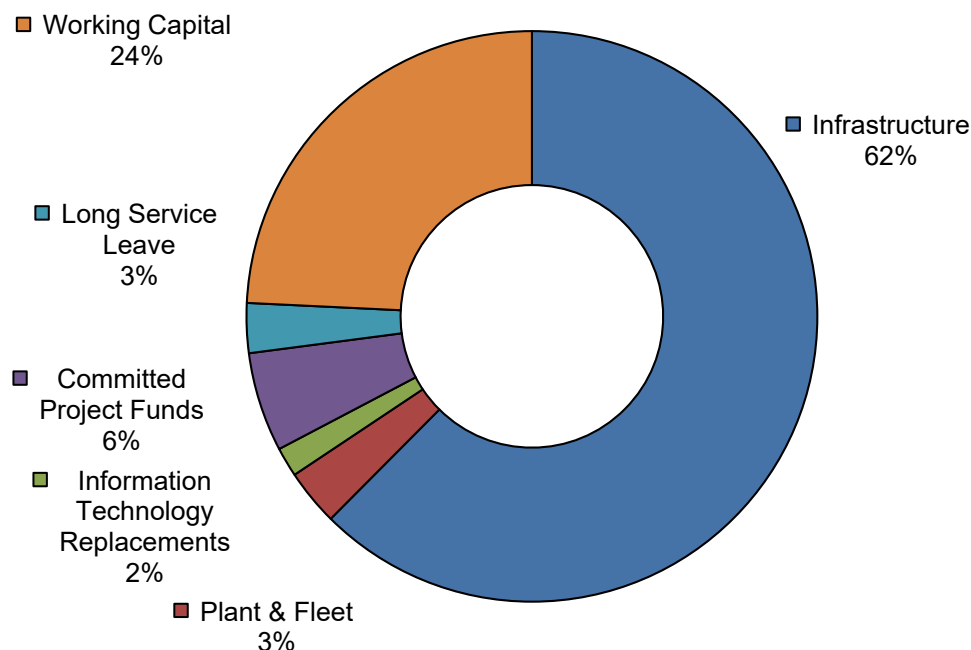
3.1. Retained Surplus (Reserves)

Retained surplus is made up of reserve funds as resolved by Council at its annual Budget Meeting. Council reserves are allocated for future replacement and renewal of council infrastructure and future operational requirements.

Retained Surplus & Reserves (\$'000's)

Retained Surplus & Reserves	2019/20	2018/19
Infrastructure	33,313	21,490
Plant and fleet	1,694	2,550
Information technology infrastructure	896	873
Asset replacement reserve	35,903	24,913
Committed project funds	3,001	2,618
Long service leave	1,500	1,500
Total restricted reserves	40,404	29,031
Working capital (available funds for operations and projects)	12,933	7,897
Total cash and investments reserves	53,337	36,928
(less) Cash floats required across council	(7)	(9)
Total Retained Surplus	53,330	36,919

Closing Cash Reserves 2019-2020





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4. Statement of Cash Flows

The Statement of Cash Flows shows all the activities Council undertake during the year that impact the cash balances.

Statement of Cash Flows (\$'000's)

Statement of Cash Flows	2019/20	2018/19
Net cash inflow/(outflow) from operating activities	27,300	10,281
Net cash inflow/(outflow) from investing activities	(10,751)	(12,309)
Net cash inflow/(outflow) from financing activities	(140)	(136)
Net increase/(decrease) in cash held	16,409	(2,164)
Cash and cash equivalents at beginning of year	35,928	38,092
Cash and Cash Equivalents at End of Year	52,337	35,928

The cash balances increased by \$16.4 million during the year. The growth in cash balance includes the following significant increases and decreases:

- Operating activities increased cash by \$27.3 million and includes the net of receipts from customers and payments to suppliers
- Investing activities decreased cash by \$10.8 million and includes \$17.6 million spent in capital works, offset by \$6.8 million in grants and subsidies
- Financing activities relate to the repayment of the QTC borrowings during the year



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5. Financial Sustainability Measures: How strong is Council financially?

A local government is considered financially sustainable if it is able to maintain its financial capital (equity and net worth) and its infrastructure over the long-term. In forming a view of a local government's financial sustainability, a number of ratios are used.

Council's performance at 30 June 2020 against these key financial ratios is listed below.

Measures of Financial Sustainability

Ratio	Target	2019/20	2018/19	2017/18
Operating surplus ratio	0% to 10%	(-1%)	8%	(-5%)
Asset sustainability ratio	> 90%	148%	172%	173%
Net financial liabilities ratio	< 60%	(-46%)	(-66%)	(-83%)

The above table indicates that Council is operating on a financially sustainable basis and can adequately deliver the range of services it provides to the region.

Overview of financial sustainability ratios

1. Operating surplus ratio	The ratio in 2019/20 is (-1%) and requires that council closely manage its operating income and expenses to slightly improve this ratio.
2. Asset sustainability ratio	Over the past 3 financial years, renewal capital expenditure has exceeded annual depreciation expense. This indicates that assets have been replaced faster than they have been consumed. The ratio reflects extensive capital investment in the renewal of water and wastewater and road assets
3. Net financial liabilities ratio	The fact that the ratio is a large negative number reflects that total liabilities are relatively low compared with current assets. The reason is that CTRC has a low and immaterial debt level.

How the measure is calculated

1. Operating surplus ratio	Net result (excl capital items) ÷ total operating revenue (excl capital)
2. Asset sustainability ratio	Capital expenditure on asset replacement ÷ depreciation expense
3. Net financial liabilities ratio	Total liabilities less current assets ÷ total operating revenue (excl capital items)