



DOUGLAS SHIRE COUNCIL

SPECIAL COUNCIL MEETING

AGENDA

Thursday, 11 October 2018

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

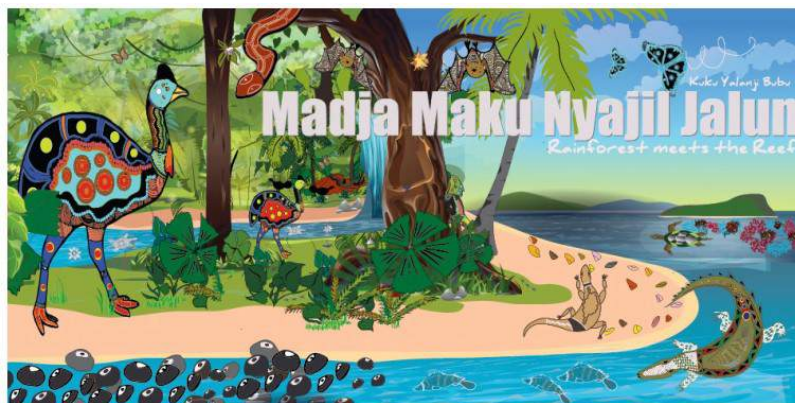
DOUGLAS
SHIRE COUNCIL

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 Council's website www.douglas.qld.gov.au



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



A **Special Meeting** of the Douglas Shire Council will be held on **Thursday, 11 October 2018 at 12:30p.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 be "M. St.", with a long horizontal line extending to the right.

CHIEF EXECUTIVE OFFICER

**DOUGLAS SHIRE COUNCIL
SPECIAL MEETING
THURSDAY, 11 OCTOBER 2018
12:30PM
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3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018.....5

3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

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 2018 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 2018 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$778k compared to a (revised) budgeted operating deficit of \$1.4m.
- the cash position at the end of the year is \$23.6m.
- 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 \$778k compared to a budgeted operating deficit of \$1.4m. This represents a \$644k or 45% improvement over the (revised) budget.

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

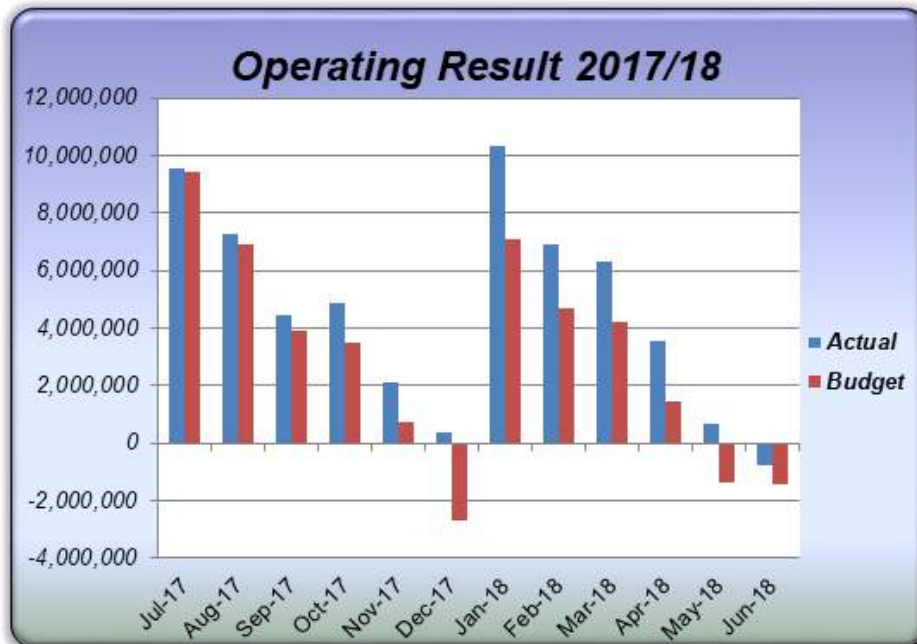


Figure 1.

Capital Income

Includes a decrease in the landfill restoration provision and an upwards revaluation of property, plant and equipment which offsets a previous decrease.

Capital Expenses

Includes a Landfill revaluation 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 \$23.6m (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
		Original	Revised			
Council's performance at 30 June 2018 against key financial ratios and targets:						
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-4%	-3%	-2%	between 0% and 10%	Yes/Yes
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	66%	106%	105%	greater than 90%	Yes/Same
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-29%	-29%	-45%	not greater than 60%	Same/Yes

Figure 2.

The Operating surplus ratio has improved compared to the budget and revised budget. Council continues to increase its focus on asset renewals and the Asset sustainability ratio is in line with revised budget expectations and exceeds the required target percentage. The Net financial liabilities ratio has also improved, is well ahead of the required target percentage and indicates a healthy balance sheet.

Community Financial Report

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

PROPOSAL

That Council adopts the financial statements and authorises the Mayor and 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 2018 **[3.1.1]**



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

Douglas Shire Council

Financial statements

For the year ended 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

1 Significant accounting policies

1.1 Basis of preparation

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

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

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

1.2 Constitution

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

1.3 New and revised Accounting Standards

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

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

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

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

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

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

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

1.4 Estimates and judgements

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

Valuation and depreciation of property, plant and equipment - Note 13
 Provisions - Note 1.11(d), Note 1.12 and Note 16
 Contingent liabilities - Note 19

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

1.5 Revenue Recognition

a) Rates and levies

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

b) Grants and subsidies

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

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

c) Non-cash contributions

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

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

d) Cash Contributions

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

e) Interest

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

f) Fees and Charges

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

g) Share of proceeds from sale of operational trust land

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

h) Contract and recoverable works revenue

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

1.6 Cash and cash equivalents

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

1.7 Receivables

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

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

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

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

1.8 Investments

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

1.9 Intangible assets

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

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

At the reporting date intangible assets consist of software only.

1.10 Payables

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

1.11 Liabilities - employee benefits

a) Annual leave

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

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

b) Sick leave

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

c) **Superannuation**

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

d) **Long service leave**

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 16 as a provision.

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

1.12 Restoration provision

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

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

Restoration on land not controlled by Council

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

Restoration on land controlled by Council

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

1.13 Asset revaluation surplus

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

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

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

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

1.14 Taxation

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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 2018

2 Analysis of results by function

(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2018

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

Year ended 30 June 2017

Functions	Gross program income				Total income	Gross program expenses		Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2017	2017	2017	2017		2017	2017				
\$	\$	\$	\$	\$	\$						
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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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

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

Total Council employees at the reporting date:

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

7 Materials and services

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

8 Finance costs

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

9 Capital expenses

Property restoration: Landfill sites

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

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

Revaluation decrement

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

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

Loss on write-off

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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

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

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

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

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

Trust funds held for outside parties

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

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

11 Investments

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

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

12 Trade and other receivables

Current

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

13 Property, plant and equipment

30 June 2018

	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 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
Additions									27,605,294	27,605,294
Disposals	9	(100,000)	(315,300)	(313,274)		(265,390)	(839,392)			(1,833,356)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17		(131,076)				2,358,054			2,226,978
Revaluation adjustment to expense (capital expense)	9									-
Revaluation adjustment to income (capital income)	5					2,196,057		1,307,415		3,503,472
Write-off assets damaged by natural disaster						(1,649,911)		(43,750)		(1,693,661)
Transfers between classes										-
Assets classified as held for sale		(250,000)								(250,000)
Contributed assets				33,870		536,850	380,048	609,893	(1,560,661)	-
Internal transfers from work in progress		2,668,963	1,123,902	753,773		5,534,881	4,877,534	254,492	(15,213,545)	-
Closing gross value as at 30 June 2018		27,705,394	47,009,925	6,913,543	42,640	185,921,131	208,686,407	36,557,006	15,384,978	528,221,023

Accumulated depreciation

Opening balance as at 1 July 2017		940,641	18,171,454	2,691,435	34,467	48,069,848	90,085,482	5,439,262	-	165,432,589
Depreciation provided in period		144,968	1,336,297	750,579	4,679	3,744,121	4,234,964	384,560		10,600,168
Depreciation on disposals	9		(141,521)	(230,154)		(100,300)	(489,739)			(961,714)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	17	36	(22,158)				1,603,801			1,581,679
Revaluation adjustment to income (capital income)	5					907,236		433,610		1,340,846
Revaluation adjustment to expense (capital expense)	9									-
Write-off assets damaged by natural disaster						(694,853)		(6,458)		(701,311)
Transfers between classes										-
Accumulated depreciation as at 30 June 2018		1,085,645	19,344,072	3,211,860	39,146	51,926,052	95,434,508	6,250,974	-	177,292,257

Total written down value as at 30 June 2018

Residual value		-	-	1,424,524	-	-	-	-		
Range of estimated useful life in years		3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80		

Additions comprise:

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

13 Property, plant and equipment

30 June 2017

	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	Note
										Fair Value
	\$	\$	\$	\$	\$	\$	\$	\$	\$	
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	(52,613)	(150,991)	(126,712)	-	(232,230)	(502,654)	(24,241)	-	(1,089,441)	9
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	(592,030)	22,008,359	-	-	-	66,964,442	-	-	88,380,771	17
Revaluation adjustment to expense (capital expense)	-	-	-	-	1,093,830	-	-	-	1,093,830	9
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

Opening balance as at 1 July 2016	356,354	4,011,134	1,935,058	25,949	36,794,731	36,525,050	5,081,036	-	84,729,312	
Depreciation provided in period	114,984	1,588,632	844,765	8,518	3,951,208	3,896,467	363,208	-	10,767,782	
Depreciation on disposals	(7,193)	(38,623)	(75,967)	-	(70,783)	(175,580)	(4,982)	-	(373,128)	9
Revaluation adjustment to asset revaluation surplus	476,496	12,597,890	-	-	-	49,839,545	-	-	62,913,931	17
Revaluation adjustment to income (capital income)	-	-	-	-	-	-	-	-	-	5
Revaluation adjustment to expense (capital expense)	-	-	-	-	7,504,816	-	-	-	7,504,816	9
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

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 2018

13 Property, plant and equipment

a) Recognition

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

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

b) Measurement

Assets are initially recorded at cost. Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including freight in, architect's fees and engineering design fees and all other establishment costs. Subsequently, each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss.

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

c) Valuation

Land and improvements, buildings and all infrastructure assets are measured at fair value. Other plant and equipment, office furniture and fittings, other assets and work in progress are measured at historic cost.

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

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

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any changes in the estimated remaining useful life.

(i) Recognised fair value measurements

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

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

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

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

(ii) Valuation techniques used to derive fair values

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

Land and land improvements (level 2 and 3)

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

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

Buildings and other structures (level 3)

Current replacement cost

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

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

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

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

Accumulated depreciation

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

Transport assets (level 3)

Current replacement cost

Road assets

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

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

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

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

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

Bridge assets

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

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

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

Bloomfield River Bridge

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

Other transport assets

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

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

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

Accumulated depreciation

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

Water, Sewerage and Solid Waste Disposal (level 3)

Water

Current replacement cost

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

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

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

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

Accumulated depreciation

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

Sewerage

Current replacement cost

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

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

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

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

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

Accumulated depreciation

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

Other sewerage assets

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

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

Solid waste disposal

Current replacement cost

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

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

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

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

Accumulated depreciation

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

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

Drainage infrastructure (level 3)

Current replacement cost

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

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

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

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

Accumulated depreciation

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

d) Capital and operating expenditure

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

e) Capital work in progress

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

f) Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence. The condition assessments performed as part of the comprehensive revaluation process for assets measured at current replacement cost are used to estimate the remaining useful lives of these assets at each reporting date. Generally all above ground assets are individually inspected during a revaluation and a statistically significant sample of below ground assets are inspected in accordance with industry standards. Details of the range of estimated characteristic useful lives for each class of asset are shown in the table in Note 13.

g) Impairment of non-current assets

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

	2018 \$	2017 \$
14 Intangible assets		
Software		
Opening gross carrying value	1,403,201	1,378,102
Additions	-	30,741
Disposals	-	(5,642)
Closing gross carrying value	<u>1,403,201</u>	<u>1,403,201</u>
Accumulated amortisation		
Opening balance	1,011,182	720,936
Amortisation in the period	251,131	295,888
Disposals	-	(5,642)
Closing balance	<u>1,262,313</u>	<u>1,011,182</u>
Net carrying value at end of financial year	<u>140,888</u>	<u>392,019</u>

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

15 Trade and other payables

Current

Creditors and accruals	4,081,231	2,836,111
Annual leave	1,725,624	1,707,785
Sick leave	297,056	277,787
	<u>6,103,911</u>	<u>4,821,683</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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

Details of movements in provisions:

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

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

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

17 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

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

Asset revaluation surplus analysis

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

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

18 Commitments for expenditure

Operating expenditure

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

Capital expenditure

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

19 Contingent liabilities

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

Local Government Mutual

Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution to the total pool contributions in respect to any year that a deficit arises.

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

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$313,187.

20 Superannuation

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

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

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

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

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

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

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

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

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

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

22 Events after the reporting period

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

There were no material adjusting events after the balance date.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

23 Financial instruments and financial risk management

Financial assets and financial liabilities

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

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

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

Council does not enter into derivatives.

Credit risk

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

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

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

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

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

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

Cash and cash equivalents

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

Other financial assets

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

Trade and other receivables

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

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

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

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

Market risk

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

Interest rate risk

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

Sensitivity

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2018

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

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

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

Detailed remuneration disclosures are provided in the annual report.

(b) Transactions with other related parties

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

Details of transactions between Council and other related parties are disclosed below:

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

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

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

(c) Outstanding balances

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

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

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

(d) Loans and guarantees to/from related parties

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

(e) Transactions with related parties that have not been disclosed.

Most of the entities and people that are related parties of Council live and operate within the Douglas Shire. Therefore, on a regular basis ordinary citizen transactions occur between Council and its related parties. Some examples include:

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

Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

Douglas Shire Council
Financial statements
For the year ended 30 June 2018

Management Certificate
For the year ended 30 June 2018

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

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

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

Mayor
Julia Leu

Chief Executive Officer
Mark Stoermer

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2018

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2018 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	105%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-45%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2018.

Certificate of Accuracy
For the year ended 30 June 2018

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

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

Mayor
Julia Leu

Chief Executive Officer
Mark Stoermer

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Long-Term Financial Sustainability Statement - Unaudited
Prepared as at 30 June 2018

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2018	Projected for the years ended								
				30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027
Council												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-2%	-2%	0%	0%	1%	1%	2%	2%	2%	3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	105%	99%	90%	90%	90%	91%	91%	91%	91%	91%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-45%	-32%	-29%	-27%	-27%	-27%	-27%	-27%	-29%	-29%

Douglas Shire Council's Financial Management Strategy

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

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

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

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

Mayor
Julia Leu

Chief Executive Officer
Mark Stoermer

Date: ____/____/____

Date: ____/____/____