

3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2021 and that the Mayor and Acting Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.

EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2021 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$2.23m compared to a (revised) budgeted operating deficit of \$3.66m.
- the cash position at the end of the year is \$24.1m (\$3.2m of this cash is restricted).
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND

Council's Financial Statements have been prepared in accordance with the requirements of sections 176 to 178 of the *Local Government Regulation 2012* (the Regulation) and have been audited by the Queensland Audit Office (QAO) in accordance with the requirements of section 212 of the Regulation. QAO have indicated that based on the information that has been assessed as part of the audit, it is expected that they will issue Council with an unmodified audit opinion. They will also be providing a management letter in due course.

Douglas Shire Council's Audit Committee has reviewed the financial statements. QAO have advised that there is nothing that has come to their attention that would require further changes to the financial statements and therefore have provided audit clearance.

COMMENT

The following comments are provided in relation to some of the key components of the financial statements:

Statement of Comprehensive Income

Includes Council's operating revenue and operating expenses, capital income and capital expenses, net result and total comprehensive income for the financial year.

Operating Result

Council's operating result is determined by deducting recurrent expenditure from recurrent revenue resulting in an operating deficit of \$2.23m compared to a (revised) budgeted operating deficit of \$3.66m. This represents an improved result of \$1.43m to revised budget.

The improved operating result compared to revised budget was due to increased revenue from fees and charges (search fees, property fees & tipping fees), grant revenue (financial assistance grant, disaster grant revenue and other income (TMR contract works, recycling income)); and saving in expenditure (electricity, landfill & depreciation).

The following graph, which is presented to Council as part of the monthly financial report, has been updated accordingly.

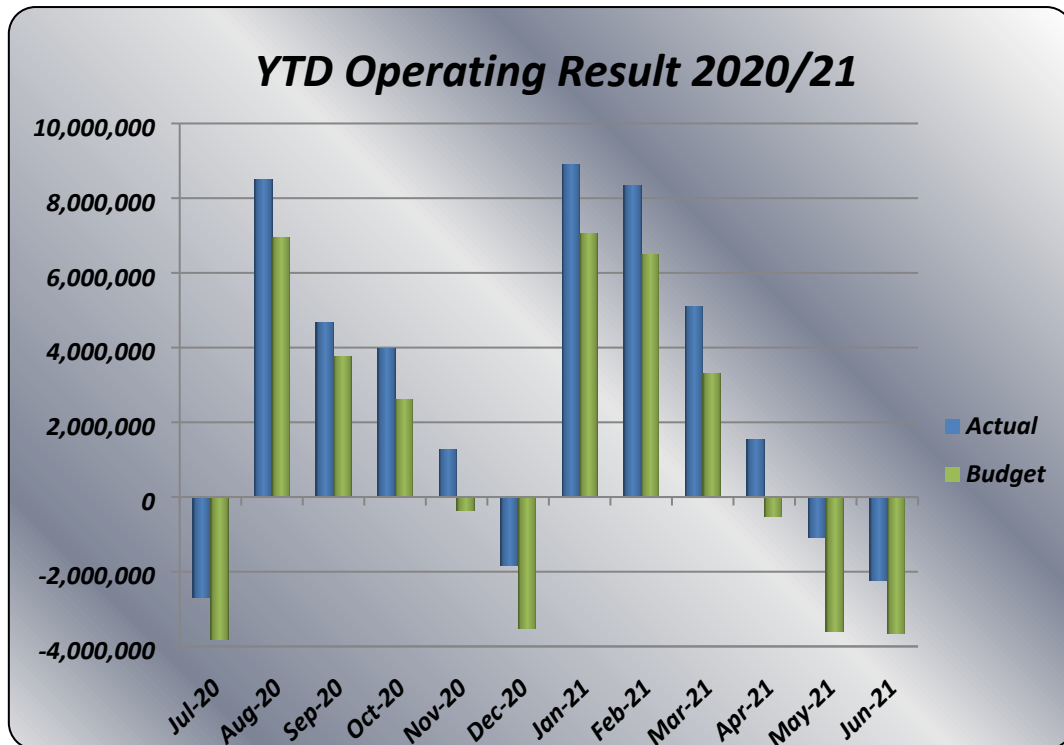


Figure 1. Operating Result 2020-2021

Capital Revenue & Income

Includes capital grants, subsidies, contributions and donations and landfill provision adjustments.

Capital Expenses

Includes revaluation of property, plant and equipment, disposal of property, plant and equipment, donated assets and landfill provision adjustments.

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 financial year and excludes all non-cash items such as depreciation. Council's cash position at the end of the reporting period was \$24.1m (as per the Statement of Financial Position) and consisted of cash and cash equivalents.

Notes to the Financial Statements

Provide details of significant accounting policies and supporting information relating to the financial statements, including a detailed breakdown of property, plant and equipment.

Financial Sustainability Ratios

Council's financial sustainability ratios for the financial year are as follows:

Table 1. DSC Measures of Financial Sustainability

Douglas Shire Council – Measures of Financial Sustainability					
For the period ending 30 June 2021					
		Revised Budget	Actual	Target	Improvement over Budget
Council's Performance at 30 June 2021 against key financial ratios and Targets					
Ratio	How the measure is calculated				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-8%	-5%	Between 0% and 10%	Yes
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	136%	93%	Greater than 90%	No
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-28%	-32%	Not greater than 60%	Yes
Basis of Preparation					
The financial sustainability ratios are prepared in accordance with the requirements of the <i>Local Government Regulation 2012</i> and the Financial Management (Sustainability) Guideline 2013 issued by the Department of Local Government, Community Recovery and Resilience.					

The Operating surplus ratio has improved compared to budget due to an improvement in the operating result as discussed above. Council continues to focus on asset renewals. Although not an improvement over budget, the Asset sustainability ratio is ahead of the required target percentage. The Net financial liabilities ratio is also well ahead of the required target percentage and indicates a healthy balance sheet.

Community Financial Report

Information relating to the financial statements will also be provided in the Community Financial Report to be included within Council's Annual Report.

PROPOSAL

That Council adopts the financial statements and authorises the Mayor and Acting Chief Executive Officer to execute the Management Certificate and Financial Sustainability Statements.

FINANCIAL/RESOURCE IMPLICATIONS

This report summarises the key financial/resource implications relating to the reporting period covered by the Financial Statements.

RISK MANAGEMENT IMPLICATIONS

Ongoing operating deficits have the potential to negatively impact upon Council's future financial sustainability. The Covid-19 pandemic has had a detrimental impact on Council's financial position. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2028-29.

SUSTAINABILITY IMPLICATIONS

Economic: The Covid-19 pandemic will have a negative impact on the economic sustainability of Douglas Shire Council and may continue to impact sustainability ratios. This will be closely managed by Council and mitigated where possible.

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

Strong governance and financial management are the foundations of the way in which Council will conduct its business and implement the initiatives of the Corporate Plan.

Goal 1 - *We will conduct Council business in an open and transparent manner with strong oversight and open reporting.*

Goal 3 - *We will make sound financial decisions by ensuring robust strategic planning, financial management and reporting.*

COUNCIL'S ROLE

Council can play a number of different roles in certain circumstances and it is important to be clear about which role is appropriate for a specific purpose or circumstance. The implementation of actions will be a collective effort and Council's involvement will vary from information only through to full responsibility for delivery.

The following areas outline where Council has a clear responsibility to act:

Custodian Council owns and manages infrastructure, facilities, reserves, resources and natural areas. In fulfilling its role as custodian, Council will be mindful of the community, the economy, the environment, and good governance.

CONSULTATION

Internal: CEO, Management Team, Audit Committee

External: Queensland Audit Office (External Auditors)
Pacifica Chartered Accountants (Internal Auditors)

COMMUNITY ENGAGEMENT

The acceptance of the financial statements will fall within the “inform” category of Council’s Community Engagement Framework.

ATTACHMENTS

1. Financial Statements final draft for QAO [3.1.1 - 32 pages]



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2021**

Douglas Shire Council

Financial statements

For the year ended 30 June 2021

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	35,619,734	34,833,175
Fees and charges	3(b)	5,504,569	4,816,194
Rental income		241,960	196,326
Interest received	3(c)	361,697	660,849
Other revenue	3(d)	1,110,018	959,294
Grants, subsidies, contributions and donations	4(a)	2,730,667	3,190,145
Total recurrent revenue		<u>45,568,645</u>	<u>44,655,983</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	10,205,942	12,637,794
Other capital income	5	195,960	6,661,567
Total capital revenue		<u>10,401,902</u>	<u>19,299,361</u>
Total income		<u>55,970,547</u>	<u>63,955,344</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(16,478,995)	(15,032,735)
Materials and services	7	(18,433,039)	(17,753,700)
Finance costs	8	(105,098)	(292,954)
Depreciation and amortisation	12&13	(12,782,968)	(12,404,947)
		<u>(47,800,100)</u>	<u>(45,484,336)</u>
Capital expenses	9	(1,044,514)	(902,713)
Total expenses		<u>(48,844,613)</u>	<u>(46,387,049)</u>
Net result		<u>7,125,934</u>	<u>17,568,295</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	17	16,885,402	-
Total other comprehensive income for the year		<u>16,885,402</u>	<u>-</u>
Total comprehensive income for the year		<u>24,011,336</u>	<u>17,568,295</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 2021

	Note	2021 \$	2020 \$
Current assets			
Cash and cash equivalents	10	24,097,607	28,255,109
Trade and other receivables	11	5,097,172	4,625,347
Contract assets	14	1,503,088	333,137
Inventories		105,831	123,392
Non-current assets held for sale		-	29,008
Total current assets		<u>30,803,697</u>	<u>33,365,992</u>
Non-current assets			
Property, plant and equipment	12	423,840,735	397,068,255
Intangible assets	13	134,967	191,756
Total non-current assets		<u>423,975,702</u>	<u>397,260,011</u>
Total assets		<u>454,779,399</u>	<u>430,626,003</u>
Current liabilities			
Trade and other payables	15	7,102,431	7,982,319
Provisions	16	2,244,567	2,229,872
Contract liabilities	14	1,738,869	687,548
Total current liabilities		<u>11,085,867</u>	<u>10,899,739</u>
Non-current liabilities			
Provisions	16	5,181,411	5,225,480
Total non-current liabilities		<u>5,181,411</u>	<u>5,225,480</u>
Total liabilities		<u>16,267,278</u>	<u>16,125,218</u>
Net community assets		<u>438,512,121</u>	<u>414,500,784</u>
Community equity			
Asset revaluation surplus	17	56,963,407	40,078,005
Retained surplus		381,548,713	374,422,779
Total community equity		<u>438,512,121</u>	<u>414,500,784</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 2021**

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2020	40,078,005	374,422,779	414,500,784
Net result	-	7,125,934	7,125,934
Other comprehensive income for the year			
Increase in asset revaluation surplus	16,885,402	-	16,885,402
Total comprehensive income for the year	<u>16,885,402</u>	<u>7,125,934</u>	<u>24,011,336</u>
Balance as at 30 June 2021	<u>56,963,407</u>	<u>381,548,713</u>	<u>438,512,121</u>
Balance as at 1 July 2019	40,078,005	358,678,341	398,756,346
Adjustment on initial application of new accounting standards	-	(1,823,857)	(1,823,857)
Restated balance at 1 July 2019	<u>40,078,005</u>	<u>356,854,484</u>	<u>396,932,489</u>
Net result	-	17,568,295	17,568,295
Other comprehensive income for the year			
Increase in asset revaluation surplus	-	-	-
Total comprehensive income for the year	<u>-</u>	<u>17,568,295</u>	<u>17,568,295</u>
Balance as at 30 June 2020	<u>40,078,005</u>	<u>374,422,779</u>	<u>414,500,784</u>

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 2021

	Note	2021 \$	2020 \$
Cash flows from operating activities			
Receipts from customers		41,762,496	40,030,561
Payments to suppliers and employees		<u>(35,927,335)</u>	<u>(30,537,334)</u>
		5,835,161	9,493,227
Interest received		361,697	660,849
Rental income		241,960	196,326
Non capital grants and contributions		2,496,971	3,398,890
Borrowing costs		<u>(72,286)</u>	<u>(75,044)</u>
Net cash inflow from operating activities	21	<u>8,863,503</u>	<u>13,674,247</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(22,179,581)	(24,971,601)
Payments for intangible assets		(1,391)	(159,478)
Payments for assets donated		(274,499)	-
Proceeds from sale of property plant and equipment		804,078	183,544
Redemption of investments		-	4,000,000
Grants, subsidies, contributions and donations		8,630,389	10,342,660
Capital insurance proceeds		<u>-</u>	<u>70,873</u>
Net cash used in investing activities		<u>(13,021,005)</u>	<u>(10,534,002)</u>
Net (decrease)/increase in cash and cash equivalent held		<u>(4,157,502)</u>	<u>3,140,246</u>
Cash and cash equivalents at the beginning of the financial year		28,255,109	25,114,863
Cash and cash equivalents at the end of the financial year	10	<u>24,097,607</u>	<u>28,255,109</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

1 Information about these financial statements

1.1 Basis of preparation

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

These general purpose financial statements are for the year from 1 July 2020 to 30 June 2021. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment.

1.2 New and revised Accounting Standards

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2020, none of the standards had a material impact on reported position, performance and cash flows.

1.3 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2021. These standards have not been adopted by Council and will be included in the financial statements on their effective date. These standards are not expected to have a material impact on Council's financial statements.

1.4 Estimates and judgements

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

Valuation and depreciation of property, plant and equipment - Note 12
Provisions - Note 16
Contingent liabilities - Note 19

1.5 Taxation

Council is exempt from income tax, however Council is subject to 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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

1.6 Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic. The COVID-19 pandemic has had a detrimental impact on Council's operating result contributing to a deficit, as predicted by the Douglas Shire Council budgets. The COVID-19 pandemic may continue to impact the sustainability ratios of Douglas Shire Council. This will be closely managed by Council and mitigated where possible. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2028-29.

Council acknowledges that the COVID-19 restrictions have impacted some industries within the region and has initiated the following financial incentives during the year ended 30 June 2021 (estimated financial effect is \$471,263):

- Limiting general rate increases to CPI - 2.2% (Mar 2019-Mar 2020 ABS statistics)
- Limiting fees and charges to CPI - 2.2% (Mar 2019-Mar 2020 ABS statistics)
- COVID-19 discount 1.2% general rates paid by due date
- Amendments to Procurement Policy to support local spend
- Extend Daintree Ferry Multi-Day passes to be valid until 31 Dec 2020 (previously expired 30 June 2020)
- Daintree Ferry Tour Bus fee waiver (Aug 2020 – Sep 2020) and 50% rebate (Oct-Dec 2020)
- Waive/Refund Special Refuse fee for commercial properties north of Daintree River (retrospectively) for the Ferry restricted period 26 March – 15 May 2020
- Defer Payment of Food and Accommodation Licences from Sep 2020 to June 2021.
- Refund venue hire fees cancelled due to Covid restrictions.

In the subsequent financial year (30 June 2022), Council has initiated further COVID-19 relief measures (estimated financial effect is \$52,790):

- Freezing Business Licence and Approval fees
- Freezing Planning and Plumbing Application fees
- Extending July 2021 rates levy interest grace period by 30 days

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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 2021

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							
	2021	2021	2021	2021		2021	2021				
\$	\$	\$	\$	\$	\$						
Corporate and Community	1,878,411	16,355,880	460,804	-	18,695,095	(11,348,920)	(85,628)	(11,434,548)	6,885,371	7,260,547	60,134,767
Infrastructure	366,430	4,729,360	8,890,689	-	13,986,480	(21,233,454)	(511,256)	(21,744,710)	(16,137,663)	(7,758,230)	245,788,462
Development and Environment	371,739	812,349	-	-	1,184,088	(2,497,615)	-	(2,497,615)	(1,313,527)	(1,313,527)	-
Water and Waste	114,086	20,940,390	854,448	195,960	22,104,884	(12,720,111)	(447,629)	(13,167,739)	8,334,365	8,937,145	148,856,170
Total Council	2,730,667	42,837,978	10,205,942	195,960	55,970,547	(47,800,100)	(1,044,514)	(48,844,613)	(2,231,455)	7,125,934	454,779,399

Year ended 30 June 2020

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							
	2020	2020	2020	2020		2020	2020				
\$	\$	\$	\$	\$	\$						
Corporate and Community	1,691,357	16,393,563	213,274	-	18,298,194	(10,565,053)	(42,359)	(10,607,412)	7,519,867	7,690,782	63,424,471
Infrastructure	1,406,916	4,247,515	9,924,961	6,650,552	22,229,943	(19,968,208)	(304,025)	(20,272,233)	(14,313,777)	1,957,710	228,832,731
Development and Environment	18,803	717,587	-	-	736,390	(2,063,841)	-	(2,063,841)	(1,327,452)	(1,327,452)	-
Water and Waste	73,069	20,107,173	2,499,559	11,016	22,690,817	(12,887,233)	(556,329)	(13,443,562)	7,293,009	9,247,255	138,368,801
Total Council	3,190,145	41,465,838	12,637,794	6,661,568	63,955,344	(45,484,336)	(902,713)	(46,387,049)	(828,353)	17,568,295	430,626,003

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

	2021	2020
	\$	\$
3 Revenue analysis		
Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.		
(a) Rates, levies and charges		
General rates	16,347,631	15,947,657
Water	7,890,084	7,745,653
Sewerage	7,312,432	7,129,432
Waste	4,743,511	4,486,574
Less: Pensioner remissions, concessions and financial assistance	(673,924)	(476,141)
Net rates, levies and utility charges	<u>35,619,734</u>	<u>34,833,175</u>
(b) Fees and charges		
Revenue arising from fees and charges are recognised at the point in time when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.		
The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.		
Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.		
Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.		
Building and property fees	447,616	306,985
Caravan Parks and Camping Grounds	571,860	347,473
Ferry	2,588,526	2,448,396
Communication towers	197,125	190,163
Permits, licences & registrations	494,339	462,684
Markets	227,377	245,605
Refuse & transfer stations	407,440	311,522
Water & sewerage applications	317,324	227,330
Other fees and charges	252,962	276,036
	<u>5,504,569</u>	<u>4,816,194</u>
(c) Interest received		
Interest received from bank and term deposits is accrued over the term of the investment.		
Investments	210,588	552,679
Overdue rates and utility charges	151,108	108,170
	<u>361,697</u>	<u>660,849</u>
(d) Other 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.		
Contract and recoverable works	741,860	713,027
Commissions	33,306	33,221
Sundry revenue	334,852	213,045
	<u>1,110,018</u>	<u>959,294</u>

4 Grants, subsidies, contributions and donations

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied in each agreement but include events and employment terms. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

Grant income under AASB 1058

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Donations and contributions

Where assets are donated or purchased for significantly below fair value, the revenue is recognised when the asset is acquired and controlled by Council.

Donations and contributions are generally recognised on receipt of the asset since there are no enforceable performance obligations.

Non-cash contributions with a value in excess of the asset capitalisation recognition thresholds, as per Note 12, 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 Council obtains control of the asset 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.

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.

	2021 \$	2020 \$
(a) Recurrent		
General purpose grants	1,706,874	1,514,144
State government subsidies and grants	1,023,793	1,676,001
	<u>2,730,667</u>	<u>3,190,145</u>
(b) Capital		
Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.		
Government/statutory authority subsidies and grants	8,203,467	9,977,232
Contributions	311,856	1,194,763
Assets contributed by developers at fair value	1,690,619	1,465,799
	<u>10,205,942</u>	<u>12,637,794</u>

(b)(i) Timing of revenue recognition for grants, subsidies, contributions and donations

	2021		2020	
	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
Grants and subsidies	1,846,320	9,087,814	1,514,144	11,653,232
Contributions	311,856	-	1,194,763	-
Assets contributed by developers at fair value	1,690,619	-	1,465,799	-
	<u>3,848,795</u>	<u>9,087,814</u>	<u>4,174,706</u>	<u>11,653,232</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

	Note	2021 \$	2020 \$
5 Capital income			
Provision for restoration of land			
Decrease in restoration provision - Sanitary Depot	16	-	11,016
Decrease in restoration provision - Killaloe	16	195,960	-
		<u>195,960</u>	<u>11,016</u>
Revaluations			
Revaluation up of property, plant and equipment reversing	12	-	6,579,678
		<u>-</u>	<u>6,579,678</u>
Capital insurance proceeds			
Insurance proceeds		-	70,873
		<u>-</u>	<u>70,873</u>
Total capital income		<u>195,960</u>	<u>6,661,567</u>
6 Employee benefits			
Employee benefit expenses are recorded when the service has been provided by the employee.			
Total staff wages and salaries		13,403,554	12,611,992
Councillors' remuneration		378,216	374,198
Termination benefits		93,741	3,409
Annual, sick and long service leave entitlements		2,652,262	2,291,831
Superannuation	20	1,755,127	1,620,929
		<u>18,282,900</u>	<u>16,902,359</u>
Other employee related expenses		31,284	22,787
		<u>18,314,184</u>	<u>16,925,146</u>
Less: Capitalised employee expenses		<u>(1,835,189)</u>	<u>(1,892,412)</u>
		<u>16,478,995</u>	<u>15,032,735</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		85	87
Depot and outdoors staff		105	94
Total full time equivalent employees		<u>195</u>	<u>186</u>
7 Materials and services			
Expenses are recorded on an accruals basis as Council receives the goods or services.			
Audit of annual financial statements by the Auditor-General of Queensland		108,000	102,000
Doubtful debt expense		(19,042)	32,500
Consultancy		976,057	655,077
Contractors		5,890,098	5,768,209
Communications and IT		1,013,375	706,783
Donations		499,678	709,621
Electricity		962,197	1,019,347
Insurances		821,106	662,252
Legal		205,099	259,887
Repairs and maintenance		6,479,019	6,332,601
Other materials and services		1,497,453	1,505,422
		<u>18,433,039</u>	<u>17,753,700</u>
8 Finance costs			
Bank charges		72,286	75,044
Landfill sites - change in present value over time		32,812	217,910
		<u>105,098</u>	<u>292,954</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

9	Note	2021 \$	2020 \$
Capital expenses			
Property restoration: Landfill sites			
	16	-	336,392
	16	274,857	-
	16	11,898	32,464
		<u>286,755</u>	<u>368,856</u>
Revaluation decrement			
	12	30,491	-
Gain / Loss on disposal of non-current assets			
		(86,617)	(183,544)
		463,174	717,401
		<u>376,557</u>	<u>533,857</u>
		(717,461)	-
		793,673	-
		<u>76,211</u>	<u>-</u>
		452,768	533,857
Donated assets			
		274,499	-
		<u>1,044,514</u>	<u>902,713</u>

10 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques received 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.

Cash at bank and on hand	24,097,607	18,255,109
Term deposits	-	10,000,000
Balance per Statement of Cash Flows	<u>24,097,607</u>	<u>28,255,109</u>
Cash and cash equivalents	24,097,607	28,255,109
Less: Externally imposed restrictions on cash	(3,191,435)	(6,634,520)
Unrestricted cash	<u>20,906,172</u>	<u>21,620,589</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 Unspent government grants and subsidies	1,738,869	687,548
Internally imposed expenditure restrictions at the reporting date:		
Future capital works	-	4,000,000
Future constrained works	1,452,566	1,945,122
Future recurrent expenditure	-	1,850
Total unspent restricted cash	<u>3,191,435</u>	<u>6,634,520</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	779,040	658,141
	<u>779,040</u>	<u>658,141</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 since Council has no control over the assets.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

11 Trade and other 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.

Current

Rateable revenue and utility charges	3,354,458	3,471,311
Other debtors	172,028	230,319
Less impairment	(49,287)	(69,287)
Accrued revenue	378,230	376,500
GST recoverable	996,803	406,268
Prepayments	244,940	210,236
	<u>5,097,172</u>	<u>4,625,347</u>

Interest is charged on outstanding rates (8.53% per annum from 1 July 2020, previously 9.83% per annum). No interest is charged on other debtors.

Impairment of receivables is not material.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

12 Property, plant and equipment

30 June 2021

	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	Fair Value	Fair Value	Fair Value	Cost	
Basis of measurement										
Asset values		\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2020		28,867,470	52,210,769	7,286,362	42,640	210,613,399	236,260,868	38,502,373	12,982,892	586,766,772
Additions		-	-	-	-	-	-	-	23,870,200	23,870,200
Disposals	9	(797,030)	(166,462)	(525,754)	-	(183,779)	(492,029)	(71,748)	-	(2,236,803)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	(547,930)	3,041,970	-	-	-	489,801	-	-	2,983,841
Revaluation adjustment to expense (capital expense)	9	(30,491)	-	-	-	-	-	-	-	(30,491)
Impairment adjustment to asset revaluation surplus	19	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		(122,821)	(284,679)	-	-	-	407,500	-	-	-
Assets classified as held for sale PY, sold CY		-	-	80,838	-	-	-	-	-	80,838
Assets classified as held for sale		-	-	-	-	-	-	-	-	-
Contributed assets		445,185	826,773	-	-	152,326	108,164	158,171	(1,690,619)	-
Internal transfers from work in progress		1,891,691	1,848,502	953,272	-	8,659,236	5,091,534	1,103,382	(19,547,617)	-
Closing gross value as at 30 June 2021		29,706,075	57,476,872	7,794,718	42,640	219,241,181	241,865,838	39,692,177	15,614,856	611,434,356

Accumulated depreciation

Opening balance as at 1 July 2020		1,447,869	22,416,206	3,547,423	41,316	52,415,424	102,754,032	7,076,247	-	189,698,517
Depreciation provided in period		221,075	1,668,768	613,372	610	4,314,909	5,449,466	458,292	-	12,726,493
Depreciation on disposals	9	(3,357)	(83,786)	(457,590)	-	(96,252)	(331,584)	(9,094)	-	(981,662)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	(81,177)	(4,170,848)	-	-	-	(9,105,819)	-	-	(13,357,844)
Impairment adjustment to asset revaluation surplus	17	-	(480,019)	-	-	-	(63,699)	-	-	(543,717)
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		(32,357)	(126,641)	-	-	-	158,998	-	-	-
Assets classified as held for sale PY, sold CY		-	-	51,834	-	-	-	-	-	51,834
Assets classified as held for sale		-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2021		1,552,053	19,223,680	3,755,039	41,927	56,634,082	98,861,395	7,525,446	-	187,593,621

Total written down value as at 30 June 2021

Residual value		28,154,022	38,253,192	4,039,679	713	162,607,100	143,004,443	32,166,731	15,614,856	423,840,735
Range of estimated useful life in years		10 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100		

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	11,763,247	11,763,247
Other additions	-	-	-	-	-	-	-	12,106,953	12,106,953
Total additions	-	-	-	-	-	-	-	23,870,200	23,870,200

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

12 Property, plant and equipment

30 June 2020

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	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement									
Asset values									
Opening gross value as at 1 July 2019	27,706,318	48,782,270	6,944,229	42,640	207,273,436	231,299,009	37,620,846	5,351,120	565,019,867
Additions	-	-	-	-	-	-	-	26,437,400	26,437,400
Disposals	9	(86,996)	(617,561)	-	(434,363)	(398,911)	(38,035)	-	(1,575,866)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	5	-	-	-	(3,033,791)	-	-	-	(3,033,791)
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-
Transfers between classes	(125,471)	-	-	-	(156,135)	281,606	-	-	-
Assets classified as held for sale	-	-	(80,838)	-	-	-	-	-	(80,838)
Contributed assets	100,175	-	-	-	307,902	698,413	359,309	(1,465,799)	-
Internal transfers from work in progress	1,186,448	3,515,495	1,040,532	-	6,656,350	4,380,751	560,253	(17,339,829)	-
Closing gross value as at 30 June 2020	28,867,470	52,210,769	7,286,362	42,640	210,613,399	236,260,868	38,502,373	12,982,892	586,766,772

Accumulated depreciation

Opening balance as at 1 July 2019	1,267,373	20,997,142	3,333,840	40,706	57,962,642	97,593,944	6,659,943	-	187,855,590
Depreciation provided in period	184,141	1,466,053	672,425	610	4,253,900	5,367,238	422,328	-	12,366,695
Depreciation on disposals	9	(46,989)	(407,008)	-	(187,006)	(211,438)	(6,024)	-	(858,465)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	5	-	-	-	(9,613,469)	-	-	-	(9,613,469)
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-
Transfers between classes	(3,645)	-	-	-	(643)	4,288	-	-	-
Assets classified as held for sale	-	-	(51,834)	-	-	-	-	-	(51,834)
Assets classified as held for sale	1,447,869	22,416,206	3,547,423	41,316	52,415,424	102,754,032	7,076,247	-	189,698,517

Accumulated depreciation as at 30 June 2020

	27,419,601	29,794,563	3,738,939	1,323	158,197,974	133,506,836	31,426,126	12,982,892	397,068,255
Total written down value as at 30 June 2020	-	-	1,533,418	-	-	-	-	-	-
Residual value	3 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100		
Range of estimated useful life in years									

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	21,282,777	21,282,777
Other additions	-	-	-	-	-	-	-	5,154,623	5,154,623
Total additions	-	-	-	-	-	-	-	26,437,400	26,437,400

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

12 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 (March rates of the relevant financial year have been used for 2021 indexation purposes). 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.

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%).

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%).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

Valuation - dates of revaluations and reviews

Asset Class	Valuation Approach	Last Full Valuation date	Valuer Engaged	Key Assumptions and Estimates	Cumulative indexation	Index applied
Land (level 2)	Market value	30 June 2021	Cardno (QLD) Pty Ltd	Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size.	0%	Nil - revaluation performed
Land improvements (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	Replacement costs calculated primarily by reference to actual costs for similar construction in the Far North Queensland region.	0%	Nil - revaluation performed
Buildings and Other Structures (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	Replacement costs calculated primarily by reference to actual costs for similar construction in the Far North Queensland region. 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.	0%	Nil - revaluation performed
Transport Assets						
- Road assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	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). Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	-0.86%	ABS PPI 3101 Road and bridge construction Queensland
- Bridge assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	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.	-0.86%	ABS PPI 3101 Road and bridge construction Queensland
- Other transport assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	Construction estimates were determined on a similar basis to roads.	-0.86%	ABS PPI 3101 Road and bridge construction Queensland

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

Water, Sewerage and Solid Waste Disposal

- Water (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	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. 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.	0%	Nil - revaluation performed
- Sewerage (level 3)	Current replacement cost	30 June 2019	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data. 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.	-0.26%	ABS PPI 3101 Road and bridge construction Queensland
- Solid Waste Disposal (level 3)	Current replacement cost	30 June 2018	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	3.05%	ABS PPI 3101 Road and bridge construction Queensland
Drainage (level 3)	Current replacement cost	30 June 2018	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	3.05%	ABS PPI 3101 Road and bridge construction Queensland

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

d) Capital and operating expenditure

Wages and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of a non-current asset are 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 earlier in this note.

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.

	2021 \$	2020 \$
	<u> </u>	<u> </u>
13 Intangible assets		
Software		
Opening gross carrying value	344,475	231,745
Additions	1,391	159,478
Disposals	(149,824)	(46,748)
Closing gross carrying value	<u>196,043</u>	<u>344,475</u>
Accumulated amortisation		
Opening balance	152,719	161,215
Amortisation in the year	56,475	38,252
Disposals	(148,118)	(46,748)
Closing balance	<u>61,076</u>	<u>152,719</u>
Net carrying value at end of financial year	<u>134,967</u>	<u>191,756</u>

Software has a finite life estimated at 5 years. Straight line amortisation has been used with no residual value.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

14 Contract assets/contract liabilities

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

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

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

	2021	2020
	\$	\$
a Contract assets	1,503,088	333,137
b Contract liabilities		
Funds received upfront to construct Council controlled assets	1,738,869	687,548
	<u>1,738,869</u>	<u>687,548</u>
Current contract liabilities	1,738,869	687,548
	<u>1,738,869</u>	<u>687,548</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	687,548	898,257

	2021	2020
	\$	\$
15 Trade and other 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.		

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.

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.

Revenue is classified as unearned if it relates to an obligation to supply specific goods and services in future periods.

Current

Creditors and accruals	3,438,637	4,709,242
Accrued wages and salaries	194,660	121,032
Unearned revenue	58,501	111,167
Prepaid rates	1,078,180	947,793
Annual leave	1,979,331	1,787,427
Sick leave	289,504	228,418
Other entitlements	63,618	77,241
	<u>7,102,431</u>	<u>7,982,319</u>

16 Provisions

Liabilities are recognised for employee benefits such as annual and long service leave in respect of services provided by the employees up to the reporting date. Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

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.

The provision is measured at the expected cost of the work required discounted to current day values using an appropriate rate. The current Queensland Treasury Corporation ("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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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.

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.

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.

	2021	2020
	\$	\$
Current		
Landfill restoration	392,150	488,750
Long service leave	1,852,417	1,741,122
	<u>2,244,567</u>	<u>2,229,872</u>
Non-current		
Landfill restoration	4,769,794	4,895,183
Long service leave	411,617	330,297
	<u>5,181,411</u>	<u>5,225,480</u>

Details of movements in provisions:

	2021	2020
	\$	\$
Property restoration: Landfill sites		
Balance at beginning of financial year	5,383,933	4,872,340
Increase in provision due to unwinding of discount	32,812	217,910
Increase / (decrease) in provision for future cost	90,795	357,840
Provision expended to date	(345,596)	(64,157)
Balance at end of financial year	<u>5,161,944</u>	<u>5,383,933</u>

Council has two active landfill sites located at Newell Beach and Killaloe. During the 2019FY the regulator also reinstated conditions on the restoration of the Sanitary Depot. 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 decreased during the year as a result of interim restoration works performed at the landfill sites and a re-estimation of restoration costs at the landfill sites. The Killaloe site is due for its final capping in the 2023FY (with post closure monitoring until the 2054FY). Newell Beach landfill and the Sanitary Depot are due for final capping in the 2024FY (with post closure monitoring until the 2055FY).

	2021	2020
	\$	\$
Long service leave		
Balance at beginning of financial year	2,071,418	1,928,487
Long service leave entitlement arising	387,326	293,273
Long Service entitlement paid	(194,710)	(150,342)
Balance at end of financial year	<u>2,264,034</u>	<u>2,071,418</u>

17 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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

	2021 \$	2020 \$
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	40,078,005	40,078,005
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	(466,753)	-
Buildings and other structures	7,692,837	-
Water, Sewerage and Solid waste disposal	9,659,319	-
Balance at end of financial year	<u>56,963,407</u>	<u>40,078,005</u>
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	-	466,753
Buildings and other structures	17,829,047	10,136,210
Water, Sewerage and Solid waste disposal	39,134,361	29,475,042
	<u>56,963,407</u>	<u>40,078,005</u>
18 Commitments for expenditure		
Operating expenditure		
Not later than 1 year	6,068,822	4,618,202
Later than 1 year but not later than 5	16,768,787	4,195,368
Later than 5 years	2,895,181	791,284
	<u>25,732,790</u>	<u>9,604,854</u>
Capital expenditure		
Not later than 1 year	11,055,638	5,533,235
	<u>11,055,638</u>	<u>5,533,235</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 2021 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$439,780.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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 pooled defined benefit plan and it is not in accordance with the deed to allocate obligations, plan assets and costs at the council level.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate obligations, 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 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. 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 salary or wages and there are no known requirements to change the rate of contributions.

The next triennial actuarial review is not due until 1 July 2021.

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.

	<u>Note</u>	<u>2021</u> <u>\$</u>	<u>2020</u> <u>\$</u>
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,755,127	1,620,929
21 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities			
Net result		7,125,934	17,568,295
Non-cash items:			
Depreciation and amortisation		12,782,968	12,404,947
Revaluation adjustments		30,491	(6,579,678)
Change in future rehabilitation and restoration costs		123,607	575,750
		<u>12,937,066</u>	<u>6,401,019</u>
Investing and development activities (non-cash):			
Net profit or loss on disposal of non-current assets		452,768	533,857
Capital grants and contributions		(10,205,942)	(12,637,794)
Changes in accounting policy		-	(893,857)
Donated assets		274,499	-
Capital insurance proceeds		-	(70,873)
		<u>(9,478,675)</u>	<u>(13,068,667)</u>
Changes in operating assets and			
(Increase)/ decrease in receivables		(471,825)	270,755
(Increase)/decrease in inventory		17,561	(3,647)
(Increase)/decrease in contract assets (recurrent grants)		(88,905)	-
Increase/(decrease) in payables		(1,225,479)	2,109,816
Increase/(decrease) in contract liabilities (recurrent grants)		(144,791)	253,746
Increase/(decrease) in other provisions		192,616	142,931
		<u>(1,720,823)</u>	<u>2,773,602</u>
Net cash inflow from operating activities		<u>8,863,503</u>	<u>13,674,248</u>

22 Events after the reporting period

On 1 July 2021, Council took control of the Daintree River Ferry. The ferry was purchased for \$4.5 million.

At 30 June 2021, the Chief Executive Officer (CEO) of Douglas Shire Council was Mr Mark Stoermer. Mr Stoermer subsequently resigned as CEO on 24 August 2021. Ms Juanita Warner was appointed acting CEO until a replacement CEO is appointed.

Special Council Meeting - 12 October 2021

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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's audit committee oversees how management monitors compliance with Council's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by Council. The audit committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the audit committee.

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	2021	2020
		\$	\$
Financial assets			
Cash and cash equivalents	10	24,097,607	28,255,109
Receivables - rates	11	3,354,458	3,471,311
Receivables - other	11	1,792,000	1,223,322
Total financial assets		<u>29,244,066</u>	<u>32,949,743</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 AA- based on rating agency ratings and, whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

Trade and other receivables

In the case of rate receivables, Council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

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

	2021	2020
	\$	\$
Subject to impairment		
Not past due	97,277	127,547
Past due 31-60 days	30,570	742
Past due 61-90 days	418	7,479
More than 90 days	31,664	61,130
Total gross carrying amount	<u>159,929</u>	<u>196,899</u>
Loss allowance	<u>(49,287)</u>	<u>(69,287)</u>
	<u><u>110,642</u></u>	<u><u>127,612</u></u>
 Not subject to impairment		
Rates and Charges	3,354,458	3,473,062
Grants	12,100	27,500
GST recoverable/prepayments/accrued income (Less Contract Assets)	<u>1,619,972</u>	<u>997,173</u>
	<u><u>4,986,530</u></u>	<u><u>4,497,735</u></u>
	<u><u>5,097,172</u></u>	<u><u>4,625,347</u></u>

Grants: payable by State and Commonwealth governments and their agencies. A credit enhancement exists as these payments are effectively government guaranteed and both the State and Commonwealth governments have high credit ratings, accordingly Council determines the level of credit risk exposure to be immaterial and therefore does not record an Expected Credit Loss for these counterparties.

Rates and Charges: Council is empowered under the provisions of the Local Government Act 2009 to sell an owner's property to recover outstanding rate debts and therefore the expected credit loss is immaterial. Impairment of rates and charges will occur only if arrears are deemed to be greater than the proceeds Council would receive from the sale of the respective property.

Other Debtors: Council identifies other debtors as receivables which are not rates and charges; statutory charges or grants. Council determines the level of credit risk exposure to be immaterial and therefore does not record an Expected Credit Loss.

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 indices, 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.

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 deficit and equity increase/(decrease) of \$240,976 (2020: \$282,551).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

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:

	2021	2020
	\$	\$
Short-term employee benefits	1,639,871	1,709,463
Post-employment benefits	175,187	175,996
Long-term benefits	27,714	8,627
Termination benefits	38,252	-
Total	1,881,024	1,894,086

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	2021	2020
		\$	\$
Purchase of materials and services from entities controlled by key management personnel.	24(b)(i)	313,584	291,056

(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) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform.

(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
	2021	2020
Current	\$ 4,603	\$ -
Total owing	\$ 4,603	\$ -

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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2021

(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.

Douglas Shire Council
Financial statements
For the year ended 30 June 2021

Management Certificate
For the year ended 30 June 2021

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
Michael Kerr

Acting Chief Executive Officer
Juanita Warner

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2021

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2021 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-5%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	93%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-32%	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 2021.

Certificate of Accuracy

For the year ended 30 June 2021

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
 Michael Kerr

 Acting Chief Executive Officer
 Juanita Warner

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Long-Term Financial Sustainability Statement - Unaudited
Prepared as at 30 June 2021

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2021	Projected for the years ended									
				30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031
Council													
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-5%	-5%	-4%	-3%	-2%	-2%	-1%	0%	1%	2%	2%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	93%	76%	90%	93%	91%	92%	92%	94%	96%	99%	100%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-32%	-19%	-21%	-24%	-24%	-26%	-26%	-26%	-27%	-26%	-27%

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 2021

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
 Michael Kerr

 Acting Chief Executive Officer
 Juanita Warner

Date: ____/____/____

Date: ____/____/____