

6.9. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

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DEPARTMENT Finance and Corporate Services

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2023.

EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2023 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating surplus for the year is \$2.35m compared to a (revised) budgeted operating deficit of \$666k.
- 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 s 176-178 of the *Local Government Regulation 2012* (the Regulation). They have been audited by the Queensland Audit Office (QAO) in accordance with the requirements of s 212 of the Regulation. QAO has issued an unmodified audit opinion and have not identified any significant issues. In line with the Regulation, the Financial Statements must be presented to a Council meeting.

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.

COMMENTS

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 revenue 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 surplus of \$2.35m compared to a (revised) budgeted operating deficit of \$665k. This represents an improved result of \$3m to revised budget.

The improved operating result compared to revised budget was due to:

- Increased revenue from water usage, grant revenue (including an increase in the financial assistance grant and full prepayment of the 23/24 grant), interest and other income; and
- Expenditure exceeded budget. Employee expenses were under budget due to staff resourcing issues. This was offset by materials and services expenditure primarily due to the use of temporary staff to replace unfilled positions and inflationary pressures. Depreciation exceeded budget due to the revaluation/indexation of all asset classes due to inflation.

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

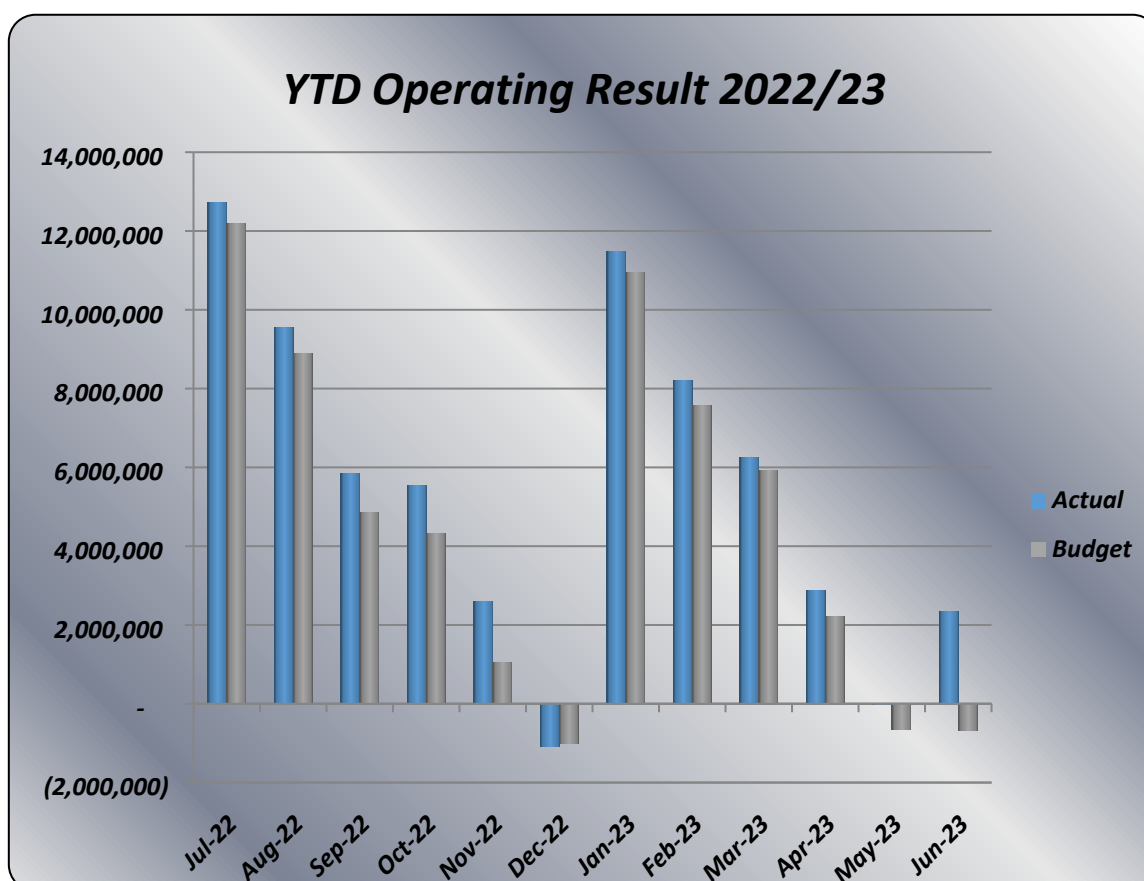


Figure 1. Operating Result 2021-2022

Capital Revenue

Includes capital grants, subsidies, contributions and donations, landfill provision adjustments and revaluation up of property, plant and equipment.

Capital Expenses

Includes revaluation down 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 \$13.4m (as per the Statement of Financial Position) and consisted of cash and cash equivalents. This excludes \$15m held in term deposits at year end.

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 has achieved all three measures of financial sustainability for the first time since deamalgamation. Council's financial sustainability ratios for the financial year are as follows:

Table 1. Douglas Shire Council Measures of Financial Sustainability

Douglas Shire Council – Measures of Financial Sustainability For the period ending 30 June 2023					
		Revised Budget	Actual	Target	Improvement over Budget
Council's Performance at 30 June 2023 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)	-1%	4%	Between 0% and 10%	Yes
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	115%	94%	Greater than 90%	No
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-17%	-36%	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. The Asset sustainability ratio has declined slightly versus budget due to funded capital works for new and upgraded assets. Council will continue to focus on asset renewals in future years. 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 for the year ended 30 June 2023.

FINANCIAL/RESOURCE IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

There is a risk of not adopting the Financial Statements, as Council would be in breach of the Regulation.

SUSTAINABILITY IMPLICATIONS

Economic: Council has achieved all three measures of financial sustainability. Council's Long-Term Financial Sustainability Statement projects ongoing annual budget surpluses moving forward.

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.*

Operational Plan 2023-2024 Actions:

Legislative requirement.

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
Finance Team
Audit Committee Meeting/Council Workshop 10 October 2023

External: Queensland Audit Office (External 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 2022-2023 Final [6.9.1 - 36 pages]



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2023**

Douglas Shire Council

Financial statements

For the year ended 30 June 2023

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	39,501,502	37,498,388
Fees and charges	3(b)	7,909,851	6,674,190
Rental income		291,623	269,988
Interest income	3(c)	1,051,833	299,492
Other revenue	3(d)	1,039,911	1,583,525
Grants, subsidies, contributions and donations	4(a)	6,973,824	3,169,668
Total recurrent revenue		<u>56,768,544</u>	<u>49,495,250</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	10,119,558	17,420,101
Other capital income	5	8,406,929	8,906,956
Total capital revenue		<u>18,526,487</u>	<u>26,327,057</u>
Total income		<u>75,295,031</u>	<u>75,822,307</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(17,528,373)	(16,676,678)
Materials and services	7	(23,083,853)	(20,029,758)
Finance costs	8	(54,049)	(82,450)
Depreciation and amortisation	13&14	(13,754,079)	(13,308,172)
		<u>(54,420,355)</u>	<u>(50,097,058)</u>
Capital expenses	9	(1,747,608)	(5,832,350)
Total expenses		<u>(56,167,963)</u>	<u>(55,929,408)</u>
Net result		<u>19,127,068</u>	<u>19,892,898</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	18	34,280,047	12,821,267
Total other comprehensive income for the year		<u>34,280,047</u>	<u>12,821,267</u>
Total comprehensive income for the year		<u>53,407,115</u>	<u>32,714,165</u>

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

Douglas Shire Council
Statement of Financial Position
as at 30 June 2023

	Note	2023 \$	2022 \$
Current assets			
Cash and cash equivalents	10	13,425,500	13,016,606
Investments	11	15,060,000	10,000,000
Trade and other receivables	12	4,847,404	5,066,722
Prepayments		366,491	324,859
Contract assets	15(a)	3,987,269	3,208,965
Inventories		150,190	93,356
Total current assets		37,836,854	31,710,508
Non-current assets			
Property, plant and equipment	13	504,209,177	457,043,657
Intangible assets	14	52,634	93,800
Total non-current assets		504,261,811	457,137,457
Total assets		542,098,665	488,847,965
Current liabilities			
Trade and other payables	16	6,185,882	5,754,012
Provisions	17	5,554,800	5,562,177
Contract liabilities	15(b)	905,342	1,069,630
Total current liabilities		12,646,024	12,385,819
Non-current liabilities			
Provisions	17	4,310,595	4,774,883
Unearned Revenue		508,645	460,977
Total non-current liabilities		4,819,240	5,235,860
Total liabilities		17,465,264	17,621,679
Net community assets		524,633,402	471,226,286
Community equity			
Asset revaluation surplus	18	104,064,721	69,784,674
Retained surplus		420,568,680	401,441,612
Total community equity		524,633,402	471,226,286

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

Douglas Shire Council
Statement of Changes in Equity
For the year ended 30 June 2023

		Asset revaluation surplus	Retained Surplus	Total
	Note	\$	\$	\$
Balance as at 1 July 2022		69,784,674	401,441,612	471,226,286
Net result		-	19,127,068	19,127,068
Other comprehensive income for the year				
Increase in asset revaluation surplus	18	34,280,047	-	34,280,047
Total comprehensive income for the year		34,280,047	19,127,068	53,407,115
Balance as at 30 June 2023		104,064,721	420,568,680	524,633,401
Balance as at 1 July 2021		56,963,407	381,548,713	438,512,121
Net result		-	19,892,898	19,892,898
Other comprehensive income for the year				
Increase in asset revaluation surplus	18	12,821,267	-	12,821,267
Total comprehensive income for the year		12,821,267	19,892,898	32,714,165
Balance as at 30 June 2022		69,784,674	401,441,612	471,226,286

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

Douglas Shire Council
Statement of Cash Flows
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Cash flows from operating activities			
Receipts from customers		48,676,619	45,922,670
Payments to suppliers and employees		(40,869,994)	(36,230,067)
		<u>7,806,625</u>	<u>9,692,602</u>
Interest received		1,051,833	299,492
Rental income		291,623	269,988
Non capital grants and contributions		7,058,944	3,180,863
Borrowing costs		(64,837)	(61,808)
Net cash (outflow) inflow from operating activities	22	<u>16,144,188</u>	<u>13,381,136</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(17,344,668)	(26,127,102)
Payments for assets donated		(616,050)	-
Proceeds from sale of property plant and equipment		215,104	69,787
Purchase of investments		(5,060,000)	(10,000,000)
Grants, subsidies, contributions and donations		7,070,321	11,595,177
Net cash (outflow) inflow for investing activities		<u>(15,735,294)</u>	<u>(24,462,138)</u>
Net (decrease)/increase in cash and cash equivalent held		<u>408,894</u>	<u>(11,081,002)</u>
Cash and cash equivalents at the beginning of the financial year		13,016,606	24,097,607
Cash and cash equivalents at the end of the financial year	10	<u><u>13,425,500</u></u>	<u><u>13,016,606</u></u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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 2022 to 30 June 2023. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

These financial 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 2022, 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 2023. 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, impairment and depreciation of property, plant and equipment - Note 13

Provisions - Note 17

Contingent liabilities - Note 20

Financial instruments and financial liabilities - Note 24

Revenue recognition - Note 3

1.5 Rounding and comparatives

The financial statements are in Australian dollars and have been rounded to the nearest \$1, unless otherwise stated.

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

1.6 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 2023

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 2023

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 2023

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							
	2023	2023	2023	2023		2023	2023				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate and Community	6,180,307	18,794,174	-	-	24,974,481	(11,905,451)	(15,268)	(11,920,719)	13,069,030	13,053,762	69,993,064
Infrastructure	693,131	6,837,893	8,539,142	7,807,722	23,877,889	(26,322,366)	(1,135,150)	(27,457,516)	(18,791,341)	(3,579,628)	296,333,712
Development and Environment	100,386	921,517	-	-	1,021,903	(2,514,111)	-	(2,514,111)	(1,492,208)	(1,492,208)	-
Water and Waste	-	23,241,136	1,580,416	599,207	25,420,758	(13,678,427)	(597,190)	(14,275,616)	9,562,709	11,145,142	175,771,889
Total Council	6,973,824	49,794,720	10,119,558	8,406,929	75,295,031	(54,420,355)	(1,747,608)	(56,167,963)	2,348,190	19,127,069	542,098,666

Year ended 30 June 2022

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							
	2022	2022	2022	2022		2022	2022				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate and Community	2,281,001	17,316,003	215,653	30,491	19,843,148	(11,597,145)	-	(11,597,145)	7,999,859	8,246,003	62,452,295
Infrastructure	559,417	5,960,879	15,382,057	8,426,137	30,328,489	(23,845,442)	(4,478,700)	(28,324,142)	(17,325,147)	2,004,346	269,059,327
Development and Environment	312,086	1,035,167	-	-	1,347,253	(2,133,720)	-	(2,133,720)	(786,467)	(786,467)	-
Water and Waste	17,164	22,013,534	1,822,390	450,329	24,303,417	(12,520,750)	(1,353,650)	(13,874,400)	9,509,948	10,429,017	157,336,343
Total Council	3,169,668	46,325,582	17,420,101	8,906,956	75,822,307	(50,097,058)	(5,832,350)	(55,929,408)	(601,808)	19,892,899	488,847,965

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

	2023	2022
	\$	\$
3 Revenue analysis		
Rates, levies 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	17,898,367	17,072,154
Water	8,928,323	8,290,631
Sewerage	7,961,591	7,622,488
Waste	5,322,285	5,060,349
Less: Pensioner remissions, concessions and financial assistance	(609,064)	(547,234)
Net rates, levies and utility charges	<u>39,501,502</u>	<u>37,498,388</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	442,105	656,091
Caravan Parks and Camping Grounds	740,351	714,903
Ferry	4,584,086	3,256,077
Communication towers	128,850	181,454
Permits, licences & registrations	591,119	556,794
Markets	314,259	259,968
Refuse & transfer stations	472,220	419,371
Water & sewerage applications	246,913	307,203
Other fees and charges	389,947	322,328
	<u>7,909,851</u>	<u>6,674,190</u>
(c) Interest income		
Interest income from bank and term deposits is accrued over the term of the investment.		
Investments	959,931	186,533
Overdue rates and utility charges	91,902	112,959
	<u>1,051,833</u>	<u>299,492</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. The contract work carried out is not subject to retentions.		
Contract and recoverable works	615,119	1,104,158
Commissions	33,609	33,431
Sundry revenue	391,184	445,936
	<u>1,039,911</u>	<u>1,583,525</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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.

Grant income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value. 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

Where Council receive funding under an enforceable contract to acquire or construct a specified item of property, plant and equipment which will be under Council's control on completion, revenue is recognised 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.

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 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 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 1058 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

	2023	2022
	\$	\$
(a) Operating		
General purpose grants	5,993,739	2,114,803
State government subsidies and grants	980,085	1,054,865
	<u>6,973,824</u>	<u>3,169,668</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	7,115,728	13,191,045
Donations and contributions	982,305	790,443
Assets contributed by developers at fair value	2,021,525	3,438,613
	<u>10,119,558</u>	<u>17,420,101</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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

	2023	2022		
	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	6,675,207	7,414,346	2,595,782	13,764,931
Donations and Contributions	982,305	-	790,443	-
Assets contributed by developers at fair value	2,021,525	-	3,438,613	-
	<u>9,679,037</u>	<u>7,414,346</u>	<u>6,824,837</u>	<u>13,764,931</u>
	Note	2023	2022	
		\$	\$	
5 Capital income				
Provision for restoration of land				
Decrease in restoration provision - Newell	17	48,286	-	
		<u>48,286</u>		
Revaluations				
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	8,358,643	8,906,956	
Total capital income		<u>8,406,929</u>	<u>8,906,956</u>	
6 Employee benefits				
Employee benefit expenses are recorded when the service has been provided by the employee.				
Staff wages and salaries		14,005,744	13,585,373	
Councillors' remuneration		394,165	383,819	
Termination benefits		77,862	190,000	
Annual, sick and long service leave entitlements		2,808,520	2,664,381	
Superannuation	21	1,916,230	1,826,366	
		<u>19,202,521</u>	<u>18,649,939</u>	
Other employee related expenses		31,393	47,084	
		<u>19,233,914</u>	<u>18,697,023</u>	
Less: Capitalised employee expenses		<u>(1,705,541)</u>	<u>(2,020,345)</u>	
		<u>17,528,373</u>	<u>16,676,678</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		91	95	
Depot and outdoors staff		106	107	
Total full time equivalent employees		<u>202</u>	<u>207</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		123,400	110,700	
Consultancy		896,250	991,298	
Contractors		7,735,604	6,909,338	
Communications and IT		907,784	843,428	
Donations		589,071	580,053	
Electricity		1,053,579	951,692	
Insurances		958,298	870,524	
Legal		409,364	212,406	
Repairs and maintenance		8,620,714	7,019,433	
Other materials and services		1,789,789	1,540,887	
		<u>23,083,853</u>	<u>20,029,758</u>	

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
8 Finance costs			
Bank charges		64,837	61,808
Landfill sites - change in present value over time		(10,788)	20,642
		<u>54,049</u>	<u>82,450</u>
9 Capital expenses			
Property restoration: Landfill sites			
Adjustment to refuse restoration provision - Killaloe	17	214,734	707,049
Adjustment to refuse restoration provision - Sanitary Depot	17	5,479	140,023
Adjustment to refuse restoration provision - Newell Beach	17	-	231,055
		<u>220,213</u>	<u>1,078,127</u>
Revaluation decrement			
Revaluation down of property, plant and equipment	13	-	4,221,107
Gain / Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		(215,104)	(69,787)
Less: Carrying value of property, plant and equipment disposed of		1,038,708	602,904
		<u>823,604</u>	<u>533,116</u>
Total gain/loss on disposal of non-current assets		<u>823,604</u>	<u>533,116</u>
Donated assets			
Donated assets		616,050	-
Loss on write-off			
Loss on write-off of assets damaged by natural disaster	13	87,740	-
Total capital expenses		<u>1,747,608</u>	<u>5,832,350</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

	2023 \$	2022 \$
10 Cash and cash equivalents		
Cash and cash equivalents in the statement of cash flows includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.		
Cash at bank and on hand	13,425,500	8,016,606
Term deposits	-	5,000,000
Balance per Statement of Cash Flows	<u>13,425,500</u>	<u>13,016,606</u>
Cash and cash equivalents	13,425,500	13,016,606
Less: Externally imposed restrictions on cash	<u>(1,413,987)</u>	<u>(1,530,607)</u>
Unrestricted cash	<u>12,011,514</u>	<u>11,485,999</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:		
Unspent government grants and subsidies	905,342	1,069,630
Waste levy refund received in advance	508,645	460,977
Total unspent externally restricted cash	<u>1,413,987</u>	<u>1,530,607</u>
Internally imposed expenditure restrictions at the reporting date:		
Future constrained works	1,790,656	1,243,009
Total unspent internally restricted cash	<u>1,790,656</u>	<u>1,243,009</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	663,464	875,288
	<u>663,464</u>	<u>875,288</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 the Council. The 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 the Council has no control over the assets.

11 Investments

Term deposits in excess of three months are reported as investments with deposits of less than three months being reported as cash equivalents (refer Note 10).

Current fixed short term investments		
Unrestricted	15,060,000	10,000,000
	<u>15,060,000</u>	<u>10,000,000</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

	2023	2022
	\$	\$
12 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 impairment 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 <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.		
Current		
Rateable revenue and utility charges	2,946,833	3,142,713
Other debtors	259,507	345,842
Less impairment	(49,287)	(49,287)
Accrued revenue	1,207,164	1,037,052
GST recoverable	483,186	590,403
	<u>4,847,404</u>	<u>5,066,722</u>
Interest is charged on outstanding rates (8.17% per annum from 1 July 2022, previously 8.03% per annum). No interest is charged on other debtors.		
Impairment of receivables is not material.		
Ageing of receivables and the amount of any impairment is disclosed in the following table:		
Subject to impairment		
Not past due	119,967	247,042
Past due 31-60 days	96	33,281
Past due 61-90 days	7,352	4,044
More than 90 days	25,866	39,475
Total gross carrying amount	<u>153,281</u>	<u>323,842</u>
Impairment	<u>(49,287)</u>	<u>(49,287)</u>
	<u>103,994</u>	<u>274,555</u>
Not subject to impairment		
Rates and Charges	2,946,833	3,142,714
Grants	106,227	22,000
GST recoverable/accrued income (less contract assets)	1,690,350	1,627,454
	<u>4,743,410</u>	<u>4,792,168</u>
	<u>4,847,404</u>	<u>5,066,723</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

13 Property, plant and equipment

30 June 2023

	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste disposal	Drainage	Marine	Work in Progress
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost
	Level 2 & 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement	31,512,844	61,705,207	8,085,378	42,640	244,018,494	260,860,894	46,556,736	6,274,687	16,945,983
Fair value category	-	-	-	-	-	-	-	-	19,366,194
Asset values									
Opening gross value as at 1 July 2022	31,512,844	61,705,207	8,085,378	42,640	244,018,494	260,860,894	46,556,736	6,274,687	16,945,983
Additions	-	-	-	-	-	-	-	-	19,366,194
Disposals	(21,249)	(270,805)	(684,446)	-	(1,014,189)	(1,024,857)	(60,992)	(44,801)	-
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	1,833,556	4,937,013	-	-	17,414,523	19,463,591	1,043,941	-	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	-	-	-	-	7,120,364	1,272,790	3,499,822	600,037	-
Write-off assets damaged by natural disaster	-	-	-	-	(325,412)	-	-	-	-
Transfers between classes	-	-	-	-	1,199,740	-	(1,199,740)	-	-
Contributed assets	-	-	-	-	375,710	627,076	1,018,739	-	(2,021,525)
Internal transfers from work in progress	1,468,803	2,132,414	1,400,485	47,106	9,277,111	6,041,508	1,447,407	1,432,129	(23,246,963)
Closing gross value as at 30 June 2023	34,793,954	68,503,829	8,801,417	89,745	278,066,342	287,241,000	52,305,913	8,262,052	11,043,689

Accumulated depreciation

Opening balance as at 1 July 2022	1,977,194	21,541,480	4,195,836	42,537	64,868,791	109,510,301	13,106,675	3,716,393	-
Depreciation expense	287,208	1,941,104	633,659	4,025	4,711,386	5,307,171	568,976	259,385	-
Depreciation on disposals	(18,782)	(150,491)	(595,455)	-	(663,162)	(596,972)	(24,170)	(33,601)	-
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	177,469	1,862,636	-	-	4,866,269	3,193,488	312,714	-	-
Revaluation adjustment to income (capital income)	-	-	-	-	1,989,696	721,869	1,048,378	374,427	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster	-	-	-	-	(237,672)	-	-	-	-
Transfers between classes	-	-	-	-	20,343	-	(20,343)	-	-
Accumulated depreciation as at 30 June 2023	2,423,089	25,194,730	4,234,040	46,562	75,555,651	118,135,858	14,992,231	4,316,604	-

Total written down value as at 30 June 2023

Residual value	32,370,865	43,309,099	4,567,377	43,184	202,510,691	169,105,143	37,313,682	3,945,448	11,043,689
Range of estimated useful life in years	10 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100	4 - 60	-

Additions comprise:

Renewals	-	-	-	-	-	-	-	-	12,894,907
Other additions	-	-	-	-	-	-	-	-	6,471,287
Total additions	-	-	-	-	-	-	-	-	19,366,194

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

13 Property, plant and equipment

30 June 2022

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	Marine	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	Level 2 & 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3	Level 3		
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 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
Additions	-	-	-	-	-	-	-	-	29,565,715	29,565,715
Disposals	9	(149,060)	(179,113)	-	(320,635)	(569,398)	(10,827)	-	-	(1,229,032)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18	1,268,886	5,534,425	-	-	14,040,351	-	-	-	20,843,662
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	4,599,665	(1,242,297)	-	3,357,368
Revaluation adjustment to income (capital income)	5	30,491	-	-	-	11,668,850	331,454	-	-	12,030,795
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		(2,720,000)	-	-	2,234,656	-	(2,234,656)	2,720,000	-	-
Contributed assets		129,953	3,700	-	688,119	1,135,978	1,480,863	-	(3,438,613)	-
Internal transfers from work in progress		377,439	1,559,270	469,774	-	10,506,322	4,056,670	3,029,515	4,796,984	(24,795,974)
Closing gross value as at 30 June 2022		31,512,844	61,705,207	8,085,378	42,640	244,018,494	260,860,894	46,556,736	6,274,687	676,002,864

Accumulated depreciation

Opening balance as at 1 July 2021	1,552,053	19,223,680	3,755,039	41,927	56,634,082	98,861,395	7,525,446	-	-	187,593,621
Depreciation expense	245,082	1,764,644	585,456	610	4,522,771	5,183,458	457,218	507,766	-	13,267,005
Depreciation on disposals	9	(75,573)	(144,659)	-	(119,402)	(284,284)	(2,209)	-	-	(626,127)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18	180,059	1,973,730	-	-	5,868,606	-	-	-	8,022,395
Impairment adjustment to asset revaluation surplus	18						-		-	-
Revaluation adjustment to income (capital income)	5	-	-	-	-	3,242,713	(118,874)	-	-	3,123,839
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	5,714,847	1,863,627	-	7,578,474
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		-	(1,345,000)	-	-	588,628	(588,628)	1,345,000	-	-
Accumulated depreciation as at 30 June 2022		1,977,194	21,541,480	4,195,836	42,537	64,868,791	109,510,301	13,106,675	3,716,393	218,959,207

Total written down value as at 30 June 2022

29,535,650	40,163,727	3,889,542	103	179,149,704	151,350,592	33,450,062	2,558,294	16,945,983	457,043,657
-	-	1,486,960	-	-	-	-	-	-	1,486,960
10 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100	4 - 60		

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	9,835,585	9,835,585
Other additions	-	-	-	-	-	-	-	19,730,130	19,730,130
Total additions	-	-	-	-	-	-	-	29,565,715	29,565,715

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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 (March rates of the relevant financial year have been used for 2023 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)

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 2023

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	Stantec Pty Ltd*	Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size.	5.00%	Market selling price - State Valuation Service (SVS); The Economic Statistics Section, Queensland Government Statistician's Office, Queensland Treasury and Trade. The Queensland Government Statistician's website.
Land improvements (level 3)	Current replacement cost	30 June 2021	Stantec Pty Ltd*	Replacement costs calculated primarily by reference to actual costs for similar construction in the Far North Queensland region.	8.00%	ABS PPI Building 3020 Non-residential building construction Queensland
Buildings and Other Structures (level 3)	Current replacement cost	30 June 2021	Stantec 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.	8.00%	ABS PPI Building 3020 Non-residential building construction Queensland
Transport Assets						
- Road assets (level 3)	Current replacement cost	30 June 2020	Stantec 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.	10.00%	ABS PPI 3101 Road and bridge construction Queensland
- Bridge assets (level 3)	Current replacement cost	30 June 2020	Stantec 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.	10.00%	ABS PPI 3101 Road and bridge construction Queensland

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

- Other transport assets (level 3)	Current replacement cost	30 June 2020	Stantec Pty Ltd*	Construction estimates were determined on a similar basis to roads.	10.00%	ABS PPI 3101 Road and bridge construction Queensland
Water, Sewerage and Solid Waste Disposal						
- Water (level 3)	Current replacement cost	30 June 2021	Stantec 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.	9.00%	ABS PPI 3101 Road and bridge construction Queensland
- Sewerage (level 3)	Current replacement cost	30 June 2023	Stantec 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.	0.00%	Nil - revaluation performed
- Solid Waste Disposal (level 3)	Current replacement cost	30 June 2022	Stantec Pty Ltd*	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	10.00%	ABS PPI 3101 Road and bridge construction Queensland
Drainage (level 3)	Current replacement cost	30 June 2022	Stantec Pty Ltd*	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	10.00%	ABS PPI 3101 Road and bridge construction Queensland
Marine (level 3)	Current replacement cost	30 June 2022	Stantec Pty Ltd*	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	10.00%	ABS PPI 3101 Road and bridge construction Queensland

* Stantec Pty Ltd were previously named Cardno (QLD) Pty Ltd

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

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 of acquisition or when the asset is ready for use.

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.

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.

14 Intangible assets

Software

	2023	2022
	\$	\$
Opening gross carrying value	196,043	196,043
Additions	-	-
Disposals	-	-
Closing gross carrying value	<u>196,043</u>	<u>196,043</u>
Accumulated amortisation		
Opening balance	102,243	61,076
Amortisation in the year	41,166	41,167
Disposals	-	-
Closing balance	<u>143,408</u>	<u>102,243</u>
Net carrying value at the end of the financial year	<u><u>52,634</u></u>	<u><u>93,800</u></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 2023

15 Contract balances

Contract assets represents the excess of costs incurred in relation to a contract with the customer or construction of an asset over the amounts that Council has invoiced the customer or the grantor. Where Council has invoiced the customer or the grantor amounts in excess of what it has incurred in relation to a contract or in constructing an asset, this gives rise to a contract liability.

	2023	2022
	\$	\$
a Contract assets	3,987,269	3,208,965
b Contract liabilities		
Funds received upfront to construct Council controlled assets	707,898	923,311
Non-capital performance obligations not yet satisfied	197,443	146,319
	905,342	1,069,630

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

Funds to construct Council controlled assets	923,311	1,629,915
Non-capital performance obligations (including deposits received in advance)	146,319	108,954
	1,069,630	1,738,869

Satisfaction of contract liabilities

The contract liabilities in relation to capital grants relate to funding received prior to the work being performed since revenue is recognised as Council constructs the assets. Council expects to recognise the contract liability as income in the next 1 year.

16 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.

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.

	2023	2022
	\$	\$
Current		
Creditors and accruals	3,876,710	3,466,714
Accrued wages and salaries	366,114	309,211
Unearned revenue	236,800	405,407
Prepaid rates	1,303,412	1,203,700
Sick leave	332,822	305,171
Other entitlements	70,025	63,811
	6,185,882	5,754,012

17 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.

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.

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 2023

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.

	2023	2022
	\$	\$
Current		
Landfill restoration	1,543,736	1,484,371
Annual leave	2,018,959	2,048,641
Long service leave	1,992,105	2,029,165
	<u>5,554,800</u>	<u>5,562,177</u>
Non-current		
Landfill restoration	3,856,266	4,378,634
Long service leave	454,329	396,249
	<u>4,310,595</u>	<u>4,774,883</u>

Details of movements in provisions:

	2023	2022
	\$	\$
Property restoration: Landfill sites		
Balance at the beginning of the financial year	5,863,005	5,161,944
Increase in provision due to unwinding of discount	(10,788)	20,642
Increase / (decrease) in provision for future cost	171,927	1,078,127
Provision expended to date	(624,141)	(397,709)
Balance at the end of the financial year	<u>5,400,004</u>	<u>5,863,005</u>

Council has two landfill sites located at Newell Beach and Killaloe and a 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 a re-estimation of restoration costs at the landfill sites. The Killaloe site is due for its final capping in the 2024 financial year (with post closure monitoring until the 2054 financial year). Newell Beach landfill is due for final capping in the 2025 financial year (with post closure monitoring until the 2055 financial year). A site investigation is underway at the Sanitary Depot to determine any future capping requirements and submission to the regulator for removal from licensing requirements.

18 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 2023

	2023 \$	2022 \$
Movements in the asset revaluation surplus were as follows:		
Balance at the beginning of the financial year	69,784,674	56,963,407
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	1,656,087	1,088,827
Buildings and other structures	3,074,377	3,560,696
Transport assets	12,548,254	-
Water, Sewerage and Solid waste	16,270,103	8,171,744
Drainage	731,226	-
Marine	-	-
Balance at the end of the financial year	<u>104,064,721</u>	<u>69,784,674</u>
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	2,744,914	1,088,827
Buildings and other structures	24,464,119	21,389,742
Transport assets	12,548,254	-
Water, Sewerage and Solid waste disposal	63,576,208	47,306,105
Drainage	<u>731,226</u>	<u>-</u>
	<u>104,064,721</u>	<u>69,784,674</u>
19 Commitments for expenditure		
Capital expenditure		
Not later than 1 year	<u>4,023,857</u>	<u>4,664,556</u>
	<u>4,023,857</u>	<u>4,664,556</u>

20 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 2023 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 \$542,993.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

21 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 managed by the LGIAsuper trustee as trustee for LGIAsuper trading as Brighter Super.

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 as required under Superannuation Prudential Standard 160 was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021, 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 2024.

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.

	Note	2023 \$	2022 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,916,230	1,826,366
22 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities			
Net result		19,127,068	19,892,898
Non-cash items:			
Depreciation and amortisation		13,754,079	13,308,172
Revaluation adjustments		(8,358,643)	(4,685,850)
Loss on asset write-off		87,740	-
Change in future rehabilitation and restoration costs		161,139	1,098,769
		5,644,316	9,721,091
Investing and development activities (non-cash):			
Net profit or loss on disposal of non-current assets		823,604	533,116
Capital grants and contributions		(10,119,558)	(17,420,101)
Donated assets		616,050	-
		(8,679,904)	(16,886,984)
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables		219,318	(214,491)
(Increase)/decrease in inventory		(56,835)	12,475
(Increase)/decrease in prepayments		(41,632)	(79,919)
(Increase)/decrease in contract assets (recurrent grants)		33,995	(26,170)
Increase/(decrease) in payables		(192,270)	302,514
Increase/(decrease) in contract liabilities (recurrent grants)		51,124	37,365
Increase/(decrease) in other provisions		(8,662)	161,380
Increase/(decrease) in unearned revenue		47,668	460,977
		52,707	654,131
Net cash inflow from operating activities		16,144,188	13,381,136

23 Events after the reporting period

No significant events have occurred since year-end.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

24 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.

The Douglas Shire Council 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 Douglas Shire Council 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 carrying amount of financial assets at the end of the reporting period represents the maximum exposure to credit risk.

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.

Currency risk

Council is not exposed to currency risk as all investments are held in Australian currency.

Price risk

Council is not exposed to price risk as investments are held with financial institutions, rather than shares or stocks.

Interest rate risk

Council is exposed to interest rate risk through investments with financial institutions.

Sensitivity

Interest rate sensitivity analysis evaluates the outcome on financial result 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 financial result and equity increase/(decrease) of \$284,855 (2022: \$230,166).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2023

25 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:

	2023	2022
	\$	\$
Short-term employee benefits	1,711,099	1,629,094
Post-employment benefits	190,512	198,381
Long-term benefits	17,844	46,139
Termination benefits	-	190,000
Sub-Total	1,919,455	2,063,614
Provision of KMP provided by agency	123,196	-
Total	2,042,651	2,063,614

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	2023	2022
		\$	\$
Purchase of materials and services from entities controlled by key management personnel or their close family members.	25(b)(i)	195,301	170,575
Employee Expenses for close family members of key management personnel	26(b)(ii)	162,045	33,041

(i) During the year one entity controlled by KMP provided materials and services to Council. A further two entities controlled by close family members of KMP provided services to Council during the year. All transactions occurred through an arm's length process under normal terms and conditions. There were no other material transactions with other related parties during the year. All transactions with other related parties occurred at arm's length and under Council's normal terms and conditions.

(ii) Two close family members of key management personnel were employed through an arm's length process (In 2022 there was one). 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
	2023	2022
Current	\$ -	\$ 1,021
Total owing	\$ -	\$ 1,021
Payables	Amounts owed to entities controlled by KMP	Amounts owed to entities controlled by KMP
	2023	2022
Current	\$ 1,457	\$ -
Total owing	\$ 1,457	\$ -

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.

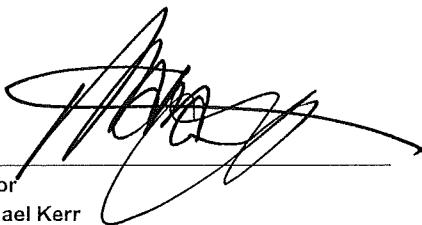
Douglas Shire Council
Financial statements
For the year ended 30 June 2023

Management Certificate
For the year ended 30 June 2023

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

Date: 10 / 10 / 2023



Acting Chief Executive Officer
Paul Høye

Date: 10 / 10 / 23

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Douglas Shire Council

Report on the audit of the financial report

Opinion

I have audited the financial report of Douglas Shire Council.

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2023, 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 2023, 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 material accounting policy information, and the certificate given by the Mayor and Chief Executive Officer.

Basis for opinion

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

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

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

Other information

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

At the date of this auditor's report, the available other information in Douglas Shire Council's annual report for the year ended 30 June 2023 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In accordance with s. 40 of the *Auditor-General Act 2009*, for the year ended 30 June 2023:

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

Prescribed requirements scope

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



Lisa Fraser
as delegate of the Auditor-General

12 October 2023

Queensland Audit Office
Brisbane

**Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2023**

Measures of Financial Sustainability

How the measure is calculated	Actual - Council	Target
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Council's performance at 30 June 2023 against key financial ratios and targets:

Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	4% between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	94% greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-36% not greater than 60%

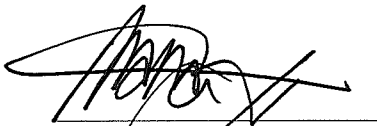
Note 1 - Basis of Preparation

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 2023.


Certificate of Accuracy
For the year ended 30 June 2023

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
Date: 10, 10, 2023



Acting Chief Executive Officer
Paul Hoye
Date: 10, 10, 23

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 financial sustainability statement of Douglas Shire Council for the year ended 30 June 2023, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with s.212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Douglas Shire Council for the year ended 30 June 2023 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

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

At the date of this auditor's report, the available other information in Douglas Shire Council's annual report for the year ended 30 June 2023 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

However, as required by the Local Government Regulation 2012, I have formed a separate opinion on the general purpose financial report.

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

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

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



Lisa Fraser
as delegate of the Auditor-General

12 October 2023

Queensland Audit Office
Brisbane

Douglas Shire Council
Long-Term Financial Sustainability Statement - Unaudited
Prepared as at 30 June 2023

Prepared as at 30 June 2023

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2023	Projected for the years ended									
				30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031	30 June 2032	30 June 2033
Council													
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	4%	0%	0%	1%	1%	1%	1%	1%	2%	2%	2%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	94%	81%	90%	90%	90%	91%	91%	90%	91%	92%	92%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-36%	-19%	-20%	-21%	-21%	-21%	-21%	-21%	-21%	-21%	-20%

Douglas Shire Council's Financial Management Strategy

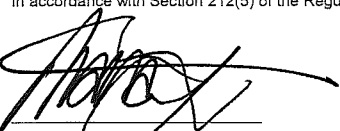
Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial 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 2023

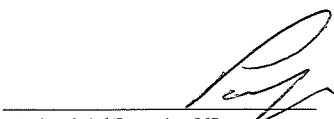
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the *Local Government Regulation 2012* (the Regulation).

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

Date: 10 / 10 / 2023



Acting Chief Executive Officer
Paul Hoye

Date: 10 / 10 / 23