

3.1. ANNUAL REPORT FOR DOUGLAS SHIRE COUNCIL 1 JULY 2017 TO 30 JUNE 2018

REPORT AUTHOR(S)	Gary Kerr, Executive Officer
GENERAL MANAGER	Mark Stoermer, Chief Executive Officer
DEPARTMENT	CEO Unit

RECOMMENDATION

That Council resolves to adopt the Annual Report for the period 1 July 2017 to 30 June 2018.

EXECUTIVE SUMMARY

The Annual Report provides an assessment of the operations of Douglas Shire Council for the 2017 - 2018 financial year.

BACKGROUND

In accordance with *Section 182 of the Local Government Regulation 2012*, Council is required to prepare and adopt its Annual Report within one month after the day the Queensland Audit Office provides its Audit Report and Council's Financial Statements for the financial year to Council.

The Audit Report was received by Council with the certified set of Financial Statements for the 2017-18 financial year on 15 October 2018.

PROPOSAL

That Council resolves to adopt the Annual Report for the period of 1 July 2017 to 30 June 2018.

Council is required to publish the Annual Report on its website within two weeks after Council has adopted the Annual Report. In addition, all required organisations will be notified via email that the Annual Report 2017-18 has been adopted and provided a link to the document on Council's website.

FINANCIAL/RESOURCE IMPLICATIONS

Nil

RISK MANAGEMENT IMPLICATIONS

Nil

SUSTAINABILITY IMPLICATIONS

Economic: Nil

Environmental: Nil

Social: Nil

CONSULTATION

Internal: CEO, General Managers, Manager of Governance

External: Queensland Audit Office

COMMUNITY ENGAGEMENT

Not applicable

ATTACHMENTS

1. DSC Annual Report 2017-2018 V 8 **[3.1.1]**

DOUGLAS
SHIRE COUNCIL

ANNUAL REPORT

2017-18



Douglas Shire Council would like to show its appreciation by acknowledging local Indigenous artists Lenice Schonenberger, Loretta Pierce (Lenoy) and Ronald Bamboo for providing the cover artwork entitled "Daintree Ferry"

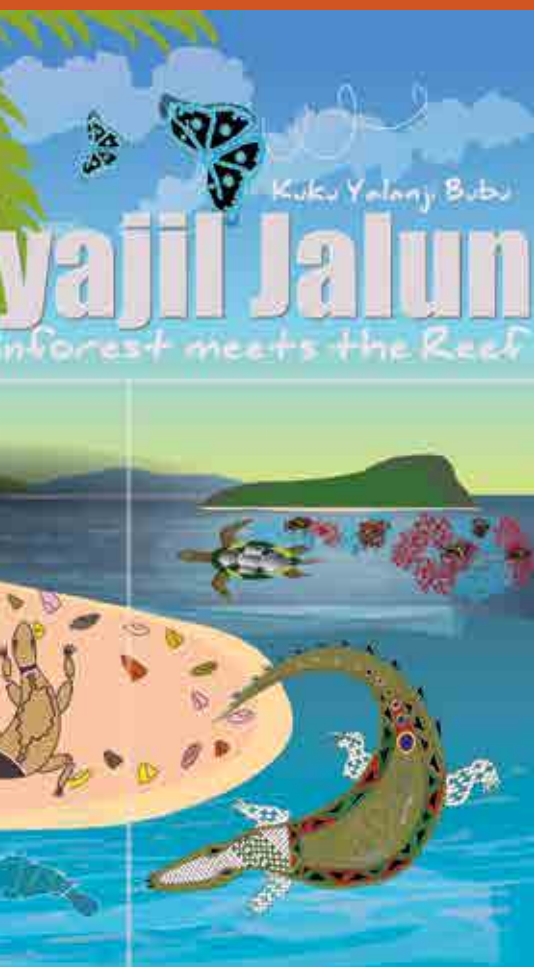


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Statistics



Regional Profile

Douglas at a Glance

The Douglas Shire covers an area of 2,445km² from north of Ellis Beach in the south to the Bloomfield River in the north. Douglas is home to approximately 12,000 residents, most of who live in the two major population centres of Port Douglas and Mossman.

The Shire has many diverse communities with the Traditional Owners, the Eastern Kuku Yalanji and Yirrganydi peoples occupying this land for thousands of years prior to first contact.

As a world renowned tourist destination where the 'Rainforest meets the Reef', the Shire lies within Australia's Wet Tropics World Heritage Area to the west and north, and the Coral Sea and World Heritage listed Great Barrier Reef Marine Park to the east.

While the economy of the Shire depends mainly on tourism with 1.2 million visitors annually exploring the stunning natural wonders, Douglas boasts a strong agricultural industry with much of our rural farmland utilised in sugar cane production.



Message from the Mayor



I am thrilled to present the fifth Annual Report of the Douglas Shire Council.

The 2017-18 Annual Report details a long list of achievements that showcase the diverse projects and initiatives this Council has delivered for the wider community.

Council's ultimate goal to achieve financial sustainability by the 2019-20 financial year is now within reach after a year that featured another record capital works program, improved delivery of services, environmental achievements and significant gains in economic development.

I am immensely proud of this organisation and the progress it has made in the face of unexpected obstacles, such as the significant flood damage sustained during the 1 in 100-year rainfall event in March.

It is a testament to council staff and the resilient communities we work for that Douglas Shire Council continues to punch well above our weight.

The 2017-18 annual financial statements exceeded budget forecasts by 45 per cent and revealed the lowest operating deficit since de-amalgamation.

The organisation also received a clean bill of health from the Queensland Audit Office (QAO).

This is a phenomenal achievement, especially given Douglas Shire is one of the few local councils with zero loan borrowings.

This prudent financial management puts Council in an excellent position to capitalise on the Shire's growing confidence, while achieving value for money for ratepayers.

A third straight record investment in capital works saw Council crews complete 69 vital projects that boost community well-being and access across the region.

The Flagstaff Hill Walking Trail, Four Mile Beach disability access ramp, Teamsters Park upgrade, Kulki National Park intersection works and the George Davis Park renewal were just some key projects completed.

Significant progress on the Council's biggest ever capital works project – the new 20ML Port Douglas Water Supply Reservoir – was also achieved to ensure this asset would be in operation prior to the end of 2018.

This project reinforces our strategy to invest in infrastructure that boosts our water resilience.

A huge focus of this Council is planning for future Douglas Shire generations.

This is to leave a legacy that puts the region in better shape financially, environmentally and socially, than when we found it.

I am incredibly proud to say the bones of this vision are now in place since the new planning scheme was adopted towards the end of 2017.

The landmark scheme will shape the region's economic prosperity and environmental sustainability for the next 10 years.

Council took control of Port Douglas Carnivale for the first time ever to ensure our signature event remained a crowd-pleaser.

The popular event attracts about 15,000 over the weekend and contributes to a vibrant events calendar that makes our region a great place to live and visit.

One of the top achievements was Council's effort to get the State Government to take on an eco-tourism powerhouse, the Wangetti Trail, which has the potential to open up fantastic opportunities in economic development and tourism growth.

As the only place in the world home to two World Heritage-listed natural wonders, looking after the environment is at the forefront of our actions and decision-making.

Council continued its strong advocacy to attract funding for a domestic violence refuge and pushing for the removal of wrecks in Dickson Inlet.

Finally, I want to thank and express my sincere appreciation to my fellow Councillors, the Executive Leadership Team and all staff for their dedication and commitment in making the Douglas Shire an even greater place to live, work, visit and invest.

Julia Leu
MAYOR

Message from the Chief Executive Officer

What an exciting time to lead Douglas Shire Council staff.



The 2017-18 Annual Report presents an overview of a year that saw improved efficiencies and customer service gains across the organisation.

Although I started in my role after the reporting period, I can clearly see the organisation has moved leaps and bounds through innovation and hard work.

Senior managers and Council officers have worked tirelessly to deliver the elected members' key strategic goals with enthusiasm and dedication.

The organisation has increased transparency to its ratepayers through measures including more accountable water billing methods, tightened up its asset management framework and explored opportunities in technology for indoor and outdoor staff.

Council's financial position has also surpassed budget projections.

The operating deficit for the year was \$778k, compared to a budgeted operating deficit of \$1.4m.

This focus on efficiency and value for money has set the Council up to be financially sustainable.

The organisation's efforts to rein in costs did not stop Council from continuing to enhance services for ratepayers. For example:

- the Port Douglas Library extended opening hours to five days per week
- more timely disaster updates were sent to the community.

Council delivered its third straight record capital works program, more than \$26 million worth, and achieved extraordinary completion rates in doing so.

Solid project management, strong community engagement and targeted procurement processes helped Council reach 91% completion– an amazing achievement for a regional council.

Council performed exceptionally well in completing all 'Works for Queensland Round 1' projects by the November 2017 deadline.

A highlight was the Flagstaff Hill Walking Trail, which was completed by a local construction company that provided opportunities for indigenous trainees.

The capital works program also included construction work on the \$13.5 million Port Douglas Water Supply Reservoir project.

Achieving savings long-term was the key aim of the project team, who re-designed the reservoir roof to extend the design life to 40 years.

This type of innovative and cost-efficient practices was not restricted to just one team.

Examples were seen across Council: The Open Spaces team trialled new feral pig trapping, outdoors staff used tablets to improve efficiencies, Council started using a drone for aerial photography and mapping and we launched an online Community Dashboard to give the public an easy platform to get disaster updates.

Staff did their very best under the tight circumstances to minimise the impact of a five-day closure of the Daintree Ferry. The experience presented many learnings for the organisation that will be incorporated into a robust community engagement plan for the renewal of the ferry contract.

Council continued its commitment to environmental outcomes through injecting more effort into recycling and renewable energy opportunities, while the Resilient Coast project team became

a state leader through its Coastal Hazard Adaptation Strategy (CHAS).

Numerous community and civic events ensured the Shire's continuing vibrancy throughout the year. This was epitomized by Council employing a full-time Events Officer to help run Port Douglas Carnivale for the first time ever.

I would like to acknowledge the unwavering dedication of the Mayor, Councillors and Council officers who continue to make a significant contribution to a sustainable, prosperous and vibrant Douglas Shire.

I would also like to recognize the leadership of the former CEO Linda Cardew, who left the organisation in a strong position to move forward.

I look forward to leading Douglas Shire Council into the future and delivering key outcomes for the community and its elected members.

Mark Stoermer
CHIEF EXECUTIVE OFFICER



Organisational Structure



Elected Representatives





Cr Julia Leu
MAYOR

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Cr Abigail Noli
DEPUTY MAYOR

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Cr David Carey

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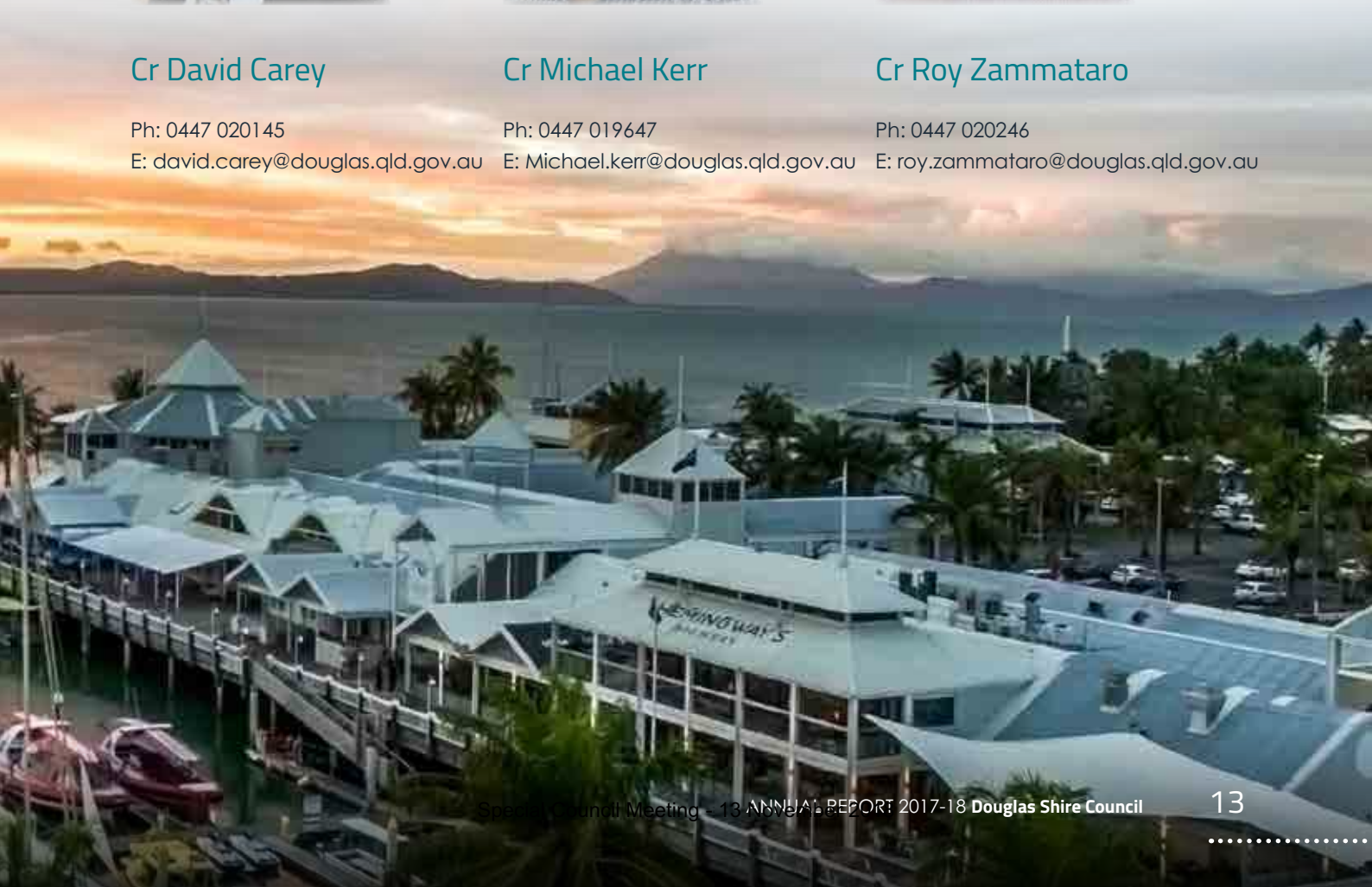
Cr Michael Kerr

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Cr Roy Zammataro

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Progress towards achieving **Corporate Plan and Operational Plan Outcomes** (S190)

The Operational Plan for 2017-18 was based on the Corporate Plan 2014-19 which was adopted by Council on 3 June 2014. The Chief Executive Officer's assessment of Council's progress in 2017-18 towards implementing the 5 year Corporate Plan and annual Operational Plan is outlined on the following pages.





Theme 1: Celebrating Our Communities

With a diverse range of communities throughout the region, we will value cultural identity, heritage and inclusiveness.

We will embrace opportunities to work in collaboration with our communities to celebrate our successes, talents and uniqueness.

10 Initiatives:

5 completed,
1 commenced,
3 not completed,
1 not completed (external factors)

Outcomes

Douglas Shire Garden

Competition held on 13-15 September 2017. There was good representation of gardens from across the Shire and a number of opportunities for community interaction with guest judge Costa from Gardening Australia.

Douglas Shire Arts Strategy

promotional plan developed and implementation commenced actively linking with the art community to promote their events.

Advocacy to the Federal and State governments for funding to establish a domestic violence refuge continued with initial discussions to source an organisation capable of operating the refuge.

Animal management education and awareness campaigns conducted throughout the year including Facebook, website and physical displays in conjunction with inspections and patrols throughout the Shire.

Illegal Dumping Incident database developed and investigation processes implemented. An education program has been promoted through social media and ongoing advertising.

Port Douglas Library extended operating hours to five days per week.

Theme 2: Building a Sustainable Economic Base

Council recognises that its decisions regarding the services it delivers can have a positive impact on the region's economy.

The maintenance of infrastructure and the building of new infrastructure supports the region's workforce and provides employment opportunities. By adopting a practical approach to decision-making and by working collaboratively with the business community, new initiatives can be introduced to make the Shire more attractive to investors. Council's support for economic growth in a role as advocate, facilitator or part funder, will assist others to achieve complementary or common economic goals.

6 Initiatives:

3 completed,
3 commenced



Outcomes

Economic development Taskforces established to drive initiatives and actions identified in Council's Economic Development Strategy 2017-2021.

Port Douglas Waterfront South Precinct Master Plan Stage 1 completed with broader community and industry consultation scheduled for 2018-19.

Recreational Vehicle dump point and potable water facilities installed at Teamsters Park and RV Strategy Implementation Plan prepared for future years.

2018 Douglas Shire Council Planning Scheme was adopted by Council, approved by the State Government and came into effect on 2 January 2018. The Planning Scheme provides for long term sustainable planning for the Shire.

Local Government Infrastructure Plan adopted by Council and approval received from Queensland government to come into effect on 1 July 2018. The Plan provides for the long term sustainable provision of trunk infrastructure to support the sustainable growth in the Shire.

Theme 3: Improve Environmental Performance

Council has the opportunity to demonstrate leadership by local government in our diverse communities by implementing responsible environmental practices.

With eighty-two per cent of the Shire included in the Wet Tropics World Heritage Area, the preservation of the natural environment will be supported by the implementation of location-specific management plans. Council will also adopt measures to reduce consumption, more effectively managing waste, and will achieve a reduction in energy and fuel consumption through greater efficiencies in service delivery.

21 Initiatives:

18 completed,
2 commenced,
1 not completed



Outcomes

Bio-Security Plan adopted by Council October 2017.

Water Quality Monitoring Plan implemented for Mossman River and Dickson Inlet as part of the Healthy Waterways program.

Coconut Management Action Plan 2017-18 adopted by Council in September 2017.

Actions implemented from the adopted Coconut Management Action Plan including two rounds of de-nutting and removal of identified coconut palms.

Environmental (Council Operations) General Policy adopted by Council in April 2018.

QCoast2100 Coastal Hazard Adaptation Strategy phases 3, 4 and 5 reports completed

with community consultation undertaken as part of these phases.

Waste audits on public place bins undertaken to obtain information which will assist the Container Refund Scheme to commence in November 2018.

Transfer Station Management Plans, Leachate Management Plans and Site Development Plans completed. Workplace Health and Safety auditing of sites undertaken.

Licence for Mossman Wastewater Treatment Plant reviewed and approval received in March 2018.

Oak Beach revegetation (Stage 1) completed including public consultation with residents.

Recycling and waste minimisation education campaign involving videos, truck signage and visits to schools completed.

Plastic Free Douglas partnered with Tangaroa Blue to undertake an education campaign regarding alternatives for the use of single use produce bags.

Drinking Water Quality Management Plan approved by Department of Natural Resources Mines and Energy and adopted by Council in June 2018.

Reef Guardian Action Plan 2017-18 adopted by Council.

Water Network Analysis completed for the Daintree Township reticulation scheme and endorsed by the Executive Leadership Team.

Theme 4: Engage, Plan, Partner

Council will engage with the diverse communities of Douglas in accordance with clear policies, plans and techniques to ensure needs, issues, and concerns are appropriately considered in all decision-making.

Strategic planning and partnerships with regional, state, national and international stakeholders will be strengthened through focus on key goals, opportunities and positive outcomes.

5 Initiatives:

4 completed,
1 commenced



Outcomes

Animal care and welfare education program implemented.

Dickson Inlet wreck salvage plan prepared and backed by State Government War on Wrecks \$20m funding program.

Port Douglas Waterfront South Preliminary Concept Master Plan developed to support marine based activity in Port Douglas.

Local Disaster Management Plan reviewed, updated and endorsed by Local Disaster Management Group. Sub-plans and business continuity plans reviewed and updated. Storm Tide modelling completed for Cooya and Newell Beaches.



Theme 5: Governance

The new Douglas Shire provides an opportunity to build and deliver a solid platform for excellence and transparency in governance, service delivery, compliance and risk management.

The organisational culture will be one of enthusiasm, collaboration and innovation to confidently and productively support Council's direction.

16 Initiatives:

10 completed,
1 commenced,
3 not completed,
2 not completed (external factors)

Outcomes

Enterprise Risk Management

Plan risk treatment plans reviewed, presented to and endorsed by Executive Leadership Team.

Asset condition assessments of refuse assets undertaken and rectification plan developed.

Digital video recording (DVR) and stage one road condition analysis completed.

Open Spaces database

established and used in conjunction with mobile technology to capture, track and complete asset defects and routine maintenance inspections.

Sub-plans of Local Disaster Management Plan completed and endorsed by the Executive Leadership Team and Local Disaster Management Group.

Administrative Action Complaints Management System Policy updated and staff training completed.

Illegal Camping Action Plan

implemented with patrols undertaken and information sheets, written warnings and fines issued as required.

Camping signage review completed and new permanent and temporary signage installed at problem locations as required.

Update of Illegal Camping Information undertaken with new multi-lingual information handouts prepared and new multi-lingual signage for public areas developed and installed.

Particular Resolutions (S185)

Section 250(1) of the *Local Government Act 2009* requires a Council to adopt an expenses reimbursement policy.

EXPENSES REIMBURSEMENT FOR ELECTED REPRESENTATIVES GENERAL POLICY – Adopted 11/07/2017

Moved Cr Noli **Seconded** Cr Kerr

1. Nominates the following meeting to be attended by Councillors to receive the meeting attendance component of their Remuneration-
 - the Ordinary Meeting schedule for the 2017-18 financial year adopted by Council on 24 January 2017; and
 - the Special (Budget) Meeting to adopt the 2018/19 Annual budget; and
 - any other Special Meetings as required during the year
2. "That Council adopt the revised Councillor Remuneration General Policy."

Carried unanimously

Councillors (S186)

Under section 186 of the *Local Government Regulation 2012* Council is required to report:

- (a) For each councillor, the total remuneration, including superannuation contributions, paid to the councillor during the financial year;

Councillor Remuneration

Councillor	Gross Salary	Super	Total Remuneration	FBT	Travel/ Expenses
Mayor Julia Leu	\$101,554.23	\$12,186.37	\$113,740.60	\$6,915.28	\$16,946.42
Deputy Mayor Abigail Noli	\$58,588.88	\$5,566.03	\$64,154.91		\$7,411.17
Cr David Carey	\$50,137.92	\$6,016.54	\$56,154.46		\$1,398.75
Cr Michael Kerr	\$50,137.92	\$4,763.10	\$54,901.02		\$1,515.77
Cr Roy Zammataro	\$50,137.92	\$4,763.10	\$54,901.02		\$2,864.63

- (b) The expenses incurred by, and the facilities provided to, each councillor during the financial year under the local government's expense reimbursement policy;

Councillors will be provided with the following facilities and support:

Mayor:

- Office accommodation with Administration Support.
- Fully maintained vehicle for use in Council duties with full and unrestricted private use. Vehicle is to have a favourable Green Star Rating and purchase price is not to exceed \$40,000.
- A hospitality fund to the value of \$1,000 per annum is available to the Mayor for hospitality expenses deemed necessary in the conduct of Council business.

Deputy Mayor and other Councillors:

- Basic administration support to assist with conferences, workshops or training attendance, including travel and accommodation arrangements.

Each Councillor will be provided with a single standard laptop, iPad and mobile telephone to be used for Council purposes. Each laptop and iPad will be provided with appropriate hardware and software applicable to enable Councillors to perform their role.

Support for the Council supplied laptops, iPads and mobile telephones will be supplied by Council's Information Technology Unit during standard business hours.

(c) The number of local government meetings that each councillor attended during the financial year;

ITEM	JULIA LEU	ABIGAIL NOLI	DAVID CAREY	MICHAEL KERR	ROY ZAMMATARO
The number of local government meetings that each councillor attended during the financial year	22	21	18	22	21

Councillor Conduct and Complaints

ITEM	RESULT
LGR Section 186(d) the total number of the following during the year:	
(i) Orders and recommendations made under section 180(2) or (4) of the Act;	Nil
(ii) Orders made under section 181 of the Act;	Nil
LGR Section 186(e) the total number of the following during the year:	
(i) The name of each councillor for whom an order or recommendation was made under section 180 of the Act or an order was made under section 181 of the Act;	Nil
(ii) A description of the misconduct or inappropriate conduct engaged in by each of the councillors;	Nil
(iii) A summary of the order or recommendation made for each councillor;	Nil
LGR Section 186(f) the total number of the following during the year:	
(i) Complaints about the conduct or performance of councillors for which no further action was taken under section 176(2) of the Act;	Nil
(ii) Complaints referred to the department's chief executive under section 176C(3)(a)(i) of the Act;	Nil
(iii) Complaints referred to the mayor under section 176C(4)(a) of the Act;	Nil
(iv) Complaints referred to the department's chief executive under section 176C(4)(a) of the Act;	Nil
(v) Complaints assessed by the chief executive officer as being about official misconduct;	Nil
(vi) Complaints heard by a regional conduct review panel;	Nil
(vii) Complaints heard by the tribunal;	Nil
(viii) Complaints to which section 176C (6) of the Act applied.	Nil



Administrative Action complaints (s187)

Under Section 187 of the *Local Government Regulation 2012*, Council is committed to dealing fairly with administrative action complaints and has adopted a centralised complaints management register.

ITEM	RESULT
1.(a) A statement about the local government's commitment to dealing fairly with administrative action complaints	<p>Council:</p> <ul style="list-style-type: none"> acknowledges the right of the public and its staff to complain when dissatisfied with a service, and encourages feedback from customers, clients, staff and the general public; requires staff to be 'complaints friendly' and not defensive or negative about feedback and complaints.
1.(b) A statement about how the local government has implemented its complaints management process, including an assessment of the local government's performance in resolving complaints	<p>Douglas Shire Council adopted in 2016 a new Administrative Action Complaints Management System Policy. This policy has been developed to support Council's continuing commitment to inclusive and ethical governance for the Douglas communities by appropriately addressing complaints from external sources.</p> <p>"Complaints Management" Training and "Managing Unreasonable Conduct" training was conducted this year for all relevant staff.</p>
2.(a)(i) Administrative action complaints made to the local government	29
2.(a)(ii) Administrative action complaints resolved by the local government under the complaints management process	29
2.(a)(iii) Administrative action complaints not resolved by the local government under the complaints management process	0
2.(b) The number of administrative action complaints under paragraph (a)(iii) that were made in a previous year	0

Overseas Travel (S188)

There was no overseas travel made by a Councillor or Local Government Employee in an official capacity during the financial year.

Expenditure on Grants to Community Organisations (S189)

Under Section 189 of the *Local Government Regulation 2012*, Council is required to report upon such contributions. During 2017-18, Douglas Shire Council provided financial assistance to the following community organisations:

Resource and Performance Agreements

ORGANISATION	AMOUNT	PURPOSE
Port Douglas Daintree Tourism	\$481,186.00	Provision of destination marketing and tourism for the Shire.
Douglas Shire Historical Society	\$5,000.00	Upkeep of facilities.
Douglas Theatre Arts Group	\$5,000.00	Upkeep of facilities.
TOTAL	\$491,186.00	

FUNDING TYPE	AMOUNT	PURPOSE
Community Support Program	\$3,018.00	Douglas Shire Little Athletics regional carnival
TOTAL	\$3,018.00	

TOTAL OF EVENT AND COMMUNITY SUPPORT FOR 2017-18:
\$494,204.00

Report on Internal Audit (S190)

Council is committed to continuous improvement within its business operations and recognises the importance of Internal Audit as an integral component of Council's corporate governance framework. Council's independent Internal Auditors, Pacifica Chartered Accountants, utilises a risk management approach in delivering on projects detailed in Council's adopted annual internal audit plan.

By working collaboratively with the Executive Leadership Team, Council's Internal Auditors have been able to identify and provide recommendations for implementation of enhancements to business practices and processes that strengthen internal controls and ultimately produce better outcomes for the community.

In the 2017-18 financial year projects delivered by Internal Audit were:

- Property and Leasing Review
- Fraud Risk and Ethical Conduct Review

Current Concessions

Pensioner Remission - The rebate is up to 40% of the General Rate to a maximum of \$1,350.00 per annum.

Rates Based Financial Assistance - is 100% General Rates and 50% sewerage.

Conservation Rebate - 50% General Rates if over 50% of property is covered under Nature Refuge Agreement and 35% of General Rates if under 50%.

Current Special Charges

Rural Fire Brigades (per rateable assessment per financial year)

- | | |
|---------------------------------------|---------|
| • Mowbray Valley Rural Fire Brigade | \$40.00 |
| • Daintree Rural Fire Brigade | \$15.00 |
| • Thornton Peak Rural Fire Brigade | \$8.00 |
| • Wonga Rural Fire Brigade | \$35.00 |
| • Bloomfield River Rural Fire Brigade | \$25.00 |

Refuse Disposal - \$175.98 per unit, based on property improvements, on each rateable assessment that does not receive the Council kerbside waste and recyclables collection service.

The Number of Invitations to Change Tenders under section 228(7) during the financial year

There were no changes made during the 2017-18 financial year.

List of Key Registers Kept by the Local Government

The following registers are held by Council:

• Asbestos Register	• Administrative Action Complaints Register
• Asset Register	• Register of Delegations (including financial)
• Conflict of Interest / Material Personal Interest Declarations Register	• Register of Council's approved procurement arrangements
• Corporate Risk Register	• Register of Interests Chief Executive Officer
• Local Laws Register	• Register of Interests Chief Executive Officers' Related Persons
• Vulnerable Resident Evacuation & Recovery Register	• Register of Interests Councillors
• Register of Cost Recovery Fees	• Register of Interests Senior Contract Employees
• Register of Council Meetings Minutes	• Register of Resource and Agreements for Funding
• Register of Interests Senior Contract Employees Related Persons	• Road Register
• Councillor Complaints Register	• Gifts Register

A Statement about the Local Government's activities during the financial year to **implement its plan for equal opportunity in employment**

Council is committed to ensuring a workplace free of discrimination and harassment. This commitment is based on equality of employment opportunity that enhances the capacity of Council to achieve its objectives by –

- (a) Improving organisational efficiency and productivity through the selection and employment of staff on merit based principles; and
- (b) Fulfilling the social justice obligations of equity and fairness; and
- (c) Increasing the effectiveness of service delivery and decision-making by adopting an employee profile that reflects the community profile.

Remuneration Packages

Section 201 of the *Local Government Act 2009* requires Council to report the total number of remuneration packages that are payable to the senior management.

Number of Senior Management Staff	Band of Remuneration
2	\$100,001 - \$200,000
1	\$200,001 - \$300,000



Community Financial Report

INTRODUCTION

Council's general purpose financial statements are for the period 1 July 2017 to 30 June 2018 and have been prepared in accordance with the requirements of the *Local Government Act 2009*, the *Local Government Regulation 2012* and Australian Accounting Standards and Interpretations. They have also been audited by the Queensland Audit Office.

This community financial report provides a summary of the financial statements with the aim of providing understandable information to the members of our community.

The financial statements include the following:

- **Statement of Comprehensive Income** – includes Council's operating and capital revenue, operating expenses, capital income and capital expenses for the period.
- **Statement of Financial Position** – provides details of Council's current and non-current assets and liabilities
- **Statement of Changes in Equity** – identifies movements in Council's Equity balance.
- **Statement of Cash Flows** – shows the movement in Council's cash position during the period and excludes all non-cash items such as depreciation.
- **Notes to the Financial Statements** – provide details of significant accounting policies and supporting information relating to the major statements, including a detailed breakdown of property, plant and equipment.
- **Measures of Financial Sustainability** – provide three sustainability indicators designed to help monitor the current and long-term sustainability of Council.

Financial Statements for the period 1 July 2017 To 30 June 2018 at a glance

Operating Revenue	\$42,337,508
Operating Expenses	(\$43,115,364)
Operating Position	(\$777,856)
Capital Revenue	\$10,212,217
Capital Income	\$2,193,301
Capital Expenses	(\$1,752,533)
Net Result	\$9,875,129
Current Assets	\$29,842,093
Non-Current Assets	\$351,069,654
Total Assets	\$380,911,746
Current Liabilities	\$8,754,586
Non-Current Liabilities	\$2,171,560
Total Liabilities	\$10,926,146
Net Community Assets (Equity)	\$369,985,600

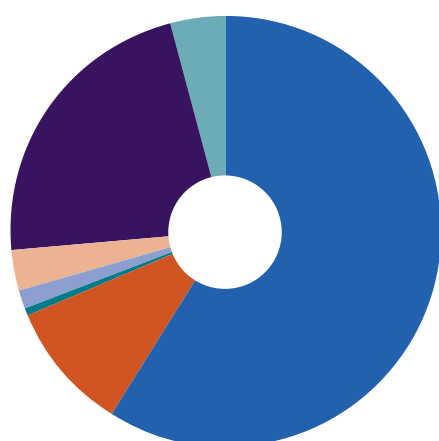


Statement of Comprehensive Income

INCOME

The following graph and table show the composition of Council's income for the reporting period.

Total Income \$54.7m



Rates, levies and charges	\$32.3m
Fees and charges	\$5.3m
Rental income	\$0.3m
Interest received	\$0.88m
Other recurrent revenue	\$1.5m
Grants, subsidies, contributions and donations	\$12.2m
Capital income	\$2.2m

Income by percentage

Rates, levies and charges	59.01%
Fees and charges	9.68%
Rental income	0.51%
Interest received	1.61%
Other recurrent revenue	2.80%
Grants, subsidies, contributions and donations	22.38%
Capital income	4.01%

100.00%

Grants, subsidies, contributions and donations

Includes capital grants, subsidies and contributions of \$10.2 million.

Capital Income

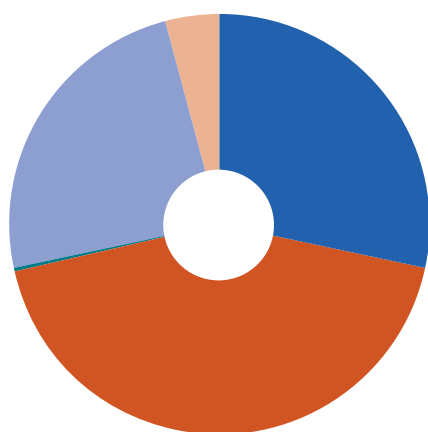
Includes an asset revaluation increase of \$2.2 million which offsets a previous decrease.

Further details can be found in notes 3 to 5 of the notes to the financial statements.

EXPENSES

The following graph and table show the composition of Council's expenses for the reporting period.

Total Expenses \$44.9m



Employee benefits	\$12.8m
Materials and services	\$19.3m
Finance costs	\$0.15m
Depreciation and amortisation	\$10.9m
Capital expenses	\$1.8m

Expenses by percentage

Employee benefits	28.57%
Materials and services	43.01%
Finance costs	0.33%
Depreciation and amortisation	24.18%
Capital expenses	3.91%
Total	100.00%

Capital Expenses

Includes a Landfill revaluation of \$0.14 million and a loss on disposal / write-off of non-current assets of \$1.6 million.

Further details can be found in notes 6 to 9 of the notes to the financial statements.

OPERATING POSITION

Council's operating position reflects its ability to meet day-to-day operating costs from its operating revenue. This includes its ability to fund the depreciation of assets.

It is determined by deducting operating expenses from operating revenue and shows an operating deficit of \$0.78 million, compared to a budgeted operating deficit of \$1.42 million.

This variance of \$0.64 million is mainly due to a number of items of operating revenue and expenditure that were not anticipated when the budget was adopted, including:

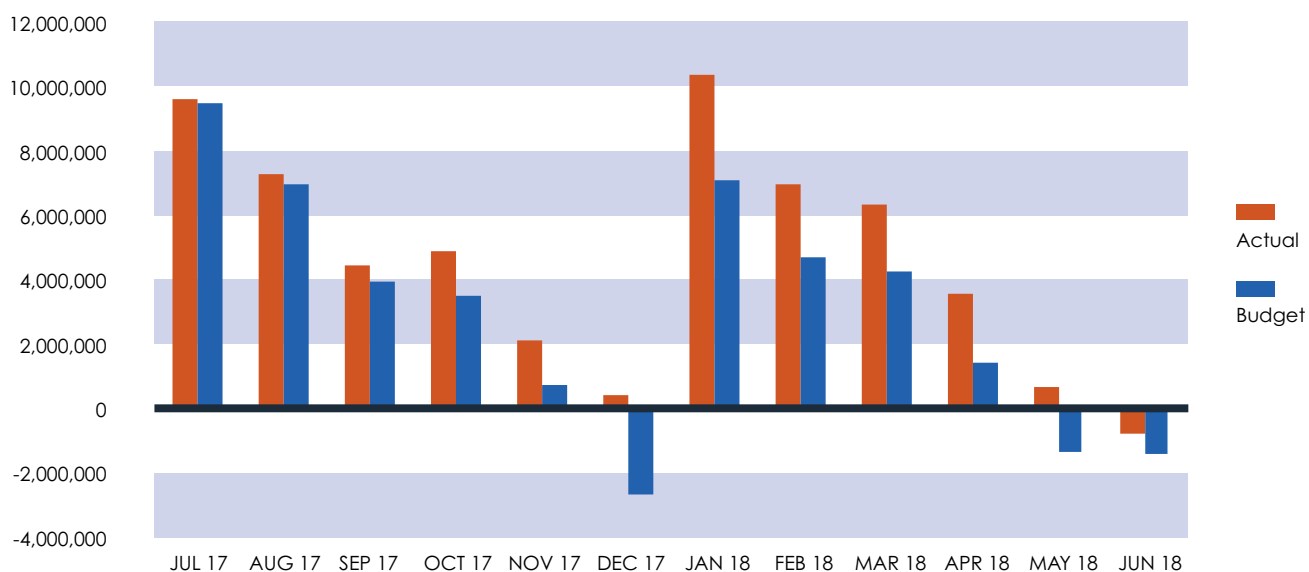
- Council's share of the proceeds from the sale of State Government trust land (\$0.82 million).
- Dry docking of the Daintree Ferry (-\$0.12 million).
- Emergent works expenditure relating to two weather events in March 2018 (-\$0.55 million). It is anticipated that the majority of this expenditure will be recoverable under the Natural Disaster Relief and Recovery Arrangements (NDRRA) funding.
- Additional expenditure (-\$0.04 million) under Council's Road Maintenance Performance Contract (RMPC) with the State Government.
- Amounts transferred from capital expenditure to operating expenditure that did not meet the requirements for being capitalised as assets (-\$0.13 million).
- A reduction in depreciation expenditure (\$0.67 million) due to the delayed completion of some major capital works projects, asset revaluations and a greater focus on renewing existing assets.

The following table provides details of Council's budgeted operating result compared to the actual result for the reporting period.

Douglas Shire Council Budget vs Actuals For the 2017-18 Financial Year	Budget \$	Actuals 2017-18 Audited Financial Statements \$
Operating Revenue		
Net rates and utility charges	32,563,009	32,309,812
Fees and charges	5,176,946	5,299,191
Grants, subsidies, contributions and donations	1,937,852	2,036,921
Interest received	873,790	883,490
Other recurrent income	648,327	1,808,093
Total Operating Revenue	41,199,924	42,337,508
Operating Expenses		
Employee benefits	13,709,083	12,812,702
Materials and services	17,301,003	19,303,433
Depreciation	11,526,237	10,851,299
Finance costs	85,000	147,930
Total Recurrent Expenses	42,621,323	43,115,364
Operating Result	(1,421,399)	(777,856)

The following graph shows Council's budgeted operating result compared to its actual operating result on a month by month basis for the reporting period.

Operating Result 2017-18



NET RESULT

Council's net result is determined by deducting total expenses (operating expenses and capital expenses) from total income (total revenue and capital income).

The overall net result is a positive \$9.9 million.

This result includes some items of revenue which are restricted as follows:

- Developer contributions – cash contributions made by developers to fund future infrastructure assets have restrictions placed on their use and are constrained.
- Other constrained revenue – raised from other sources, for example grant funds provided for a specific purpose.

It also includes non-monetary values such as:

- Gain / Loss on disposal / write-off of non-current assets.
- Adjustments to the value of Council's landfill restoration provision - as a result of a re-estimation of the future cost to restore the landfill sites.
- Non-current asset revaluation decreases and increases offsetting previous decreases – which occur when asset values are adjusted as part of a comprehensive revaluation.

Statement of Financial Position

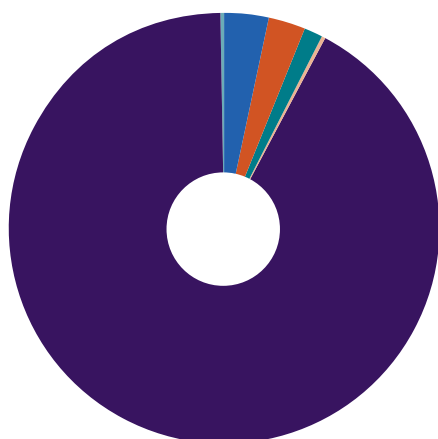
ASSETS

Council assets as at 30 June 2018 total \$380.9 million. This includes \$29.8 million of current assets (cash and other assets that are expected to be converted to cash or consumed within a year) and \$351.1 million of non-current assets. Property, plant and equipment makes up 92% of total assets.

Current assets consist of cash and cash equivalents, investments (short term deposits), trade and other receivables, and assets held for sale. Non-current assets consist of long term assets like property, plant and equipment, including capital works in progress.

The following graph shows the composition of Council's assets.

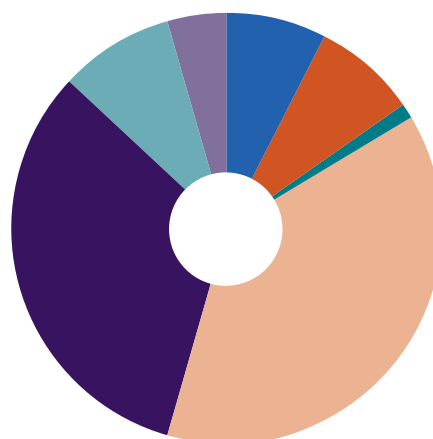
Total Assets \$380.9m



Cash and cash equivalents	\$13.6m
Investments	\$10.0m
Trade and other receivables	\$5.9m
Inventories	\$0.1m
Non-current assets held for sale	\$0.25m
Property, plant and equipment	\$350.9m
Intangible assets	\$0.14m

The following graph shows the composition of Property, plant and equipment.

Property, Plant & Equipment \$350.9m



Land and land improvements	\$26.6m
Buildings and other structures	\$27.7m
Plant and equipment	\$3.7m
Office furniture and fittings	\$0.03m
Transport assets	\$134m
Water, Sewerage and Solid waste disposal	\$113.3m
Drainage	\$30.3m
Work in progress	\$15.4m

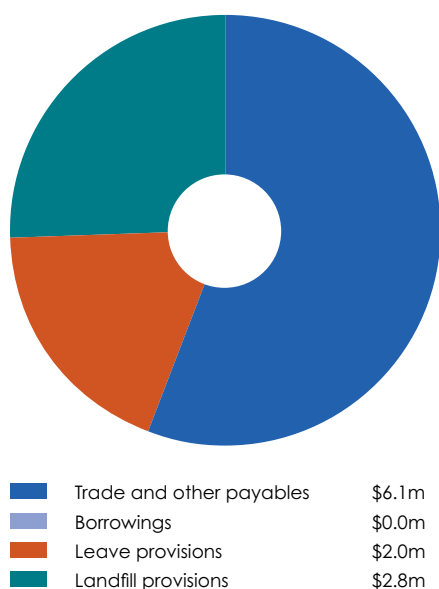
Further details can be found in notes 10 to 14 of the notes to the financial statements.

LIABILITIES

Total liabilities as at 30 June 2018 are \$10.9 million. This includes \$8.7 million of current liabilities (due to be settled within twelve months) and \$2.2 million of non-current liabilities. Liabilities mostly consist of amounts owing to suppliers, amounts owing to employees for leave entitlements and provision for the future cost of restoring landfills.

The following graph shows the composition of Council's liabilities.

Total Liabilities \$10.9m



Further details can be found in notes 15 and 16 of the notes to the financial statements.

COMMUNITY EQUITY

Council's total community equity as at 30 June 2018 is \$370 million and represents Council's asset revaluation surplus of \$32.5 million (increase in values of property, plant and equipment as a result of comprehensive revaluations) and retained surplus of \$337.5 million. This is determined by deducting the value of total liabilities from the value of total assets.

Further details can be found in note 17 of the notes to the financial statements.

BORROWINGS AND REPAYMENTS

During the period Council did not apply for any new loans, therefore the loans balance as at 30 June 2018 is \$0 and Council's debt per rateable property is \$0.

Measures of Financial Sustainability

The following ratios are designed to provide a measure of the performance of Council against key financial sustainability criteria.

Ratio	What the ratio provides	How the ratio is calculated	Actual result	Target result
Operating surplus ratio	An indication of the extent to which revenues raised cover operational expenses only or are available for capital funding purposes or other purposes.	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-2%	between 0% and 10%
Asset sustainability ratio	An approximation of the extent to which the infrastructure assets managed by Council are being replaced as they reach the end of their useful lives.	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	105%	greater than 90%
Net financial liabilities ratio	An indicator of the extent to which the net financial liabilities of Council can be serviced by its operating revenues.	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-45%	not greater than 60%

The Operating surplus ratio has improved compared to the budgeted ratio as a result of the operating deficit being well below the budgeted deficit. The Asset sustainability ratio is in line with the budgeted ratio and reflects Council's increased focus on asset renewals. The Net financial liabilities ratio has also improved and this is due to a greater than anticipated current assets balance. This ratio indicates that Council is in a very healthy position to service its existing liabilities.

Further Information

Further detail can be found in Council's financial statements which are included at the end of this annual report.



Financial Statements



Attachment to the Annual Report 2017-18



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2018**

Douglas Shire Council

Financial statements

For the year ended 30 June 2018

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	32,309,812	30,584,895
Fees and charges	3(b)	5,299,191	5,150,011
Rental income		278,004	295,350
Interest received	3(c)	883,490	1,004,257
Other revenue	3(d)	1,530,090	719,568
Grants, subsidies, contributions and donations	4(a)	2,036,921	2,204,673
		<u>42,337,508</u>	<u>39,958,754</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	10,212,217	8,985,870
Total revenue		<u>52,549,725</u>	<u>48,944,624</u>
Capital income	5	2,193,301	454,441
Total income		<u>54,743,026</u>	<u>49,399,065</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(12,812,702)	(12,842,608)
Materials and services	7	(19,303,433)	(17,217,560)
Finance costs	8	(147,930)	(657,386)
Depreciation and amortisation	13&14	(10,851,299)	(11,063,670)
		<u>(43,115,364)</u>	<u>(41,781,224)</u>
Capital expenses	9	(1,752,533)	(7,394,888)
Total expenses		<u>(44,867,897)</u>	<u>(49,176,112)</u>
Net result		<u>9,875,129</u>	<u>222,953</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	17	333,517	26,117,137
Total other comprehensive income for the year		<u>333,517</u>	<u>26,117,137</u>
Total comprehensive income for the year		<u>10,208,646</u>	<u>26,340,090</u>

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

Douglas Shire Council
Statement of Financial Position
as at 30 June 2018

	Note	2018 \$	2017 \$
Current assets			
Cash and cash equivalents	10	13,589,280	14,510,470
Investments	11	10,000,000	15,000,000
Trade and other receivables	12	5,901,541	5,671,418
Inventories		101,271	97,728
Non-current assets held for sale	22	250,000	-
Total current assets		<u>29,842,093</u>	<u>35,279,616</u>
Non-current assets			
Property, plant and equipment	13	350,928,766	333,229,707
Intangible assets	14	140,888	392,019
Total non-current assets		<u>351,069,654</u>	<u>333,621,726</u>
Total assets		<u>380,911,746</u>	<u>368,901,341</u>
Current liabilities			
Trade and other payables	15	6,103,911	4,821,683
Provisions	16	2,650,676	1,819,952
Total current liabilities		<u>8,754,586</u>	<u>6,641,635</u>
Non-current liabilities			
Provisions	16	2,171,560	2,482,751
Total non-current liabilities		<u>2,171,560</u>	<u>2,482,751</u>
Total liabilities		<u>10,926,146</u>	<u>9,124,387</u>
Net community assets		<u>369,985,600</u>	<u>359,776,955</u>
Community equity			
Asset revaluation surplus	17	32,454,158	32,120,641
Retained surplus/(deficiency)		337,531,442	327,656,314
Total community equity		<u>369,985,600</u>	<u>359,776,955</u>

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

Douglas Shire Council
Statement of Changes in Equity
For the year ended 30 June 2018

		Asset revaluation surplus	Retained Surplus	Total
	Note	\$	\$	\$
Balance as at 1 July 2017		32,120,641	327,656,314	359,776,955
Net result			9,875,129	9,875,129
Other comprehensive income for the year				
Increase in asset revaluation surplus	17	333,517		333,517
Total comprehensive income for the period		333,517	9,875,129	10,208,646
Balance as at 30 June 2018		32,454,158	337,531,442	369,985,600
Balance as at 1 July 2016		6,003,504	327,433,361	333,436,865
Net result			222,953	222,953
Other comprehensive income for the year				
Increase in asset revaluation surplus	17	26,117,137		26,117,137
Total comprehensive income for the period		26,117,137	222,953	26,340,090
Balance as at 30 June 2017		32,120,641	327,656,314	359,776,955

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

Douglas Shire Council
Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Receipts from customers		38,908,970	35,092,885
Payments to suppliers and employees		<u>(30,801,510)</u>	<u>(30,319,844)</u>
		8,107,459	4,773,041
Interest received		883,490	1,004,257
Rental income		278,004	295,350
Non capital grants and contributions		2,036,921	2,204,673
Borrowing costs		<u>(85,859)</u>	<u>(594,407)</u>
Net cash inflow (outflow) from operating activities	21	<u>11,220,015</u>	<u>7,682,914</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(26,111,585)	(10,073,310)
Payments for intangible assets		-	(30,741)
Proceeds from sale of property plant and equipment		251,871	48,120
(Purchase) / redemption of investments		5,000,000	(7,000,000)
Grants, subsidies, contributions and donations		<u>8,718,508</u>	<u>8,985,870</u>
Net cash inflow (outflow) from investing activities		<u>(12,141,206)</u>	<u>(8,070,061)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(1,999,194)
Net cash inflow (outflow) from financing activities		<u>-</u>	<u>(1,999,194)</u>
Net increase (decrease) in cash and cash equivalent held		<u>(921,191)</u>	<u>(2,386,341)</u>
Cash and cash equivalents at the beginning of the financial year		14,510,471	16,896,812
Cash and cash equivalents at end of the financial year	10	<u>13,589,280</u>	<u>14,510,471</u>

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

1 Significant accounting policies**1.1 Basis of preparation**

These general purpose financial statements are for the period 1 July 2017 to 30 June 2018. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

They comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These statements have been prepared under the historical cost convention except where stated.

1.2 Constitution

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

1.3 New and revised Accounting Standards

A number of other Australian Accounting Standards and Interpretations have been issued but are not yet effective and therefore have not been applied in these financial statements. The standards that may have a material impact upon Council's future financial statements are as follows:

AASB 9 Financial Instruments (to be applied from 1 July 2018)

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses. Based on assessments to date, council expects a small movement in impairment losses however the standard is not expected to have a material impact overall.

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendment to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities (to be applied from 1 July 2019)

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

AASB 16 Leases (to be applied from 1 July 2019)

Any leases not included in Council's Statement of Financial Position will need to be included when this standard comes into effect. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. Council is still reviewing this requirement to determine if there will be any material impact arising from this standard.

1.4 Estimates and judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a potential significant effect or risk of causing an adjustment to Council's assets or liabilities relate to:

Valuation and depreciation of property, plant and equipment - Note 13

Provisions - Note 1.11(d), Note 1.12 and Note 16

Contingent liabilities - Note 19

1.5 Revenue Recognition

a) Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of the rating period.

b) Grants and subsidies

Grants, subsidies, donations and contributions that are non-reciprocal in nature are recognised as revenue when Council obtains control over them, which is usually upon receipt of funds. Council only receives grants, subsidies and contributions that are non-reciprocal in nature.

Capital revenue includes grants & subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investments in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

c) Non-cash contributions

Non-cash contributions with a value in excess of the asset capitalisation recognition thresholds, as per Note 13, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of roadworks, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when the development becomes "on maintenance" (i.e. the Council obtains control of the assets and becomes liable for any ongoing maintenance) and there is sufficient data in the form of drawings and plans to determine the approximate specifications and value of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

d) Cash Contributions

Developers pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB Interpretation 18 *Transfer of Assets from Customers* because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

e) Interest

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

f) Fees and Charges

Fees and charges are recognised upon unconditional entitlement to funds. Generally this is upon lodgement of the relevant applications or documents, issuing of the infringement notice or when the service is provided.

g) Share of proceeds from sale of operational trust land

Share of proceeds from sale of operational trust land relates to Council's 50% share of revenue received by the Department of Natural Resources and Mines (DNRM) from the sale of operational trust land (exclusive of any DNRM costs in managing the disposal of the land), as per the DNRM Revenue Share Policy relating to such land.

h) Contract and recoverable works revenue

Revenue from contracts and recoverable works 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 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 at the year end. The contract work carried out is not subject to retentions.

1.6 Cash and cash equivalents

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

1.7 Receivables

Receivables are amounts owed to Council at 30 June. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.

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

All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as income.

As Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

1.8 Investments

Term deposits in excess of three months are reported as investments with deposits of less than three months being reported as cash equivalents.

1.9 Intangible assets

Costs associated with the development of computer software are capitalised and are amortised on a straight line basis over the period of expected benefit to Council.

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 14.

At the reporting date intangible assets consist of software only.

1.10 Payables

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

1.11 Liabilities - employee benefits**a) Annual leave**

A liability for annual leave is recognised and is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability represents an accrued expense and is reported in Note 15 as a payable.

As Council does not have an unconditional right to defer settlement of annual leave beyond twelve months after the reporting date, annual leave is classified as a current liability.

b) Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 15 as a payable.

c) Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 20.

d) 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 Council's employment. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 16 as a provision.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer settlement of long service leave beyond twelve months after the reporting date, long service leave is classified as current. Otherwise it is classified as non-current.

1.12 Restoration provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of the facility. Further details can be found in Note 16.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The current QTC lending rate is considered an appropriate rate.

Restoration on land not controlled by Council

Where the restoration site is on State reserves which Council does not control, the cost of the provision for restoration of these sites has to be treated as an expense in the reporting period the provision is first recognised. Changes in the provision due to time, discount rate or expected future cost are treated as an expense or income in the reporting period in which they arise.

Restoration on land controlled by Council

Where the restoration site is on Council controlled land, the cost of the restoration provision is added to the cost of the land as an improvement and amortised over the expected useful life. Changes in the provision, not arising from the passing of time, are added to or deducted from the asset revaluation surplus for solid waste disposal. If there is no available revaluation surplus, increases in the provision are treated as an expense and recovered out of future decreases, if any. Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

1.13 Asset revaluation surplus

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

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

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

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

1.14 Taxation

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

2. Analysis of Results by Function

2(a) Components of council functions

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

Corporate and Community

The objective of Corporate and Community is to provide efficient, effective and accountable financial and administrative services to Council and the communities it serves. The core functions include Governance, Finance, Libraries, Information Services, Community and Economic Development.

Infrastructure

The objective of Infrastructure is to provide essential transport, drainage and parks infrastructure, maintenance, construction and operational services to Council's communities.

Development and Environment

The objective of Development and Environment is to encourage sustainable development whilst protecting the character and natural environment of the Council area. This function includes Development Assessment, Environmental Assessment, Planning Strategies and Local Laws administration.

Water and Waste

The objective of Water and Waste is to manage the treatment and provision of water, wastewater and solid waste services to consumers throughout the Council area.

2 Analysis of results by function
(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2018

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital										
	Grants	Other	Grants	Other									
	2018	2018	2018	2018	2018	2018							
	\$	\$	\$	\$	\$	\$							
Corporate and Community	1,565,079	16,565,109		61,141		18,191,329	(10,378,922)	75,466	(10,303,456)	7,751,266	7,887,873	58,464,667	
Infrastructure	377,807	4,407,172		4,275,986	2,162,626	11,223,590	(18,620,104)	(1,313,849)	(19,933,952)	(13,835,126)	(8,710,362)	193,809,311	
Development and Environment	94,036	746,578		-		840,613	(2,094,839)	-	(2,094,839)	(1,254,226)	(1,254,226)	-	
Water and Waste	-	18,581,728		5,875,091	30,675	24,487,495	(12,021,498)	(514,150)	(12,535,649)	6,560,230	11,951,846	128,637,768	
Total Council	2,036,921	40,300,587		10,212,218	2,193,301	54,743,027	(43,115,363)	(1,752,533)	(44,867,896)	(777,855)	9,875,131	380,911,746	

Year ended 30 June 2017

Functions	Gross program income						Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent			Capital				Recurrent	Capital				
	Grants	Other		Grants	Other								
	2017	2017		2017	2017		2017	2017	2017	2017	2017	2017	2017
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate and Community	2,066,086	15,191,872		5,000			17,262,958	(10,503,735)	(2,750)	(10,506,485)	6,754,223	6,756,473	64,724,146
Infrastructure	44,610	4,392,790		5,356,703	-		9,794,104	(17,452,857)	(7,065,065)	(24,517,922)	(13,015,457)	(14,723,818)	188,719,711
Development and Environment	93,977	903,002		-			996,979	(2,160,902)		(2,160,902)	(1,163,923)	(1,163,923)	-
Water and Waste		17,266,417		3,624,166	454,441		21,345,025	(11,663,730)	(327,074)	(11,990,803)	5,602,687	9,354,221	115,457,485
Total Council	2,204,673	37,754,081		8,985,870	454,441		49,399,065	(41,781,224)	(7,394,888)	(49,176,112)	(1,822,470)	222,953	368,901,342

	Note	2018 \$	2017 \$
3 Revenue analysis			
(a) Rates, levies and charges			
General rates		14,977,519	14,382,823
Water		7,098,598	6,534,651
Sewerage		6,637,644	6,381,783
Waste		4,013,440	3,691,486
Less: Pensioner remissions & concessions		(417,389)	(405,847)
Net rates and utility charges		<u>32,309,812</u>	<u>30,584,895</u>
(b) Fees and charges			
Building and property fees		345,505	348,105
Ferry		2,969,151	2,976,310
Communication towers		182,803	222,164
Permits, licences & registrations		463,380	456,898
Markets		295,038	239,250
Refuse & transfer stations		263,083	222,269
Water & sewerage applications		309,058	264,312
Other fees and charges		471,174	420,703
		<u>5,299,191</u>	<u>5,150,011</u>
(c) Interest received			
Investments		667,896	773,874
Overdue rates and utility charges		215,594	230,383
		<u>883,490</u>	<u>1,004,257</u>
(d) Other revenue			
Share of proceeds from sale of operational trust land		822,700	-
Contract and recoverable works		453,922	560,574
Commissions		33,008	32,924
Sundry revenue		220,459	126,070
		<u>1,530,090</u>	<u>719,568</u>
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
General purpose grants		1,395,420	1,937,234
State government subsidies and grants		641,501	267,439
		<u>2,036,921</u>	<u>2,204,673</u>
(b) Capital			
Government subsidies and grants		8,681,473	8,506,551
Contributions		37,035	479,318
Assets contributed by developers at fair value		1,493,709	-
		<u>10,212,217</u>	<u>8,985,870</u>
Conditions over contributions			
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:			
Non-reciprocal grants for expenditure on infrastructure		907,844	3,777,297
		<u>907,844</u>	<u>3,777,297</u>
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:			
Non-reciprocal grants for expenditure on infrastructure		3,777,297	-
		<u>3,777,297</u>	<u>-</u>
5 Capital income			
Provision for restoration of land			
Decrease in restoration provision	16	<u>30,675</u>	<u>454,441</u>
		<u>30,675</u>	<u>454,441</u>
Revaluations			
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	2,162,626	-
		<u>2,162,626</u>	<u>-</u>
Total capital income		<u>2,193,301</u>	<u>454,441</u>

	Note	2018 \$	2017 \$
6 Employee benefits			
Total staff wages and salaries		10,000,890	9,939,541
Councillors' remuneration		353,361	341,791
Annual, sick and long service leave entitlements		2,029,782	1,827,804
Superannuation	20	1,303,211	1,279,082
		<u>13,687,244</u>	<u>13,388,218</u>
Other employee related expenses		66,281	67,290
		<u>13,753,525</u>	<u>13,455,508</u>
Less: Capitalised employee expenses		(940,823)	(612,900)
		<u><u>12,812,702</u></u>	<u><u>12,842,608</u></u>

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

Total Council employees at the reporting date:

	No. employees	No. employees
Elected members	5	5
Administration staff	79	73
Depot and outdoors staff	84	88
Total full time equivalent employees	<u>168</u>	<u>166</u>

7 Materials and services

Audit of annual financial statements by the Auditor-General of Queensland	106,500	97,000
Consultancy	1,170,610	1,105,754
Contractors	6,030,028	4,892,013
Communications and IT	689,488	636,025
Donations	664,945	744,357
Electricity	1,216,348	1,274,411
Insurances	722,085	631,520
Legal	152,129	276,543
Repairs and maintenance	6,718,091	5,864,722
Other materials and services	1,833,209	1,695,214
	<u>19,303,433</u>	<u>17,217,560</u>

8 Finance costs

Bank charges	85,859	77,305
Finance costs charged by the Queensland Treasury Corporation	-	517,102
Landfill sites - change in present value over time	62,071	62,979
	<u>147,930</u>	<u>657,386</u>

9 Capital expenses

Property restoration: Landfill sites

Adjustment to refuse restoration provision	16	140,412	-
		<u>140,412</u>	<u>-</u>

The fair value adjustment to the landfill restoration liability was adjusted against expenses as there was an insufficient asset revaluation surplus in the relevant asset class.

Revaluation decrement

Revaluation down of property, plant and equipment	13	-	6,410,986
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Gain / Loss on disposal of non-current assets

Proceeds from the sale of property, plant and equipment	(251,871)	(48,120)
Less: Carrying value of property, plant and equipment disposed of	871,642	716,313
	<u>619,771</u>	<u>668,193</u>

Loss on write-off

Loss on write-off of assets damaged by natural disaster	13	992,350	315,709
Total capital expenses		<u>1,752,533</u>	<u>7,394,888</u>

The loss on write-off of assets classified as transport assets relates to damage caused by monsoonal flooding events. The damage was mainly to roads and restoration work was undertaken with funding assistance from the Natural Disaster Relief and Recovery Arrangements (NDRRA).

	2018	2017
Note	\$	\$
10 Cash and cash equivalents		
Cash at bank and on hand	8,588,280	260,470
Deposits at call	1,000	1,250,000
Term deposits	5,000,000	13,000,000
Balance per Statement of Cash Flows	<u>13,589,280</u>	<u>14,510,470</u>

Council's cash and cash equivalents are subject to a number of internal and external restrictions that limit amounts available for discretionary or future use. These include:

Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:

Unspent government grants and subsidies	907,844	3,777,297
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Internally imposed expenditure restrictions at the reporting date:

Future capital works	4,000,000	4,000,000
Future constrained works	3,369,367	3,582,113
Future recurrent expenditure	41,945	41,945
Total unspent restricted cash	<u>8,319,156</u>	<u>11,401,355</u>

Trust funds held for outside parties

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	503,642	521,958
	<u>503,642</u>	<u>521,958</u>

In accordance with the *Local Government Act 2009* & the *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by Council. Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes they are not considered revenue nor brought to account in these financial statements and are disclosed for information purposes only.

11 Investments

Current fixed short term investments		
Unrestricted	10,000,000	15,000,000
	<u>10,000,000</u>	<u>15,000,000</u>

All cash investments are in Australian dollars. Investments are held with Westpac Banking Corporation in accordance with Council's Investment Policy and are considered to be low risk investments.

12 Trade and other receivables

Current		
Rateable revenue and utility charges	3,372,723	2,568,594
Other debtors	1,633,814	2,409,309
Less impairment	(68,291)	(131,479)
Accrued revenue	459,357	285,450
GST recoverable	351,942	353,598
Prepayments	151,996	185,946
	<u>5,901,541</u>	<u>5,671,418</u>

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors.

13 Property, plant and equipment

30 June 2018

Note

Basis of measurement	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Cost	Fair Value	Cost
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Asset values													
Opening gross value as at 1 July 2017	25,386,431	46,332,399	6,439,174	42,640	179,568,644	201,910,163	34,428,956	4,553,890	27,605,294	498,662,296			
Additions													
Disposals	(100,000)	(315,300)	(313,274)		(265,390)	(839,392)							
Revaluation adjustment to other comprehensive income (asset revaluation surplus)		(131,076)				2,358,054							
Revaluation adjustment to expense (capital expense)													-
Revaluation adjustment to income (capital income)					2,196,057		1,307,415			3,503,472			
Write-off assets damaged by natural disaster					(1,649,911)		(43,750)			(1,693,661)			
Transfers between classes													-
Assets classified as held for sale	(250,000)												(250,000)
Contributed assets													
			33,870		536,850	380,048				609,893		(1,560,661)	-
Internal transfers from work in progress	2,668,963	1,123,902	753,773		5,534,881	4,877,534				254,492		(15,213,545)	-
Closing gross value as at 30 June 2018	27,705,394	47,009,925	6,913,543	42,640	185,921,131	208,686,407	36,557,006	15,384,978	528,221,023				

Accumulated depreciation

Opening balance as at 1 July 2017	940,641	18,171,454	2,691,435	34,467	48,089,848	90,085,482	5,439,262	-	185,432,589
Depreciation provided in period	144,968	1,336,297	750,579	4,679	3,744,121	4,234,964	384,560		10,600,168
Depreciation on disposals		(141,521)	(230,154)		(100,300)	(489,739)			(961,714)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	36	(22,158)				1,603,801			1,581,679
Revaluation adjustment to income (capital income)					907,236		433,610		1,340,846
Revaluation adjustment to expense (capital expense)									-
Write-off assets damaged by natural disaster					(694,853)		(6,458)		(701,311)
Transfers between classes									-
Accumulated depreciation as at 30 June 2018	1,085,645	19,344,072	3,211,860	39,146	51,926,052	95,434,508	6,250,974	-	177,282,257

Total written down value as at 30 June 2018

Total written down value as at 30 June 2018						
	26,619,749	27,665,853	3,701,683	3,493	133,995,078	113,251,899
Residual value	-	-	1,424,524	-	-	-
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150
						40 - 80
						30,306,032
						15,384,978
						350,928,766

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	11,181,501	11,181,501
Other additions	-	-	-	-	-	-	-	16,423,793	16,423,793
Total additions	-	-	-	-	-	-	-	27,605,294	27,605,294

13 Property, plant and equipment

30 June 2017

Note	Land and land improvements	Buildings and other structures		Plant and equipment		Office furniture and fittings		Transport assets		Water, Sewerage and Solid waste disposal		Drainage		Work in Progress		Total
	Fair Value	Fair Value	Cost	Cost	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	25,976,233	23,263,563	5,746,374	42,640	175,554,183	34,302,506	3,719,802	10,073,310	10,073,310	10,073,310	10,073,310	10,073,310	10,073,310	10,073,310	10,073,310	400,629,659
9	(52,613)	(150,991)	(126,712)	-	(232,230)	(502,654)	-	-	-	-	-	-	-	-	-	10,073,310
17	(592,030)	22,008,359	-	-	-	66,964,442	-	-	-	-	-	-	-	-	-	(1,089,441)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	88,380,771
9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,093,830
5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(425,833)
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	54,841	1,159,825	871,155	-	3,585,631	3,424,016	-	-	-	-	-	-	-	-	-	-
	25,386,431	46,332,399	6,439,174	42,640	179,568,644	201,910,163	34,428,956	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	498,662,296

Closing gross value as at 30 June 2017

Accumulated depreciation

Opening balance as at 1 July 2016	356,354	4,011,134	1,935,058	25,949	36,794,731	36,525,050	5,081,036	-	-	-	-	-	-	-	-	84,729,312
Depreciation provided in period	114,984	1,588,632	844,765	8,518	3,951,208	3,896,467	363,208	-	-	-	-	-	-	-	-	10,767,782
Depreciation on disposals	(7,193)	(38,623)	(75,967)	-	(70,783)	(175,580)	(4,982)	-	-	-	-	-	-	-	-	(373,128)
Revaluation adjustment to asset revaluation surplus	476,496	12,597,890	-	-	-	49,839,545	-	-	-	-	-	-	-	-	-	62,913,931
Revaluation adjustment to income (capital income)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	12,421	(12,421)	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2017	940,641	18,171,454	2,691,435	34,467	48,069,848	90,085,482	5,439,262	-	-	-	-	-	-	-	-	165,432,589

Total written down value as at 30 June 2017

Residual value	24,445,790	28,160,945	3,747,739	8,172	131,498,795	111,824,681	28,989,694	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	4,553,890	333,229,707
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80	-	-	-	-	-	-	-	-	-

Additions comprise:

Renewals	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

13 Property, plant and equipment

a) Recognition

The capitalisation thresholds for Council are set at \$1 for land, \$1 for network assets, \$5,000 for plant and equipment and \$10,000 for all other assets. Any expenditure below these thresholds is expensed in the period in which it is incurred.

Network assets are an aggregate of interrelated assets that perform a specific service and which individually are likely to be below the capitalisation threshold levels but collectively are above the capitalisation threshold for their class. Network assets include components of infrastructure assets.

b) Measurement

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. 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.

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

c) Valuation

Land and improvements, buildings and all infrastructure assets are measured at fair value. Other plant and equipment, office furniture and fittings, other assets and work in progress are measured at historic 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 engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

In the intervening years, management performs a desktop valuation on each asset class. A desktop valuation involves management assessing the condition and cost assumptions associated with each asset class and considering the movements in the Road and Bridge Construction Index and the Non-residential Building Construction Queensland Index as published by the Australian Bureau of Statistics. Together these are used to form the basis of the desktop valuation.

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 changes in the estimated remaining useful life.

(i) Recognised fair value measurements

In accordance with AASB 13 fair value measurements are categorised on the following basis:

- Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Fair value based on inputs that are directly or indirectly observable for the asset or liability (level 2)
- Fair value based on unobservable inputs for the asset and liability (level 3)

There were no transfers between levels 2 and 3 during the year (2017: one transfer).

Council's policy is to recognise transfers in and out of the fair value hierarchy levels as at the end of the reporting period.

(ii) Valuation techniques used to derive fair values

Excluding land assets, valuation unit rates (for current replacement costs) include 20% to allow for Council project overheads including survey, environmental and investigation (6%), engineering design (5%), engineering supervision (3%) and project management (6%).

Land and land improvements (level 2 and 3)

Land asset fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach was price per square metre.

Land improvement fair values were also determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Current replacement cost for these assets was calculated based on expected replacement costs. As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of land improvements has been determined as Level 3.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived primarily by reference to actual costs for similar construction in the Far North Queensland region.

No revaluation adjustment was made as at 30 June 2018 as the movement in the relevant indices between 1 July 2017 and 30 June 2018 was considered immaterial.

Buildings and other structures (level 3)*Current replacement cost*

Buildings and other structures fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Current replacement cost for these assets was calculated based on expected replacement costs.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived primarily by reference to actual costs for similar construction in the Far North Queensland region.

No revaluation adjustment was made as at 30 June 2018 as the movement in the relevant index between 1 July 2017 and 30 June 2018 was considered immaterial.

Accumulated depreciation

In determining the level of accumulated depreciation, the assets were disaggregated into significant components which exhibit different useful lives. Remaining useful lives were calculated based on condition assessments. The condition assessments were made using a five point scale with 1 being the lowest and 5 being the highest. A condition assessment of 1 indicates an asset with a very high level of remaining service potential (95%). A condition assessment of 5 represents an asset that is unserviceable with a limited remaining useful life (5%).

Transport assets (level 3)*Current replacement cost**Road assets*

Road asset fair values (excluding traffic control devices, streetscaping and kerb and channel) were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Current replacement cost for these assets was calculated based on expected replacement costs. Council categorises its road assets into geographical regions and then further sub-categorises these into sealed and unsealed roads. All road segments are then componentised into formation, pavement and seal (where applicable).

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of assets or similar assets
- Building Price Index tables
- Recent contract and tender data
- Rates from Rawlinson's Australian Construction Handbook

No revaluation adjustment was made as at 30 June 2018 as the movement in the relevant index between 1 July 2017 and 30 June 2018 was considered immaterial.

Bridge assets

Bridge asset fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2016. Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD). The index increased by 7.45% since 1 July 2016. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2018.

Bloomfield River Bridge

In 2014 the Department of Transport and Main Roads (the Department) completed construction of the Bloomfield River Bridge which is located within Council's local government area. The bridge was commenced prior to Council's de-amalgamation from Cairns Regional Council. The Department was expecting Council to take ownership of the bridge at the end of the twelve month defects liability period. However, in December 2015 Council passed a resolution to not take ownership of and ongoing operational responsibility for the bridge and outlined its reasons to the Department for making this decision. There has subsequently been further correspondence between Council and various agencies of the State Government regarding this matter.

As at the date of signing these financial statements Council is still in dispute with the Department over the ownership of and operational responsibility for the bridge. Therefore, the bridge has not been recognised in these financial statements. The estimated value of the bridge is \$12 million with an expected useful life of 100 years.

Other transport assets

The fair value of traffic control devices, streetscaping and kerb and channel was determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2015. Current replacement cost for these assets was calculated based on expected replacement costs.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD). The index increased by 5.83% since 1 July 2015. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2018.

Accumulated depreciation

In determining the level of accumulated depreciation, road and bridge assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

Water, Sewerage and Solid Waste Disposal (level 3)*Water**Current replacement cost*

Water asset fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Current replacement cost for these assets was calculated based on expected replacement costs.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were based on a combination of actual contract data obtained from various Queensland local governments and water utilities over the past few years as well as actual supply/installation costs from suppliers and contractors.

No revaluation adjustment was made as at 30 June 2018 as the movement in the relevant index between 1 July 2017 and 30 June 2018 was considered immaterial.

Accumulated depreciation

In determining the level of accumulated depreciation, water assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

*Sewerage**Current replacement cost*

Wastewater and repeater stations assets were comprehensively revalued by Cardno (QLD) Pty Ltd as at 30 June 2015. Current replacement cost for these assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of assets or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Rawlinson's rates for building and construction

A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD). The index increased by 5.83% since 1 July 2015. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2018.

Accumulated depreciation

The depreciation method used reflects the predicted pattern of consumption of the asset's future economic benefits. For Council, the "straight line" methodology incorporating condition data (where appropriate) best reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

In determining the level of accumulated depreciation, pump station assets and repeater station assets were disaggregated into significant components which exhibited different useful lives.

Assets were either subject to a site inspection or an assessment to determine remaining useful life.

Other sewerage assets

Sewerage treatment plant assets were comprehensively revalued by Cardno (QLD) Pty Ltd as at 30 June 2014. A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD). The index increased by 5.14% since 1 July 2014. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2018.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

*Solid waste disposal**Current replacement cost*

Solid waste disposal fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30 June 2018. Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of assets or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Supplier's quotations

Accumulated depreciation

In determining the level of accumulated depreciation, solid waste assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Drainage infrastructure (level 3)*Current replacement cost*

Drainage infrastructure fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30 June 2018. Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.

Cardno's unit rates were derived from the following sources:

- Cardno's database
- Scheduled rates for construction of assets or similar assets
- Cost models derived by Cardno
- Building Price Index tables
- Recent contract and tender data
- Supplier's quotations

Accumulated depreciation

In determining the level of accumulated depreciation, drainage infrastructure assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an aged based assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment rating of between 1 and 5, which was used to estimate remaining useful life - 1 being excellent with a remaining useful life of 95% and 5 being unserviceable with a remaining useful life of 5%. The higher the condition rating, the lower the fair value.

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

d) Capital and operating expenditure

Wages and materials expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of a 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.

e) Capital work in progress

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

f) Depreciation

Land is not depreciated as it has an unlimited useful life. Depreciation on other property, plant and equipment assets is calculated on a straight-line basis to write-off the value of each depreciable asset, less its estimated residual value (where applicable), progressively over its estimated useful life to Council. The straight-line basis is considered to appropriately reflect the pattern of consumption of all Council assets.

Assets are depreciated from the date they are placed in service.

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

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

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements to Council or the unexpired period of the lease, whichever is the shorter.

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets 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. The condition assessments performed as part of the comprehensive revaluation process for assets measured at current replacement cost are used to estimate the remaining useful lives of these assets at each reporting date. Generally all above ground assets are individually inspected during a revaluation and a statistically significant sample of below ground assets are inspected in accordance with industry standards. Details of the range of estimated characteristic useful lives for each class of asset are shown in the table in Note 13.

g) Impairment of non-current assets

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, 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.

	2018 \$	2017 \$
14 Intangible assets		
Software		
Opening gross carrying value	1,403,201	1,378,102
Additions	-	30,741
Disposals	-	(5,642)
Closing gross carrying value	1,403,201	1,403,201
Accumulated amortisation		
Opening balance	1,011,182	720,936
Amortisation in the period	251,131	295,888
Disposals	-	(5,642)
Closing balance	1,262,313	1,011,182
Net carrying value at end of financial year	140,888	392,019
Software has a finite life estimated at 5 years. Straight line amortisation has been used with no residual value.		
15 Trade and other payables		
Current		
Creditors and accruals	4,081,231	2,836,111
Annual leave	1,725,624	1,707,785
Sick leave	297,056	277,787
	6,103,911	4,821,683

	2018 \$	2017 \$
16 Provisions		
Current		
Landfill restoration	826,000	30,001
Long service leave	1,824,676	1,789,951
	<u>2,650,676</u>	<u>1,819,952</u>
Non-current		
Landfill restoration	1,938,488	2,250,897
Long service leave	233,072	231,854
	<u>2,171,560</u>	<u>2,482,751</u>

Details of movements in provisions:

	2018 \$	2017 \$
Property restoration: Landfill sites		
Balance at beginning of financial year	2,280,897	3,728,125
Increase in provision due to unwinding of discount	62,071	62,979
Increase / (decrease) in provision for future cost	421,520	(1,510,207)
Balance at end of financial year	<u>2,764,488</u>	<u>2,280,897</u>

Council has two landfill sites located at Newell Beach and Killaloe. The provision is stated at the present value of the estimated cost of restoring the landfill sites to a standard required under licensing conditions. The provision increased during the year as a result of the useful life of Killaloe being reduced and costs being re-estimated for both sites.

	2018 \$	2017 \$
Long service leave		
Balance at beginning of financial year	2,021,805	1,955,408
Long service leave entitlement arising	320,523	225,440
Long Service entitlement paid	(284,580)	(159,043)
Balance at end of financial year	<u>2,057,748</u>	<u>2,021,805</u>

17 Asset revaluation surplus**Movements in the asset revaluation surplus were as follows:**

Balance at beginning of financial year	32,120,641	6,003,504
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	(36)	(1,068,526)
Buildings and other structures	(108,918)	9,410,469
Water, Sewerage and Solid waste disposal	754,253	17,124,897
Change in value of restoration costs		
Landfill	(311,782)	650,297
Balance at end of financial year	<u>32,454,158</u>	<u>32,120,641</u>

Asset revaluation surplus analysis

The closing balance of the asset revaluation surplus comprises the following asset categories:

Land and land improvements	466,753	466,789
Buildings and other structures	10,616,229	10,725,147
Water, Sewerage and Solid waste disposal	21,371,176	20,928,705
	<u>32,454,158</u>	<u>32,120,641</u>

18 Commitments for expenditure**Operating expenditure**

Not later than 1 year	6,034,781	5,859,562
Later than 1 year but not later than 5 years	9,811,815	14,750,293
Later than 5 years	2,324,347	3,040,000
	<u>18,170,943</u>	<u>23,649,855</u>

Capital expenditure

Not later than 1 year	4,332,229	12,758,688
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>4,332,229</u>	<u>12,758,688</u>

19 Contingent liabilities

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

Local Government Mutual

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 being 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 to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme 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. Council's maximum exposure to the bank guarantee is \$313,187.

20 Superannuation

Council contributes to the LGIASuper Regional Defined Benefits Fund (the scheme), at the rate of 12% for each permanent employee who is a defined benefit member. This rate is set in accordance with the LGIASuper trust deed and may be varied on the advice of an actuary. The Regional Defined Benefits Fund is a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation and is also governed by the *Local Government Act 2009*.

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

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Council can be liable to the scheme for a portion of another local government's obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and, in accordance with the LGIASuper trust deed, changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Another actuarial investigation is being conducted as at 1 July 2018. At the time of signing these financial statements this investigation is still in progress.

The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:

Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.

Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 63 entities contributing to the scheme and any changes in contribution rates would apply equally to all 63 entities. Council made less than 4% of the total contributions to the plan in the 2017-18 financial year.

	Note	2018 \$	2017 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,303,211	1,279,082

	2018 \$	2017 \$
21 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities		
Net result	9,875,129	222,953
Non-cash items:		
Depreciation and amortisation	10,851,299	11,063,670
Revaluation adjustments	(2,162,626)	6,410,986
Loss on asset write-off	992,350	315,709
Change in future rehabilitation and restoration costs	171,808	(391,462)
	9,852,831	17,398,903
Investing and development activities:		
Net profit or loss on disposal of non-current assets	619,771	668,193
Capital grants and contributions	(10,212,217)	(8,985,870)
	(9,592,446)	(8,317,676)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(230,123)	(1,361,589)
(Increase)/decrease in inventory	(3,543)	(11,323)
Increase/(decrease) in payables	1,282,224	90,718
Increase/(decrease) in liabilities	-	-
Increase/(decrease) in other provisions	35,943	(339,072)
	1,084,501	(1,621,265)
Net cash inflow from operating activities	11,220,015	7,682,914

22 Events after the reporting period

On 2 July 2018 the sale of a vacant land parcel classified as a non-current asset held for sale as at 30 June 2018, with a carrying value of \$250,000, was finalised with a contract price of \$450,000.

There were no material adjusting events after the balance date.

23 Financial instruments and financial risk management

Financial assets and financial liabilities

Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

Council's management approves policies for overall risk management, as well as specifically for managing credit, liquidity and market risk.

Council's risk management policies are established to identify and analyse the risks faced, to set appropriate limits and controls and to monitor these risks and adherence against limits. Council aims to manage volatility to minimise potential adverse effects on its financial performance.

Council does not enter into derivatives.

Credit risk

Credit risk is the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. These obligations arise principally from Council's investments and receivables from customers.

Exposure to credit risk is managed through regular analysis of credit counterparty ability to meet payment obligations. The carrying amount of financial assets represents the maximum credit exposure.

Investments in financial instruments are required to be made with Queensland Treasury Corporation (QTC) or similar state/ commonwealth bodies or financial institutions in Australia, in line with the requirements of the *Statutory Bodies Financial Arrangements Act 1982*.

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

The following table represents the maximum exposure to credit risk based on the carrying amounts of financial assets at the end of the reporting period:

	Note	2018 \$	2017 \$
Financial assets			
Cash and cash equivalents	10	13,589,280	14,510,470
Receivables - rates	12	3,372,723	2,568,594
Receivables - other	12	2,528,819	3,102,824
Investments	11	10,000,000	15,000,000
Total financial assets		<u>29,490,821</u>	<u>35,181,888</u>

Cash and cash equivalents

Council may be exposed to credit risk through its investments held with financial institutions. All cash and cash equivalents are held in financial institutions which are rated AAA to AA- based on rating agency ratings and, whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Other financial assets

Other investments are term deposits held in accordance with the diversification and credit risk guidelines contained within Council's Investment Policy and the likelihood of a credit failure is assessed as remote.

Trade and other receivables

In the case of rate receivables, Council has the power to sell the property to recover any defaulted amounts. In effect this power protects Council against credit risk in the case of defaults.

Ageing of past due receivables and the amount of any impairment is disclosed in the following table:

	2018	2017
	\$	\$
Not past due	4,844,741	4,613,016
Past due 31-60 days	12,772	6,820
Past due 61-90 days	78,829	2,359
More than 90 days	1,033,491	1,180,703
Impaired	(68,291)	(131,479)
Total	5,901,541	5,671,418

Liquidity risk

Liquidity risk is the risk that Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council is exposed to liquidity risk through its normal course of business.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

Council is exposed to liquidity risk in relation to its financial liabilities, being trade and other payables, which are expected to be settled within 12 months.

Market risk

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

Interest rate risk

Council is exposed to interest rate risk through investments with financial institutions. Council has access to a mix of variable and fixed rate funding options through QTC so that interest rate risk exposure can be minimised.

Sensitivity

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 1 percent from the year-end rates applicable to Council's financial assets and financial liabilities. With all other variables held constant, Council would have a surplus and equity increase/(decrease) of \$235,893 (2017: \$292,500).

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some executive management. The compensation paid to KMP comprises:

	2018	2017
	\$	\$
Short-term employee benefits	876,204	798,463
Post-employment benefits	94,172	85,787
Long-term benefits	20,622	12,080
Termination benefits	-	-
Total	990,998	896,330

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

Other related parties include 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 Transaction	Additional information	2018	2017
		\$	\$
Purchase of materials and services from entities controlled by key management personnel.	24(b)(i)	417,881	242,714

(i) Council purchased materials and services from Zammataro Plumbing Pty Ltd, an entity that is owned by a family member of Councillor Roy Zammataro. All purchases were at arm's length and were in the normal course of Council operations.

(ii) Council does not have any employees who are close family members of KMP.

(c) Outstanding balances

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

Receivables	Amounts owed by entities controlled by KMP	Amounts owed by entities controlled by KMP
	2018	2017
Current	\$ 9,531	\$ 7,432
Past due 31-60 days	\$ -	\$ 3,052
Past due 61 - 90 days	\$ -	\$ 2,146
More than 90 days overdue	\$ -	\$ 4,168
Total owing	\$ 9,531	\$ 16,798

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(d) Loans and guarantees to/from related parties

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

(e) 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 Douglas Shire. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

- Payment of rates
- Use of the swimming pool
- Dog registration
- Borrowing books from a Council library

Council has not included these types of transactions 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 2018**

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

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

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



Mayor
Julia Leu

Date: 11 / 10 / 2018



Chief Executive Officer
Mark Stoermer

Date: 11 / 10 / 2018



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Douglas Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Douglas Shire Council (the Council).

In my opinion, the financial report:

- a) gives a true and fair view of the Council's financial position as at 30 June 2018, 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 2018, 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 management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in the Douglas Shire Council annual report for the year ended 30 June 2018, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement and the annual report.

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



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

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

Responsibilities of the Council for the financial report

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

The Council is also responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the Council or to otherwise cease operations 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the Council. I remain solely responsible for my audit opinion.

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 2018:

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

A handwritten signature in black ink, appearing to read 'Sri Narasimhan'.

15 October 2018

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Measures of Financial Sustainability

Council's performance at 30 June 2018 against key financial ratios and targets:

	How the measure is calculated	Actual - Council	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	105%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-45%	not greater than 60%

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 2018.

Certificate of Accuracy


For the year ended 30 June 2018

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

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



Mayor
Julia Leu



Chief Executive Officer
Mark Stoermer

Date: 11 / 10 / 2018

Date: 11 / 10 / 2018



INDEPENDENT AUDITOR'S REPORT

To the Councillors of Douglas Shire Council

Report on the Current Year Financial Sustainability Statement

Opinion

I have audited the accompanying current year statement of financial sustainability of Douglas Shire Council for the year ended 30 June 2018 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Douglas Shire Council for the year ended 30 June 2018 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises the information included in Douglas Shire Council's annual report for the year ended 30 June 2018, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements, the long-term financial sustainability statement and the annual report.

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



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

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

Responsibilities of the council for the current year financial sustainability statement

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

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

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

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

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

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



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

A handwritten signature in black ink, appearing to read 'Sri Narasimhan'.

15 October 2018

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Measures of Financial Sustainability		Council										
Measure	Target	Actuals at 30 June 2018	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Operating surplus ratio	between 0% and 10%	-2%	0%	-2%	0%	0%	1%	1%	2%	2%	2%	3%
Asset sustainability ratio	greater than 90%	105%	90%	99%	90%	90%	90%	91%	91%	91%	91%	91%
Net financial liabilities ratio	not greater than 60%	-45%	-29%	-32%	-29%	-27%	-27%	-27%	-27%	-27%	-29%	-29%

Douglas Shire Council's 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 sound financial position whilst also being able to meet the community's current and future needs.

Certificate of Accuracy For the long-term financial sustainability statement prepared as at 30 June 2018

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.


Mayor
Julia Leu


Chief Executive Officer
Mark Stoermer

Date: 11 / 10 / 2018

Date: 11 / 10 / 2018



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