



DOUGLAS SHIRE COUNCIL
**SPECIAL
COUNCIL
MEETING**

AGENDA

Tuesday, 10 October 2017

ENSURING EXCELLENCE IN GOVERNANCE
ACCOUNTABLE AND TRANSPARENT DECISION-MAKING
ENGAGING, PLANNING, PARTNERING
CELEBRATING OUR COMMUNITIES

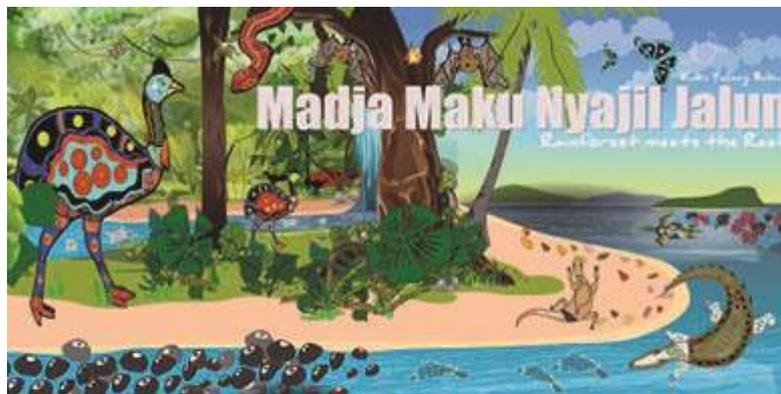
DOUGLAS
SHIRE COUNCIL

PLEASE NOTE:

Members of the Public are advised that recommendations to Council contained within this Agenda and decisions arising from the Council meeting can be subject to alteration.

Applicants and other interested parties should refrain from taking any action until such time as written advice is received confirming Council's decision with respect to any particular issue.

A copy of the confirmed minutes with the meeting resolutions will be available on Councils website www.douglas.qld.gov.au.



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



A **Special Meeting** of the Douglas Shire Council will be held on **Tuesday, 10 October 2017** at **1:30p.m.** at the Council Chambers, 64-66 Front Street, Mossman, and the attendance of each Councillor is requested.

AGENDA

'ACKNOWLEDGEMENT OF COUNTRY'

'I would like to acknowledge the Kuku Yalanji people who are the Traditional Custodians of the Land. I would also like to pay respect to their Elders both past and present and extend that respect to other Indigenous Australians who are present'.

1. Attendance and Apologies
2. Conflict of Interest
3. Agenda Items as Listed

A handwritten signature in black ink, appearing to read "Linda Anderson".

CHIEF EXECUTIVE OFFICER

**DOUGLAS SHIRE COUNCIL
SPECIAL MEETING
TUESDAY, 10 OCTOBER 2017**

1:30PM

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3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 20175

3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

REPORT AUTHOR(S): John Rehn, Manager Finance & IT
GENERAL MANAGER: Darryl Crees, General Manager Corporate Services
DEPARTMENT: Finance and Information Technology

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2017 and that the Mayor and Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.

EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2017 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$1.8m compared to a budgeted operating deficit of \$1.9m.
- the cash position at the end of the year is \$29.5m.
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND

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

Council will be reviewing the finalised statements at a workshop prior to their adoption at the Special meeting. QAO have advised that there is nothing that has come to their attention that would require further changes to the financial statements and therefore have provided audit clearance.

COMMENT

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

Statement of Comprehensive Income

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

Operating Result

Council's operating result is determined by deducting operating expenditure from operating revenue and shows an operating deficit of \$1.8m compared to a budgeted operating deficit of \$1.9m. This represents a \$77k or 4% improvement over budget.

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



Figure 1.

Capital Income

Includes a decrease in the landfill restoration provision.

Capital Expenses

Includes a revaluation decrement to property, plant and equipment (roads and footpaths) and a loss on disposal/write-off of non-current assets.

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 Cashflows

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 \$29.5m (as per the Statement of Financial Position) and consisted of cash and cash equivalents and investments (short term deposits exceeding 3 months).

Notes to the Financial Statements

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

Financial Sustainability Ratios

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

Measures of Financial Sustainability	How the measure is calculated	Budget	Actual	Target	Improvement over budget
Council's performance at 30 June 2017 against key financial ratios and targets:					
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-5%	-5%	between 0% and 10%	Same
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	56%	59%	greater than 90%	Yes
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-20%	-65%	not greater than 60%	Yes

Figure 2.

The Operating surplus ratio is the same as the budgeted ratio as a result of the operating deficit being only slightly below the budgeted deficit. The small improvement in the Asset sustainability ratio is as a result of an increasing focus by Council on asset renewals.

The Net financial liabilities ratio has also improved and this is due to a reduction in the Landfill restoration provision and the repayment of all of Council's loans during the financial year. This ratio indicates a healthy balance sheet.

Community Financial Report

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

PROPOSAL

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

FINANCIAL/RESOURCE IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

Ongoing operating deficits have the potential to negatively impact upon Council's future financial sustainability. Council's long term financial sustainability statement projects a move towards a balanced operating position by 2019/20, in accordance with Council's Corporate Plan.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 – Governance

5.1.1 - Establish and develop long term financial, resource and infrastructure planning to ensure ongoing capacity to fund operations and capital works programs.

5.2.1 - Provide Councillors and community with accurate, unbiased and factual reporting to enable accountable and transparent decision-making.

ATTACHMENTS

1. Financial Statements for the Year Ended 30 June 2017 **[3.1.1]**



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2017**

Douglas Shire Council

Financial statements

For the year ended 30 June 2017

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	30,584,895	29,471,466
Fees and charges	3(b)	5,150,011	4,724,559
Rental income		295,350	296,420
Interest received	3(c)	1,004,257	1,037,587
Other recurrent revenue		719,568	557,346
Grants, subsidies, contributions and donations	4(a)	2,204,673	1,587,259
		<u>39,958,754</u>	<u>37,674,636</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	8,985,870	16,195,035
Total revenue		<u>48,944,624</u>	<u>53,869,671</u>
Capital income	5	454,441	4,866,328
Total income		<u>49,399,065</u>	<u>58,735,999</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(12,842,608)	(12,310,033)
Materials and services	7	(17,217,560)	(16,030,724)
Finance costs	8	(657,386)	(399,215)
Depreciation and amortisation	13&15	(11,063,670)	(10,523,693)
		<u>(41,781,224)</u>	<u>(39,263,665)</u>
Capital expenses	9	(7,394,888)	(5,327,974)
Total expenses		<u>(49,176,112)</u>	<u>(44,591,640)</u>
Net result		<u>222,953</u>	<u>14,144,360</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	19	26,117,137	939,568
Total other comprehensive income for the year		<u>26,117,137</u>	<u>939,568</u>
Total comprehensive income for the year		<u>26,340,090</u>	<u>15,083,928</u>

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

Douglas Shire Council
Statement of Financial Position
as at 30 June 2017

	Note	2017 \$	2016 \$
Current assets			
Cash and cash equivalents	10	14,510,470	16,896,812
Investments	11	15,000,000	8,000,000
Trade and other receivables	12	5,671,418	4,309,829
Inventories		97,728	86,405
Total current assets		<u>35,279,616</u>	<u>29,293,046</u>
Non-current assets			
Property, plant and equipment	13	333,229,707	315,900,347
Intangible assets	15	392,019	657,166
Total non-current assets		<u>333,621,726</u>	<u>316,557,513</u>
Total assets		<u>368,901,341</u>	<u>345,850,559</u>
Current liabilities			
Trade and other payables	16	4,821,683	4,730,965
Borrowings	17	-	127,143
Provisions	18	1,819,952	2,755,049
Total current liabilities		<u>6,641,635</u>	<u>7,613,156</u>
Non-current liabilities			
Borrowings	17	-	1,872,051
Provisions	18	2,482,751	2,928,484
Total non-current liabilities		<u>2,482,751</u>	<u>4,800,536</u>
Total liabilities		<u>9,124,387</u>	<u>12,413,692</u>
Net community assets		<u>359,776,955</u>	<u>333,436,867</u>
Community equity			
Asset revaluation surplus	19	32,120,641	6,003,504
Retained surplus/(deficiency)		327,656,314	327,433,361
Total community equity		<u>359,776,955</u>	<u>333,436,865</u>

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

Douglas Shire Council
Statement of Changes in Equity
For the year ended 30 June 2017

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2016	6,003,504	327,433,361	333,436,865
Net operating result		222,953	222,953
Other comprehensive income for the year			
Increase in asset revaluation surplus	19 26,117,137		26,117,137
Total comprehensive income for the period	<u>26,117,137</u>	<u>222,953</u>	<u>26,340,090</u>
Balance as at 30 June 2017	<u>32,120,641</u>	<u>327,656,314</u>	<u>359,776,955</u>
Balance as at 1 July 2015	5,063,936	313,289,001	318,352,937
Net operating result		14,144,360	14,144,360
Other comprehensive income for the year			
Increase in asset revaluation surplus	19 939,568		939,568
Total comprehensive income for the period	<u>939,568</u>	<u>14,144,360</u>	<u>15,083,928</u>
Balance as at 30 June 2016	<u>6,003,504</u>	<u>327,433,361</u>	<u>333,436,865</u>

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

Douglas Shire Council
Statement of Cash Flows
For the year ended 30 June 2017

	<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
Cash flows from operating activities			
Receipts from customers		35,092,885	34,349,519
Payments to suppliers and employees		<u>(30,319,844)</u>	<u>(28,567,552)</u>
		4,773,041	5,781,966
Interest received		1,004,257	1,037,587
Rental income		295,350	296,420
Non capital grants and contributions		2,204,673	1,587,259
Borrowing costs		<u>(594,407)</u>	<u>(214,701)</u>
Net cash inflow (outflow) from operating activities	23	<u>7,682,914</u>	<u>8,488,530</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(10,073,310)	(26,499,425)
Payments for intangible assets		(30,741)	-
Proceeds from sale of property plant and equipment		48,120	29,232
Net movement in investments		(7,000,000)	(3,000,000)
Grants, subsidies, contributions and donations		8,985,870	16,163,097
Net cash inflow (outflow) from investing activities		<u>(8,070,061)</u>	<u>(13,307,096)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		<u>(1,999,194)</u>	<u>(119,653)</u>
Net cash inflow (outflow) from financing activities		<u>(1,999,194)</u>	<u>(119,653)</u>
Net increase (decrease) in cash and cash equivalent held		<u>(2,386,341)</u>	<u>(4,938,219)</u>
Cash and cash equivalents at the beginning of the financial year		16,896,812	21,835,031
Cash and cash equivalents at end of the financial year	10	<u>14,510,471</u>	<u>16,896,812</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

These statements have been prepared under the historical cost convention except for some classes of Non-current assets where the revaluation method under AASB 116 has been applied.

1.2 Constitution

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

1.3 New and revised Accounting Standards

In the current period Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result, Council has disclosed information about related parties and transactions with those related parties. This information is presented in note 25.

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

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

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement* and will change the requirements for the classification, measurement and disclosures of financial assets. As a result, Council will measure its financial assets at fair value. The extent of the impact of AASB 9 has not yet been determined.

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.4 Estimates and judgements

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

Valuation of property, plant and equipment - Note 1.9(c), Note 1.9(e) and Note 14
Impairment - Property, plant and equipment - Note 1.11 and Note 13, Receivables - Note 1.7 and Note 12
Restoration provision - Note 1.15 and Note 18
Annual leave - Note 1.13(a) and Note 16
Long service leave - Note 1.13(d) and Note 18
Contingent liabilities - Note 21

1.5 Revenue Recognition

a) Rates and levies

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

b) Grants and subsidies

Grants, subsidies and contributions are recognised as revenue in the year in which Council obtains control over them. Council only receives grants, subsidies and contributions that are non-reciprocal in nature.

c) Non-cash contributions

Non-cash contributions with a value in excess of the asset capitalisation recognition thresholds, as per Note 1.9, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

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

d) Cash Contributions

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

e) Interest

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

f) Fees and Charges

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.6 Cash and cash equivalents

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

1.7 Receivables

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

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

All known bad debts were written-off at 30 June.

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

1.8 Investments

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

1.9 Property, plant and equipment

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.

a) Acquisition of assets

Acquisitions of assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs.

Property, plant and equipment received in the form of contributions, 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 to sell the asset in an orderly transaction between market participants at the measurement date.

b) Capital and operating expenditure

Wages and materials expenditure incurred for the acquisition or construction of assets is treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of the non-current asset is expensed as incurred, while expenditure that relates to replacement of a major component of an asset to maintain its service potential is capitalised.

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 cost.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

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

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

On revaluation, the carrying amount of the asset is adjusted to the revalued amount. At the date of the revaluation, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset.

d) 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.

e) Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are generally 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 and subsequent estimation of remaining useful lives performed as part of the independent revaluation process for assets measured at current replacement cost are used to estimate the characteristic and remaining useful lives of these assets at the reporting date when the revaluation is undertaken. Generally all above ground assets are individually inspected at a comprehensive 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 Note 13.

At each independent revaluation the characteristic life and remaining life for each asset is determined. In between revaluations specific significant events i.e. natural disasters result in individual asset inspections and the remaining life is changed accordingly. In all other cases the remaining life is decreased by one year between comprehensive revaluations which is consistent with the duty cycle and maintenance regime of the asset in question.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.10 Intangible assets

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

Amortisation methods, estimated useful lives and residual values are reviewed at the end of each reporting period and adjusted where appropriate. Details of the estimated useful lives assigned to each class of intangible assets are shown in Note 15.

At the reporting date intangible assets consist of software only.

1.11 Impairment of non-current assets

Property, plant and equipment is assessed for indicators of impairment annually.

1.12 Payables

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

1.13 Liabilities - employee benefits

a) Annual leave

A liability for annual leave is recognised and is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability represents an accrued expense and is reported in Note 16 as a payable.

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

b) Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 16 as a payable.

c) Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 22.

d) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 18 as a provision.

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

1.14 Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost. All borrowing costs are expensed in the period in which they are incurred.

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.15 Restoration provision

A provision is made for the cost of restoration of assets and other future restoration costs where it is probable Council will be liable, or required, to incur such a cost on the cessation of use of the facility. Further details can be found in Note 18.

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

Restoration on land not controlled by Council

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

Restoration on land controlled by Council

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

Changes to the provision resulting from the passing of time (the unwinding of the discount) are treated as a finance cost.

1.16 Asset revaluation surplus

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

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

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

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

1.17 Taxation

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

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 2017

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 2017

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

Period ended 30 June 2016

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							
	2016	2016	2016	2016		2016	2016				
\$	\$	\$	\$	\$	\$						
Corporate and Community	1,473,217	14,702,604			16,175,820	(9,952,326)	(354,419)	(10,306,745)	6,223,494	5,869,075	58,532,559
Infrastructure	114,042	4,070,758	16,169,423	1,233,278	21,587,500	(16,358,003)	(4,651,752)	(21,009,755)	(12,173,203)	577,745	189,937,091
Development and Environment		663,339			663,339	(1,684,116)		(1,684,116)	(1,020,778)	(1,020,778)	17,563
Water and Waste		16,650,677	25,612	3,633,050	20,309,340	(11,269,220)	(321,803)	(11,591,023)	5,381,457	8,718,317	97,363,346
Total Council	1,587,259	36,087,377	16,195,035	4,866,328	58,735,999	(39,263,665)	(5,327,974)	(44,591,639)	(1,589,029)	14,144,360	345,850,559

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Note	2017 \$	2016 \$
3 Revenue analysis		
(a) Rates, levies and charges		
Rates	14,382,823	13,890,298
Water	6,534,651	6,355,314
Sewerage	6,381,783	6,114,858
Waste	3,691,486	3,496,910
Less: Pensioner remissions	(405,847)	(385,914)
Net rates and utility charges	<u>30,584,895</u>	<u>29,471,466</u>
(b) Fees and charges		
Building and property fees	348,105	295,329
Ferry	2,976,310	2,784,121
Other fees and charges	1,825,596	1,645,109
	<u>5,150,011</u>	<u>4,724,559</u>
(c) Interest received		
Investments	773,874	760,800
Overdue rates and utility charges	230,383	276,787
	<u>1,004,257</u>	<u>1,037,587</u>
4 Grants, subsidies, contributions and donations		
(a) Recurrent - grants, subsidies, contributions and donations are analysed as follows:		
General purpose grants	1,937,234	1,307,167
State government subsidies and grants	267,439	280,092
	<u>2,204,673</u>	<u>1,587,259</u>
(b) Capital – grants, subsidies, contributions and donations are analysed as follows:		
(i) Monetary revenue designated for capital funding purposes:		
Government subsidies and grants	8,506,551	16,122,485
Contributions	479,318	40,612
	<u>8,985,870</u>	<u>16,163,097</u>
(ii) Non-monetary revenue received:		
Assets contributed by developers at fair value	-	31,938
	<u>8,985,870</u>	<u>16,195,035</u>
Conditions over contributions		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for expenditure on infrastructure	3,777,297	-
	<u>3,777,297</u>	<u>-</u>
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:		
Non-reciprocal grants for expenditure on infrastructure	-	1,611,322
	<u>-</u>	<u>1,611,322</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
5 Capital income			
Provision for restoration of landfill			
Decrease in restoration provision	18	454,441	2,477,825
		<u>454,441</u>	<u>2,477,825</u>
Revaluations			
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	-	1,233,278
Revaluation of Landfill restoration provision reversing previous revaluation expense		-	1,155,225
		<u>-</u>	<u>2,388,503</u>
Total capital income		<u>454,441</u>	<u>4,866,328</u>
6 Employee benefits			
Total staff wages and salaries		9,939,541	9,589,031
Councillors' remuneration		341,791	332,249
Annual, sick and long service leave entitlements		1,827,804	1,811,294
Superannuation	22	1,279,082	1,232,655
		<u>13,388,218</u>	<u>12,965,230</u>
Other employee related expenses		67,290	60,268
		<u>13,455,508</u>	<u>13,025,498</u>
Less: Capitalised employee expenses		(612,900)	(715,465)
		<u>12,842,608</u>	<u>12,310,033</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		73	72
Depot and outdoors staff		88	84
Total full time equivalent employees		<u>166</u>	<u>161</u>
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		97,000	95,000
Consultancy		1,105,754	762,439
Contractors		4,892,013	4,630,296
Communications and IT		636,025	559,341
Donations		744,357	702,439
Electricity		1,274,411	1,017,503
Insurances		631,520	710,426
Legal		276,543	187,387
Repairs and maintenance		5,864,722	5,659,411
Other materials and services		1,695,214	1,706,483
		<u>17,217,560</u>	<u>16,030,724</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
8 Finance costs			
Bank charges		77,305	73,093
Finance costs charged by the Queensland Treasury Corporation		517,102	141,608
Landfill sites - change in present value over time		62,979	184,514
		<u>657,386</u>	<u>399,215</u>
9 Capital expenses			
Revaluation decrement			
Revaluation down of property, plant and equipment	13	6,410,986	4,493,835
Gain / Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		(48,120)	(29,232)
Less: Book value of property, plant and equipment disposed of		716,313	790,863
		<u>668,193</u>	<u>761,631</u>
Loss on write-off			
Loss on write-off of assets damaged by natural disaster	13	315,709	72,509
Total capital expenses		<u>7,394,888</u>	<u>5,327,974</u>
<p>The loss on write-off of assets classified as transport assets relates to damage caused by monsoonal flooding events. The damage was mainly to roads and restoration work was undertaken with funding assistance from the Natural Disaster Relief and Recovery Arrangements (NDRRA).</p>			
10 Cash and cash equivalents			
Cash at bank and on hand		260,470	246,812
Deposits at call		1,250,000	1,650,000
Term deposits		13,000,000	15,000,000
Balance per Statement of Cash Flows		<u>14,510,470</u>	<u>16,896,812</u>
<p>Councils 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:</p>			
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		3,777,297	-
Internally imposed expenditure restrictions at the reporting date:			
Future capital works		4,000,000	4,207,598
Future constrained works		3,582,113	4,858,772
Future recurrent expenditure		41,945	41,945
Total unspent restricted cash		<u>11,401,355</u>	<u>9,108,315</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		521,958	525,090
		<u>521,958</u>	<u>525,090</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
11 Investments		
Current fixed short term investments		
Unrestricted	15,000,000	8,000,000
	<u>15,000,000</u>	<u>8,000,000</u>

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

12 Trade and other receivables

Current

Rateable revenue and utility charges	2,568,594	3,086,608
Other debtors	2,409,309	442,105
Less impairment	(131,479)	(131,589)
Accrued revenue	285,450	336,605
GST recoverable	353,598	247,639
Prepayments	185,946	328,462
	<u>5,671,418</u>	<u>4,309,829</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

13 Property, plant and equipment

30 June 2017

	Note	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste Disposal	Drainage	Work in Progress	Total
		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
		\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement										
Asset values										
Opening gross value as at 1 July 2016		25,976,233	23,263,563	5,746,374	42,640	175,554,183	132,024,359	34,302,506	3,719,802	400,629,659
Additions		-	-	-	-	-	-	-	10,073,310	10,073,310
Disposals	9	(52,613)	(150,991)	(126,712)	-	(232,230)	(502,654)	(24,241)	-	(1,089,441)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	19	(592,030)	22,008,359	-	-	-	66,964,442	-	-	88,380,771
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	1,093,830	-	-	-	1,093,830
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	(425,833)	-	-	-	(425,833)
Transfers between classes		-	51,643	(51,643)	-	(6,937)	-	6,937	-	-
Transfer to intangible assets		-	-	-	-	-	-	-	-	-
Contributed assets		-	-	-	-	-	-	-	-	-
Internal transfers from work in progress		54,841	1,159,825	871,155	-	3,585,631	3,424,016	143,754	(9,239,222)	-
Closing gross value as at 30 June 2017		25,386,431	46,332,399	6,439,174	42,640	179,568,644	201,910,163	34,428,956	4,553,890	498,662,296

Accumulated depreciation and impairment

Opening balance as at 1 July 2016		356,354	4,011,134	1,935,058	25,949	36,794,731	36,525,050	5,081,036	-	84,729,312
Depreciation provided in period		114,984	1,588,632	844,765	8,518	3,951,208	3,896,467	363,208	-	10,767,782
Depreciation on disposals	9	(7,193)	(38,623)	(75,967)	-	(70,783)	(175,580)	(4,982)	-	(373,128)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	19	476,496	12,597,890	-	-	-	49,839,545	-	-	62,913,931
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	7,504,816	-	-	-	7,504,816
Write-off assets damaged by natural disaster		-	-	-	-	(110,124)	-	-	-	(110,124)
Transfers between classes		-	12,421	(12,421)	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2017		940,641	18,171,454	2,691,435	34,467	48,069,848	90,085,482	5,439,262	-	165,432,589

Total written down value as at 30 June 2017

		24,445,790	28,160,945	3,747,739	8,172	131,498,795	111,824,681	28,989,694	4,553,890	333,229,707
Residual value		-	-	1,254,013	-	-	-	-	-	-
Range of estimated useful life in years		3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80		

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	6,645,067	6,645,067
Other additions	-	-	-	-	-	-	-	3,428,243	3,428,243
Total additions	-	-	-	-	-	-	-	10,073,310	10,073,310

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

13 Property, plant and equipment

30 June 2016

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	Other assets	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	Cost	
Basis of measurement										
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2015	25,618,611	22,871,825	5,298,355	50,969	149,139,338	130,799,666	34,302,506	184,792	5,488,758	373,754,820
Additions	635,482	443,142	502,696	-	-	-	-	-	24,918,105	26,499,425
Disposals	(246,050)	(51,404)	(54,678)	(8,329)	(72,078)	(589,535)	-	(184,792)	-	(1,206,864)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	2,356,819	-	-	-	-	2,356,819
Revaluation adjustment to income (capital income)	-	-	-	-	(711,138)	-	-	-	-	(711,138)
Write-off assets damaged by natural disaster	-	-	-	-	(95,340)	-	-	-	-	(95,340)
Transfers between classes	(31,810)	-	-	-	31,810	-	-	-	-	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	31,938	-	-	-	-	31,938
Internal transfers from work in progress	-	-	-	-	24,872,833	1,814,227	-	-	(26,687,060)	-
Closing gross value as at 30 June 2016	25,976,233	23,263,563	5,746,374	42,640	175,554,183	132,024,359	34,302,506	0	3,719,802	400,629,659

Accumulated depreciation and impairment

Opening balance as at 1 July 2015	246,454	2,407,861	1,140,935	22,306	28,543,148	32,882,584	4,723,869	63,534	-	70,030,691
Depreciation provided in period	115,420	1,613,354	825,476	10,297	3,399,788	3,909,608	357,167	105	-	10,231,216
Depreciation on disposals	(2,762)	(10,081)	(31,353)	(6,654)	(34,369)	(267,142)	-	(63,639)	-	(416,001)
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	-	-	-	-	1,123,541	-	-	-	-	1,123,541
Revaluation adjustment to expense (capital expense)	-	-	-	-	3,782,697	-	-	-	-	3,782,697
Write-off assets damaged by natural disaster	-	-	-	-	(22,831)	-	-	-	-	(22,831)
Transfers between classes	(2,757)	-	-	-	2,757	-	-	-	-	-
Accumulated depreciation as at 30 June 2016	356,354	4,011,134	1,935,058	25,949	36,794,731	36,525,050	5,081,036	0	-	84,729,312

Total written down value as at 30 June 2016

25,619,879	19,252,429	3,811,316	16,690	138,759,451	95,499,309	29,221,470	0	3,719,802	315,900,347
Residual value	-	-	1,291,967	-	-	-	-	-	-
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80	7	

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Renewals	101,779	440,026	502,696	-	-	-	-	-	21,392,434	22,436,935
Other additions	533,703	3,115	-	-	-	-	-	-	3,525,671	4,062,489
Total additions	635,482	443,142	502,696	-	-	-	-	-	24,918,105	26,499,425

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

14 Fair Value Measurements

(i) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

- Property, plant and equipment
- Land and land improvements
 - Buildings and other structures
 - Transport assets
 - Water, Sewerage and Solid waste disposal
 - Drainage

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

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)

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

There was one transfer between levels 2 and 3 during the year (nil for 2016).

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 for level 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

Land and land improvements (level 2 and 3)

Current replacement cost

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

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

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of land improvements has been determined as Level 3.

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

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

Valuation unit rates (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%)

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Buildings and other structures (level 3)

Current replacement cost

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

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of buildings and other structures has been determined as Level 3.

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

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

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

Estimated useful lives are disclosed in note 13.

Transport assets (level 3)

Current replacement cost

Road asset fair values (excluding traffic control devices, streetscaping and kerb and channel) were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2017. Current replacement cost for these assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of road assets has been determined as Level 3.

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

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

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

Valuation unit rates (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%)

Bridge assets

Bridge asset fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2016. Current replacement cost for these assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of bridge assets has been determined as Level 3.

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

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

- Cardno databases
- Scheduled rates for construction of assets or similar assets
- Cost curves derived by Cardno
- Building Price Index tables
- Rates from Rawlinson's Australian Construction Handbook
- Supplier's quotations

Valuation unit rates (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%)

No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2016 and 30 June 2017 was considered immaterial.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Other transport assets

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

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of road assets has been determined as Level 3.

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

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

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

Valuation unit rates (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%)

No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2015 and 30 June 2017 was considered immaterial.

Accumulated depreciation

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

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

Estimated useful lives are disclosed in note 13.

Water (level 3)

Current replacement cost

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

As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of water assets has been determined as Level 3.

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

Cardno's unit rates were 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.

Valuation unit rates (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, water assets were disaggregated into significant components which exhibited different useful lives.

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

Estimated useful lives are disclosed in note 13.

Sewerage and Other Infrastructure (level 3)

Current replacement cost

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

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

Douglas Shire Council
Notes to the financial statements
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As there is a significant level of professional judgement used in determining the valuation due to the level of unobservable data, the valuation of the wastewater and repeater stations assets has been determined as Level 3.

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

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

Valuation unit rates (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%)

No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2015 and 30 June 2017 was considered immaterial.

Accumulated depreciation

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

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

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

Development factors

Rural - Construction within areas categorised as rural has less restoration costs as there is generally an absence of permanent infrastructure (e.g. driveways, roads) which would need restoration at the end of the project. In addition, there would be few services to relocate and very limited traffic control would be required.

Urban - Areas zoned residential are generally contained within this category. Construction within this area would require some reinstatement of road pavement and driveways. The rate of construction would be slower due to the need to locate / relocate some services etc. Traffic control would also be required.

Estimated useful lives are disclosed in note 13.

Other sewerage assets

Sewerage treatment plant assets were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2014. No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2014 and 30 June 2017 was considered immaterial.

Solid waste disposal (level 3)

Current replacement cost

Solid waste disposal fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30 June 2014. Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2014 and 30 June 2017 was considered immaterial.

Accumulated depreciation

In determining the level of accumulated depreciation, solid waste assets were disaggregated into significant components which exhibited different useful lives.

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

Estimated useful lives are disclosed in note 13.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Drainage infrastructure (level 3)

Current replacement cost

Drainage infrastructure fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30 June 2014. Current replacement costs were calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

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

No revaluation adjustment was made as at 30 June 2017 as the movement in the relevant index between 1 July 2014 and 30 June 2017 was considered immaterial.

Accumulated depreciation

In determining the level of accumulated depreciation, drainage infrastructure assets were disaggregated into significant components which exhibited different useful lives.

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

Estimated useful lives are disclosed in note 13.

	2017	2016
	\$	\$
15 Intangible assets		
Software		
Opening gross carrying value	1,378,102	1,378,102
Transfer from work in progress	-	-
Additions	30,741	-
Disposals	(5,642)	-
Closing gross carrying value	<u>1,403,201</u>	<u>1,378,102</u>
Accumulated amortisation		
Opening balance	720,936	428,459
Amortisation in the period	295,888	292,477
Disposals	(5,642)	-
Closing balance	<u>1,011,182</u>	<u>720,936</u>
Net carrying value at end of financial year	<u><u>392,019</u></u>	<u><u>657,166</u></u>
Software has a finite life estimated at 5 years. Straight line amortisation has been used with no residual value.		
16 Trade and other payables		
Current		
Creditors and accruals	2,836,111	2,758,724
Annual leave	1,707,785	1,688,828
Other entitlements	277,787	283,414
	<u><u>4,821,683</u></u>	<u><u>4,730,965</u></u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017 \$	2016 \$
17 Borrowings		
Current		
Loans - Queensland Treasury Corporation	-	127,143
	<u>-</u>	<u>127,143</u>
Non-current		
Loans - Queensland Treasury Corporation	-	1,872,051
	<u>-</u>	<u>1,872,051</u>
Loans - Queensland Treasury Corporation		
Opening balance	1,999,194	2,118,847
Principal repayments	(1,999,194)	(119,653)
Book value at end of financial year	<u>-</u>	<u>1,999,194</u>

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. Principal and interest repayments are made monthly in arrears and no interest has been capitalised during the current reporting period. All loans were fully repaid in May 2017. There have been no defaults or breaches of the loan agreement during the period.

18 Provisions

Current		
Landfill restoration	30,001	963,001
Long service leave	1,789,951	1,792,048
	<u>1,819,952</u>	<u>2,755,049</u>
Non-current		
Landfill restoration	2,250,897	2,765,125
Long service leave	231,854	163,359
	<u>2,482,751</u>	<u>2,928,484</u>

Details of movements in provisions:

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

Council has two landfill sites located at Newell Beach and Killaloe. The provision is stated at the present value of the estimated cost of restoring the landfill sites to a standard required under licensing conditions. The provision reduced during the year as a result of restoration work undertaken and a re-estimate of the future costs to restore the landfill sites.

Long service leave	
Balance at beginning of financial year	1,955,408
Long service leave entitlement arising	225,440
Long Service entitlement paid	(159,043)
Balance at end of financial year	<u>2,021,805</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017 \$	2016 \$
19 Asset revaluation surplus		
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	6,003,504	5,063,936
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	(1,068,526)	-
Buildings and other structures	9,410,469	-
Water, Sewerage and Solid waste Disposal	17,124,897	-
Change in value of restoration costs		
Landfill	650,297	939,568
Balance at end of financial year	<u>32,120,641</u>	<u>6,003,504</u>
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	466,789	1,535,315
Buildings and other structures	10,725,147	1,314,678
Water, Sewerage and Solid waste Disposal	20,928,705	3,153,511
	<u>32,120,641</u>	<u>6,003,504</u>
20 Commitments for expenditure		
Operating expenditure		
Not later than 1 year	5,859,562	4,204,346
Later than 1 year but not later than 5 years	14,750,293	9,076,100
Later than 5 years	3,040,000	3,800,000
	<u>23,649,855</u>	<u>17,080,446</u>
Capital expenditure		
Not later than 1 year	12,758,688	1,164,989
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>12,758,688</u>	<u>1,164,989</u>
21 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 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.		
Local Government Workcare		
Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$257,745.		

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

22 Superannuation

Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in Australian Accounting Standard AASB119 *Employee Benefits*.

The Queensland Local Government Superannuation Board, the trustee of the scheme, advised that the local government superannuation scheme was a complying superannuation scheme for the purpose of the Commonwealth Superannuation Industry (Supervision) legislation.

The scheme has two elements referred to as:

The Regional Defined Benefits Fund (Regional DBF) which covers defined benefit fund members working for regional local governments; and
 The Accumulation Benefits Fund (ABF)

The ABF is a defined contribution scheme as defined in AASB 119. Council has no liability to or interest in the ABF other than the payment of the statutory contributions as required by the *Local Government Act 2009*.

Council does not have any employees who are members of the CDBF and, therefore, is not exposed to the obligations, assets or costs associated with this fund.

The Regional DBF is a defined benefit plan as defined in AASB119. Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

To ensure the ongoing solvency of the Regional DBF, the scheme's trustee can vary the rate of contributions from relevant local government employers subject to advice from the scheme's actuary. As at the reporting date, no changes had been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

Any amount by which the fund is over or under funded would only affect future benefits and contributions to the Regional DBF, and is not an asset or liability of Council. Accordingly there is no recognition in the financial statements of any over or under funding of the scheme.

As at the reporting date the assets of the scheme are sufficient to meet the vested benefits.

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015 the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date".

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

Under the Local Government Act 2009 the trustee of the scheme has the power to levy additional contributions on councils which have employees in the Regional DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.

There are currently 65 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 65 entities. Douglas Shire Council made less than 4% of the total contributions to the plan in the 2016/17 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

	<u>Note</u>	<u>2017</u> <u>\$</u>	<u>2016</u> <u>\$</u>
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,279,082	1,232,655

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	2017 \$	2016 \$
	<u> </u>	<u> </u>
23 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities		
Net result	222,953	14,144,360
Non-cash items:		
Depreciation and amortisation	11,063,670	10,523,693
Revaluation adjustments	6,410,986	2,105,331
Loss on asset write-off	315,709	72,509
Change in future rehabilitation and restoration costs	(391,462)	(2,293,311)
	<u>17,398,903</u>	<u>10,408,222</u>
Investing and development activities:		
Net profit or loss on disposal of non-current assets	668,193	761,631
Capital grants and contributions	(8,985,870)	(16,195,035)
	<u>(8,317,676)</u>	<u>(15,433,404)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(1,361,589)	(403,852)
(Increase)/decrease in inventory	(11,323)	18,036
Increase/(decrease) in payables	90,718	(244,718)
Increase/(decrease) in liabilities	-	-
Increase/(decrease) in other provisions	(339,072)	(113)
	<u>(1,621,265)</u>	<u>(630,648)</u>
Net cash inflow from operating activities	<u><u>7,682,914</u></u>	<u><u>8,488,530</u></u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

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.

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 the 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 Council.

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

	Note	2017	2016
		\$	\$
Financial assets			
Cash and cash equivalents	10	14,510,470	16,896,812
Receivables - rates	12	2,568,594	3,086,608
Receivables - other	12	3,102,824	1,223,221
Other financial assets	11	15,000,000	8,000,000
Total financial assets		<u>35,181,888</u>	<u>29,206,641</u>

Cash and cash equivalents

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

Other financial assets

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

Trade and other receivables

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

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

	2017	2016
	\$	\$
Not past due	4,613,016	2,832,037
Past due 31-60 days	6,820	36,206
Past due 61-90 days	2,359	5,061
More than 90 days	1,180,703	1,568,115
Impaired	(131,479)	(131,589)
Total	<u>5,671,418</u>	<u>4,309,829</u>

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.

The following table sets out the liquidity risk in relation to financial liabilities held by Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2017					
Trade and other payables	2,836,111	-	-	2,836,111	2,836,111
Loans - QTC	-	-	-	-	-
	<u>2,836,111</u>	<u>-</u>	<u>-</u>	<u>2,836,111</u>	<u>2,836,111</u>
2016					
Trade and other payables	2,758,724	-	-	2,758,724	2,758,724
Loans - QTC	265,185	1,060,740	1,550,179	2,876,104	2,137,236
	<u>3,023,909</u>	<u>1,060,740</u>	<u>1,550,179</u>	<u>5,634,828</u>	<u>4,895,960</u>

The outflows in the above table are not expected to occur significantly earlier or for significantly different amounts than indicated in the table.

Market risk

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

Interest rate risk

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

Sensitivity

Sensitivity to interest rate movements is shown for variable financial assets and liabilities based on the carrying amount at reporting date.

The following interest rate sensitivity analysis depicts what effect a reasonably possible change in interest rates (assumed to be 1%) would have on the profit and equity, based on the carrying values at the end of the reporting period. The calculation assumes that the change in interest rates would be held constant over the period.

	Net carrying amount \$	Effect on Net Result		Effect on Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
2017					
Deposits at call	1,250,000	12,500	(12,500)	12,500	(12,500)
Short term deposits	28,000,000	280,000	(280,000)	280,000	(280,000)
Loans - QTC*	-	-	-	-	-
Net total	29,250,000	292,500	(292,500)	292,500	(292,500)
2016					
Deposits at call	1,650,000	16,500	(16,500)	16,500	(16,500)
Short term deposits	23,000,000	230,000	(230,000)	230,000	(230,000)
Loans - QTC*	(1,999,194)	(19,992)	19,992	(19,992)	19,992
Net total	22,650,806	226,508	(226,508)	226,508	(226,508)

*All QTC loans previously held by Council were fully repaid during the reporting period.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2017

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 for 2016/17 comprises:

	2017
	\$
Short-term employee benefits	798,463
Post-employment benefits	85,787
Long-term benefits	12,080
Termination benefits	-
Total	896,330

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

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

Amounts paid or payable by Council to other related parties - \$242,714.

All purchases were at arm's length and were in the normal course of council operations.

(c) Loans and guarantees to/from related parties

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

(d) 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 2017

Management Certificate
For the year ended 30 June 2017

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

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

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

Mayor
Julia Leu

Chief Executive Officer
Linda Cardew

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2017

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2017 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-5%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	59%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-65%	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 2017.

Certificate of Accuracy
For the year ended 30 June 2017

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

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

Mayor
Julia Leu

Chief Executive Officer
Linda Cardew

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2017

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2017	Projected for the years ended								
				30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Council												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-5%	-4%	-2%	0%	1%	1%	2%	2%	3%	3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	59%	66%	82%	91%	91%	91%	91%	91%	91%	91%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-65%	-29%	-29%	-27%	-28%	-27%	-27%	-27%	-28%	-29%

Douglas Shire Council's Financial Management Strategy

Council measures revenue and expenditure trends over time as a guide to future requirements and to make decisions about the efficient allocation of resources to ensure the most effective provision of services. Council ensures that its financial management strategy is prudent and that its long-term financial forecast shows a sound financial position whilst also being able to meet the community's current and future needs.

Certificate of Accuracy

For the long-term financial sustainability statement prepared as at 30 June 2017

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

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

 Mayor
 Julia Leu

 Chief Executive Officer
 Linda Cardew

Date: ____/____/____

Date: ____/____/____