



**Douglas Shire Council  
Financial Statements  
for the year ended 30 June 2015**

# Douglas Shire Council

## Financial statements

### For the year ended 30 June 2015

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**Douglas Shire Council**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2015**

		2015	2014
	Note	\$	Jan 1 - Jun 30 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3(a)	28,122,320	13,212,121
Fees and charges	3(b)	4,655,890	1,273,165
Rental income		272,314	302,543
Interest received	3(c)	1,123,392	372,939
Other recurrent revenue		576,585	935,684
Grants, subsidies, contributions and donations	4(a)	2,178,788	244,932
		<u>36,929,289</u>	<u>16,341,383</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	8,476,780	510,441
<b>Total revenue</b>		<u>45,406,069</u>	<u>16,851,825</u>
<b>Gain on restructure of local government</b>	13	-	339,632,547
<b>Capital income</b>	5	2,001,411	22,876
<b>Total income</b>		<u>47,407,480</u>	<u>356,507,248</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(11,338,883)	(5,574,636)
Materials and services	7	(16,137,571)	(10,437,177)
Finance costs	8	(429,645)	(87,369)
Depreciation and amortisation	14&16	(10,122,645)	(5,443,314)
		<u>(38,028,744)</u>	<u>(21,542,496)</u>
<b>Capital expenses</b>	9	(19,410,580)	(13,749,606)
<b>Total expenses</b>		<u>(57,439,324)</u>	<u>(35,292,102)</u>
<b>Net result</b>		<u>(10,031,844)</u>	<u>321,215,145</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in asset revaluation surplus	20	5,063,936	-
<b>Total other comprehensive income for the year</b>		<u>5,063,936</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>(4,967,908)</u>	<u>321,215,145</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 2015**

		2015	2014
	Note	\$	Jan 1 - Jun 30 \$
<b>Current assets</b>			
Cash and cash equivalents	10	21,835,031	16,062,186
Investments	11	5,000,000	2,000,000
Trade and other receivables	12	3,905,977	6,927,846
Inventories		104,441	65,255
<b>Total current assets</b>		<u>30,845,449</u>	<u>25,055,288</u>
<b>Non-current assets</b>			
Property, plant and equipment	14	301,618,429	310,936,001
Intangible assets	16	949,643	1,164,770
<b>Total non-current assets</b>		<u>302,568,072</u>	<u>312,100,771</u>
<b>Total assets</b>		<u>333,413,521</u>	<u>337,156,059</u>
<b>Current liabilities</b>			
Trade and other payables	17	4,975,683	4,784,560
Borrowings	18	115,061	112,375
Provisions	19	3,170,140	1,846,708
<b>Total current liabilities</b>		<u>8,260,884</u>	<u>6,743,643</u>
<b>Non-current liabilities</b>			
Borrowings	18	2,003,785	2,118,413
Provisions	19	6,901,611	7,078,857
<b>Total non-current liabilities</b>		<u>8,905,397</u>	<u>9,197,270</u>
<b>Total liabilities</b>		<u>17,166,281</u>	<u>15,940,912</u>
<b>Net community assets</b>		<u>316,247,240</u>	<u>321,215,146</u>
<b>Community equity</b>			
Asset revaluation surplus	20	5,063,936	-
Retained surplus/(deficiency)		311,183,301	321,215,145
<b>Total community equity</b>		<u>316,247,237</u>	<u>321,215,145</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 2015**

	Asset revaluation surplus 20	Retained Surplus	Total
<u>Note</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
<b>Balance as at 1 July 2014</b>	-	321,215,145	321,215,145
Net operating result		(10,031,844)	(10,031,844)
Other comprehensive income for the year			
Increase in asset revaluation surplus	5,063,936		5,063,936
<b>Total comprehensive income for the period</b>	<u>5,063,936</u>	<u>(10,031,844)</u>	<u>(4,967,908)</u>
<b>Balance as at 30 June 2015</b>	<u>5,063,936</u>	<u>311,183,301</u>	<u>316,247,237</u>
<b>Balance as at 1 January 2014</b>	-	-	-
Net operating result		321,215,145	321,215,145
Other comprehensive income for the year			
Increase in asset revaluation surplus	-		-
<b>Total comprehensive income for the period</b>	<u>-</u>	<u>321,215,145</u>	<u>321,215,145</u>
<b>Balance as at 30 June 2014</b>	<u>-</u>	<u>321,215,145</u>	<u>321,215,145</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 2015**

	<u>Note</u>	<u>2015</u> \$	<u>2014</u> Jan 1 - Jun 30 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		36,376,664	13,088,575
Payments to suppliers and employees		<u>(27,173,867)</u>	<u>(13,262,007)</u>
		9,202,796	(173,432)
Interest received		1,123,392	372,939
Rental income		272,314	302,543
Non capital grants and contributions		2,178,788	244,932
Borrowing costs		<u>(212,889)</u>	<u>(87,369)</u>
<b>Net cash inflow (outflow) from operating activities</b>	25	<u>12,564,401</u>	<u>659,613</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(10,233,525)	(1,807,057)
Payments for intangible assets		(74,185)	(971,144)
Proceeds from sale of property plant and equipment		61,936	50,251
Net movement in investments		(3,000,000)	(2,000,000)
Grants, subsidies, contributions and donations		<u>6,566,159</u>	<u>451,006</u>
<b>Net cash inflow (outflow) from investing activities</b>		<u>(6,679,616)</u>	<u>(4,276,944)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	-
Repayment of borrowings		<u>(111,940)</u>	<u>(51,706)</u>
<b>Net cash inflow (outflow) from financing activities</b>		<u>(111,940)</u>	<u>(51,706)</u>
<b>Net increase (decrease) in cash and cash equivalent held</b>		<u>5,772,846</u>	<u>(3,669,037)</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		16,062,185	19,731,222
<b>Cash and cash equivalents at end of the financial year</b>	10	<u>21,835,031</u>	<u>16,062,185</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 2015**

**1 Significant accounting policies**

**1.1 Basis of preparation**

These general purpose financial statements are for the period 1 July 2014 to 30 June 2015 and comparative information is for the period 1 January to 30 June 2014 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

These financial 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.

Comparative information has been re-classified where necessary, to be consistent with disclosures in the current reporting period.

**1.2 Statement of compliance**

These general purpose financial statements comply with all accounting standards and interpretations issued by the AASB that are relevant to Council's operations and effective for the current reporting period.

**1.3 Adoption of new and revised Accounting Standards**

In the current period, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were issued but not yet effective.

**AASB 9 Financial Instruments (effective from 1 January 2018)**

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met. The extent of the impact of AASB 9 has not yet been determined.

**AASB 15 Revenue from Contracts with Customers (effective 1 January 2017)**

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers. Council is still to determine whether it will have any material impact.

**AASB 2015-6 Amendments to Australian Accounting Standards - Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (AASB 10, AASB 124 & AASB 1049) (effective 1 July 2016)**

The applicability of this standard to Council may mean the disclosure of more information about related parties and transactions with those parties. Related parties will include the Mayor, Councillors and some Council staff. In addition, close family members of those people and any organisations that they control or are associated with will be classified as related parties.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

**1.4 Critical accounting judgements and key sources of estimation uncertainty**

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

- Valuation of property, plant and equipment - Note 1.12(c), Note 1.12(e) and Note 15
- Impairment - Property, plant and equipment - Note 1.14 and Note 14, Receivables - Note 1.10 and Note 12
- Restoration provision - Note 1.18(a) and Note 19
- Annual leave - Note 1.16(b) and Note 17
- Long service leave - Note 1.16(e) and Note 19
- Contingent liabilities - Note 22

**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 1.12, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.

Physical assets contributed to Council by developers in the form of roadworks, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when 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 2015**

**1.9 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.

**1.10 Receivables**

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price or contract price. Settlement of these amounts is required within 30 days from invoice date.

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.

Because 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.

**1.11 Investments**

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

**1.12 Property, plant and equipment**

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. All items of plant and equipment have an asset capitalisation threshold of \$5,000 except for:

- Land and library books which have no threshold; and
- Computers, communications equipment and office furniture and fittings which have a capitalisation threshold of \$1,000.

'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. Networked assets include computers, communication equipment and 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 by Council valuation 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 on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. 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 2015**

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.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

**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. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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

Where assets have separately identifiable 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 the 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 comprehensive revaluation process for assets measured at depreciated current replacement cost are used to estimate the characteristic and remaining useful lives of these assets at each reporting date. 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 14.

At each comprehensive 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 2015**

**1.13 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 16.

At the reporting date intangible assets consist of software only.

**1.14 Impairment of non-current assets**

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually.

**1.15 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.

**1.16 Liabilities - employee benefits**

**a) Salaries and wages**

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 17 as a payable.

**b) 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 17 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.

**c) 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 17 as a payable.

**d) 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 23.

**e) 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 or other associated employment which would result in Council being required to meet the liability. 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 19 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.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

**1.17 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. No borrowing costs are capitalised on qualifying assets.

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.

In accordance with the *Local Government Regulation 2012* Council adopts an annual debt policy that sets out Council's planned borrowings for the next ten years.

**1.18 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 19.

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 land. 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.

**1.19 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.

**1.20 Taxation**

Income of local authorities 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 2015**

**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 2015**

**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 2015**

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							
	2015	2015	2015	2015		2015	2015				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate and Community	1,408,023	14,095,712		2,203	15,505,938	(8,952,272)		(8,952,272)	6,551,463	6,553,666	58,361,759
Infrastructure	770,765	3,907,609	6,704,939	28,496	11,411,809	(16,344,076)	(18,631,800)	(34,975,876)	(11,665,702)	(23,564,067)	175,075,939
Development and Environment		871,064			871,064	(2,013,207)		(2,013,207)	(1,142,143)	(1,142,143)	
Water and Waste		15,876,117	1,771,841	1,970,712	19,618,670	(10,719,188)	(778,780)	(11,497,968)	5,156,929	8,120,702	99,975,823
<b>Total Council</b>	<b>2,178,788</b>	<b>34,750,502</b>	<b>8,476,780</b>	<b>2,001,411</b>	<b>47,407,481</b>	<b>(38,028,743)</b>	<b>(19,410,580)</b>	<b>(57,439,323)</b>	<b>(1,099,453)</b>	<b>(10,031,842)</b>	<b>333,413,521</b>

**Period ended 30 June 2014**

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							
	2014	2014	2014	2014		2014	2014				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate and Community	145,640	6,601,292	12,000	339,632,547	346,391,479	(4,502,378)	(2,210,064)	(6,712,442)	2,244,554	339,679,036	51,257,446
Infrastructure	98,292	1,893,872	463,677	22,876	2,478,717	(10,698,186)	(8,406,153)	(19,104,339)	(8,706,022)	(16,625,622)	189,021,661
Development and Environment	1,000	380,872			381,872	(784,798)	-	(784,798)	(402,926)	(402,926)	-
Water and Waste		7,220,414	34,764	-	7,255,178	(5,557,134)	(3,133,389)	(8,690,523)	1,663,281	(1,435,345)	96,876,950
<b>Total Council</b>	<b>244,932</b>	<b>16,096,450</b>	<b>510,441</b>	<b>339,655,423</b>	<b>356,507,246</b>	<b>(21,542,496)</b>	<b>(13,749,607)</b>	<b>(35,292,102)</b>	<b>(5,201,113)</b>	<b>321,215,144</b>	<b>337,156,057</b>

\*The Net result from recurrent operations for the period ended 30 June 2014 includes de-amalgamation expenses of \$2,613,483

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

	2015	2014
Note	\$	Jan 1 - Jun 30
	\$	\$
<b>3 Revenue analysis</b>		
<b>(a) Rates, levies and charges</b>		
Rates	13,227,410	6,201,838
Water	6,104,040	2,678,521
Sewerage	5,823,073	2,753,125
Waste	3,321,138	1,729,155
Less: Pensioner remissions	(353,341)	(150,518)
Net rates and utility charges	28,122,320	13,212,121
<b>(b) Fees and charges</b>		
Building and property fees	518,281	196,774
Ferry	2,542,487	822,178
Other fees and charges	1,595,122	254,212
	4,655,890	1,273,165
<b>(c) Interest received</b>		
Investments	801,196	207,216
Overdue rates and utility charges	322,196	165,723
	1,123,392	372,939
<b>4 Grants, subsidies, contributions and donations</b>		
<b>(a) Recurrent - grants, subsidies, contributions and donations are analysed as follows:</b>		
General purpose grants	1,340,794	143,800
State government subsidies and grants	837,994	101,132
	2,178,788	244,932
<b>(b) Capital – grants, subsidies, contributions and donations are analysed as follows:</b>		
<b>(i) Monetary revenue designated for capital funding purposes:</b>		
Government subsidies and grants	5,586,564	414,342
Contributions	979,595	36,664
	6,566,159	451,006
<b>(ii) Non-monetary revenue received:</b>		
Assets contributed by developers at fair value	1,910,621	59,435
	8,476,780	510,441
<b>Conditions over contributions</b>		
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	1,611,322	238,818
	1,611,322	238,818
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	238,818	-
	238,818	-

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

		2015	2014
	Note	\$	Jan 1 - Jun 30 \$
<b>5 Capital income</b>			
<b>Gain on disposal of non-current assets</b>			
Proceeds from the sale of property, plant and equipment		61,936	50,251
Less: Book value of property, plant and equipment disposed of		(38,687)	(27,375)
		<u>23,249</u>	<u>22,876</u>
<b>Revaluations</b>			
Revaluation up of property, plant and equipment reversing previous revaluation down	14	1,978,162	-
		<u>1,978,162</u>	<u>-</u>
Total capital income		<u>2,001,411</u>	<u>22,876</u>

**6 Employee benefits**

Total staff wages and salaries		8,705,057	4,106,861
Councillors' remuneration		322,884	102,878
Annual, sick and long service leave entitlements		1,630,508	889,890
Superannuation	23	1,097,156	485,249
		<u>11,755,605</u>	<u>5,584,878</u>
Other employee related expenses		48,159	6,969
		<u>11,803,764</u>	<u>5,591,848</u>
Less: Capitalised employee expenses		(464,881)	(17,212)
		<u>11,338,883</u>	<u>5,574,636</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	64	66
Depot and outdoors staff	82	78
Total full time equivalent employees	<u>151</u>	<u>149</u>

**7 Materials and services**

Audit of annual financial statements by the Auditor-General of Queensland	98,000	81,000
Consultancy	739,725	457,858
Contractors	4,912,580	2,110,948
Communications and IT	610,803	149,869
Donations	720,954	306,695
Electricity	1,124,825	404,985
Insurances	711,757	262,554
Legal	458,054	152,446
Repairs and maintenance	5,038,197	2,834,211
Other materials and services	1,722,676	1,063,128
De-amalgamation costs	-	2,613,483
	<u>16,137,571</u>	<u>10,437,177</u>

**8 Finance costs**

Bank charges	69,885	13,866
Finance costs charged by the Queensland Treasury Corporation	143,004	73,503
Landfill sites - change in present value over time	216,756	-
	<u>429,645</u>	<u>87,369</u>



**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

		2015	2014
	Note	\$	Jan 1 - Jun 30 \$
<b>9 Capital expenses</b>			
<b>Property restoration: Landfill sites</b>			
Discount rate adjustment to refuse restoration provision	19	778,780	-
		<u>778,780</u>	<u>-</u>
The discount rate adjustment to the landfill restoration liability was adjusted against expenses as there was an insufficient asset revaluation surplus in the relevant asset class.			
<b>Revaluation decrement</b>			
Revaluation down of property, plant and equipment	14	18,631,800	5,343,454
<b>Loss on write-off</b>			
Loss on write-off of assets damaged by natural disaster	14	-	8,406,153
Total capital expenses		<u>19,410,580</u>	<u>13,749,606</u>

The loss on write-off of assets classified as transport assets relates to damage caused by two natural disasters in early 2014 (a monsoonal event and Cyclone Ita). The damage is mainly to roads and restoration work will include rock protection, road reconstruction, resheeting and surface re-instatement and will be undertaken with funding assistance from the Natural Disaster Relief and Recovery Arrangements (NDRRA).

**10 Cash and cash equivalents**

Cash at bank and on hand	535,031	562,186
Deposits at call	6,300,000	15,500,000
Term deposits	15,000,000	-
Balance per Statement of Cash Flows	<u>21,835,031</u>	<u>16,062,186</u>

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:

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

Unspent government grants and subsidies	1,611,322	238,818
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Internally imposed expenditure restrictions at the reporting date:

Future capital works	3,407,583	3,002,704
Future constrained works	5,852,448	6,160,551
Future recurrent expenditure	41,945	41,945
Total unspent restricted cash	<u>10,913,298</u>	<u>9,444,018</u>

**11 Investments**

Current fixed short term investments		
Unrestricted	5,000,000	2,000,000
	<u>5,000,000</u>	<u>2,000,000</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.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

	2015	2014
Note	\$	Jan 1 - Jun 30
	\$	\$
<b>12 Trade and other receivables</b>		
<b>Current</b>		
Rateable revenue and utility charges	3,181,823	3,888,466
Other debtors	245,870	1,817,178
Less impairment	(132,834)	(161,431)
Accrued revenue	315,847	1,256,250
GST recoverable	248,777	127,383
Prepayments	46,494	-
	3,905,977	6,927,846

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

Movement in accumulated impairment losses (other debtors) is as follows:

Opening balance at 1 July 2014	161,431	161,431
Impairments reversed	(28,597)	-
Closing Balance at 30 June	132,834	161,431

**13 Gain on restructure of local government**

As a result of the Local Government (De-amalgamation Implementation) Regulation 2013 (LGDIR) the Douglas Shire Council was re-established on 1 January 2014, based on the boundaries as they existed immediately prior to the 2008 amalgamations. The de-amalgamation was conducted in accordance with the LGDIR and De-amalgamation Transfer Methodology. A Transfer Committee was responsible for making decisions on matters such as the transfer of assets and liabilities to Douglas Shire Council, establishment of joint agreements to ensure continuity of business and deciding on de-amalgamation costs. The assets and liabilities were recognised by Douglas Shire Council at the amounts at which they were recognised by the Transfer Committee as at the changeover day. Douglas Shire Council adopted consistent accounting policies from its commencement date of 1 January 2014. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from Cairns Regional Council as at 1 January 2014.

Details are as follows:

	Original	Adjustments	Final
	\$	\$	\$
<b>ASSETS</b>			
Cash and Cash Equivalents	19,731,222	-	19,731,222
Receivables	4,738,589	(143,139)	4,595,450
Inventories	59,484	-	59,484
Property Plant & Equipment	331,307,521	(3,151,929)	328,155,592
Intangible assets	377,962	(50,123)	327,839
<b>Total assets</b>	356,214,778	(3,345,191)	352,869,587
<b>LIABILITIES</b>			
Trade and other payables	1,810,378	-	1,810,378
Provisions	11,911,834	(2,859,616)	9,052,218
Borrowings	2,282,493	-	2,282,493
Other	91,951	-	91,951
<b>Total liabilities</b>	16,096,656	(2,859,616)	13,237,040
<b>Net community assets</b>	340,118,122	(485,575)	339,632,547

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

**14 Property, plant and equipment**

**30 June 2015**

	Note	Land and land	Buildings and	Plant and	Office	Transport	Water,	Drainage	Other	Work in	Total
		improvements	other structures	equipment	furniture and fittings	assets	Sewerage and Solid waste Disposal		assets	Progress	
Asset values		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	Cost	
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2014		21,792,972	20,688,624	4,516,602	50,969	138,906,974	106,898,899	33,765,982	184,792	2,547,466	329,353,280
Transfer on de-amalgamation from Cairns Regional Council											-
Additions		168,280	638,227	803,521						8,623,497	10,233,525
Disposals	5			(36,838)		(7,011)					(43,849)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	20	1,551,659	1,473,031				22,171,416				25,196,106
Revaluation adjustment to expense (capital expense)	9					4,999,437					4,999,437
Write-off assets damaged by natural disaster											-
Transfers between classes											-
Transfer to intangible assets											-
Contributed assets						643,689	820,419	446,513			1,910,621
Internal transfers from work in progress			71,943	15,070		4,596,249	908,932	90,011		(5,682,205)	-
<b>Closing gross value as at 30 June 2015</b>		<b>23,512,911</b>	<b>22,871,825</b>	<b>5,298,355</b>	<b>50,969</b>	<b>149,139,338</b>	<b>130,799,666</b>	<b>34,302,506</b>	<b>184,792</b>	<b>5,488,758</b>	<b>371,649,120</b>

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2014		78,261	758,260	354,167	7,676	1,667,195	11,158,919	4,371,548	21,253	-	18,417,279
Depreciation provided in period		151,848	1,491,249	790,529	14,630	3,246,120	3,744,355	352,321	42,281		9,833,333
Depreciation on disposals				(3,761)		(1,404)					(5,165)
Revaluation adjustment to asset revaluation surplus	20	16,345	158,352				17,979,310				18,154,007
Impairment adjustment to asset revaluation surplus	20										-
Revaluation adjustment to expense (capital expense)	9					23,631,237					23,631,237
Write-off assets damaged by natural disaster											-
Transfers between classes											-
<b>Accumulated depreciation as at 30 June 2015</b>		<b>246,454</b>	<b>2,407,861</b>	<b>1,140,935</b>	<b>22,306</b>	<b>28,543,148</b>	<b>32,882,584</b>	<b>4,723,869</b>	<b>63,534</b>	<b>-</b>	<b>70,030,691</b>

**Total written down value as at 30 June 2015**

Residual value		-	-	1,216,607	-	-	-	-	-		
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	62,537	393,591	729,812		-	-	-	-	5,433,532	6,619,472
Other additions	105,743	244,636	73,709					-	3,189,965	3,614,053
<b>Total additions</b>	<b>168,280</b>	<b>638,227</b>	<b>803,521</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,623,497</b>	<b>10,233,525</b>

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

**14 Property, plant and equipment**

**30 June 2014**

Basis of measurement	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
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 January 2014	-	-	-	-	-	-	-	-	-	-
Transfer on de-amalgamation from Cairns Regional Council	21,767,195	19,074,499	3,539,373	50,969	139,945,332	100,088,681	31,684,994	158,659	11,845,889	328,155,592
Additions	-	-	470,963	-	112,397	24,907	-	-	1,198,791	1,807,057
Disposals	-	-	(27,375)	-	-	-	-	-	-	(27,375)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	5,876,456	1,959,911	-	-	7,836,367
Write-off assets damaged by natural disaster	-	-	-	-	(8,472,861)	-	-	-	-	(8,472,861)
Transfers between classes	-	-	(328,959)	-	-	328,959	-	-	-	-
Transfer to intangible assets	-	-	-	-	-	-	-	-	(4,934)	(4,934)
Contributed assets	-	-	-	-	-	-	59,434	-	-	59,434
Internal transfers from work in progress	25,777	1,614,125	862,600	-	7,322,106	579,896	61,643	26,133	(10,492,280)	-
<b>Closing gross value as at 30 June 2014</b>	<b>21,792,972</b>	<b>20,688,624</b>	<b>4,516,602</b>	<b>50,969</b>	<b>138,906,974</b>	<b>106,898,899</b>	<b>33,765,982</b>	<b>184,792</b>	<b>2,547,466</b>	<b>329,353,280</b>

**Accumulated depreciation and impairment**

Opening balance as at 1 January 2014	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	78,261	758,260	354,167	7,676	1,733,903	2,149,076	201,571	21,253	-	5,304,167
Depreciation on disposals	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	-	-	-
Impairment adjustment to asset revaluation surplus	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	9,009,843	4,169,977	-	-	13,179,820
Write-off assets damaged by natural disaster	-	-	-	-	(66,708)	-	-	-	-	(66,708)
Transfers between classes	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2014</b>	<b>78,261</b>	<b>758,260</b>	<b>354,167</b>	<b>7,676</b>	<b>1,667,195</b>	<b>11,158,919</b>	<b>4,371,548</b>	<b>21,253</b>	<b>-</b>	<b>18,417,279</b>

**Total written down value as at 30 June 2014**

21,714,711	19,930,364	4,162,435	43,293	137,239,780	95,739,980	29,394,434	163,539	2,547,466	310,936,001
Residual value	20,068,400	-	237,201	-	1,179,579	-	-	-	-
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	9 - 100	40 - 80	7	-

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Renewals	-	-	470,962	-	112,397	24,907	-	-	879,694	1,487,960
Other additions	-	-	-	-	-	-	-	-	319,097	319,097
<b>Total additions</b>	<b>-</b>	<b>-</b>	<b>470,962</b>	<b>-</b>	<b>112,397</b>	<b>24,907</b>	<b>-</b>	<b>-</b>	<b>1,198,791</b>	<b>1,807,057</b>

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

**15 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

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 18 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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.

The table presents Council's assets and liabilities measured and recognised at fair value at 30 June 2015.

At 30 June 2015	Note	Level 2	Level 3	Total
		(Significant other observable inputs)	(Significant unobservable inputs)	
		\$	\$	\$
<b>Recurring fair value measurements</b>				
Land	14	21,497,270		21,497,270
Land improvements	14		1,769,187	1,769,187
Residential buildings	14	36,435		36,435
Other buildings and other structures	14		20,427,530	20,427,530
Transport assets	14		119,952,498	119,952,498
Water, Sewerage and Solid waste disposal	14		97,096,663	97,096,663
Drainage	14		29,132,124	29,132,124
		21,533,705	268,378,002	289,911,707

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

At 30 June 2014	Note	Level 2	Level 3	Total
		(Significant other observable inputs)	(Significant unobservable inputs)	
		\$	\$	\$
<b>Recurring fair value measurements</b>				
Land	14	20,068,400		20,068,400
Land improvements	14		1,646,310	1,646,310
Residential buildings	14	35,893		35,893
Other buildings and other structures	14		19,894,471	19,894,471
Transport assets	14		137,239,780	137,239,780
Water, Sewerage and Solid waste disposal	14		95,739,980	95,739,980
Drainage	14		29,394,434	29,394,434
		20,104,293	283,914,975	304,019,268

There were no transfers between levels 1 and 2 during the year, nor between levels 2 and 3.

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

**(ii) Valuation techniques used to derive fair values 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 fair values were determined by Council on 1 January 2014 upon de-amalgamation. Fair value was derived by reference to market based evidence including observable historical sales data for properties of similar nature and specification within the Douglas region.

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

For the reporting period land improvements have been categorised as level 3 as it is considered that one or more significant inputs required to determine fair value for this class of assets is not based on observable market data.

A review was undertaken as at 30 June 2015, based on the Non- Residential Building Construction Index. The index increased by 7.12% since 1 January 2014. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2015.

A comprehensive valuation of land assets and land improvements is scheduled for 2017.

**Buildings and other structures (level 2 and 3)**

*Current replacement cost*

The fair value of buildings was determined by Council on 1 January 2014 upon de-amalgamation. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

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

For the reporting period Council has only one residential building that is considered to have all of the observable attributes required to determine fair value and therefore all other buildings and structures have been categorised as level 3.

A review was undertaken as at 30 June 2015, based on the Non- Residential Building Construction Index. The index increased by 7.12% since 1 January 2014. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2015.

A comprehensive valuation of building and other structures is scheduled for 2017.

*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 and residual values are disclosed in note 14.

**Douglas Shire Council**  
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**Transport assets (level 3)**

*Current replacement cost*

Road asset fair values (excluding footpaths) were 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. 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.

The following information was provided to Cardno for the review:

- Current financial fixed asset register;
- Asset attributes and recent condition assessment scores;
- Recent contract data including the following
  - Pan materials invoice for DSC's 14/15 spray seal program
  - Pioneer NQ Invoices for DSC's 14/15 asphalt program
  - Mossman Quarries road bases invoices

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) were increased by 20% to allow for Council project overheads including survey, environmental and investigation (6%), engineering design (5%), engineering supervision (3%) and project management (6%)

*Other transport assets*

The fair value of footpaths and of bridge network assets was determined by Council on 1 January 2014 upon de-amalgamation. This was based on a stocktake and condition assessment.

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

A review of footpath assets was undertaken as at 30 June 2015, based on the Road and Bridge Construction Queensland Index. The index increased by 0.19% since 1 January 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

A review of bridge network assets was undertaken as at 30 June 2015, based on the Road and Bridge Construction Queensland Index. The index increased by 0.19% since 1 January 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

*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 and residual values are disclosed in note 14.

**Water**

*Current replacement cost*

The fair value of water assets was determined by Council on 1 January 2014 upon de-amalgamation. The fair value of water assets is measured using the depreciated replacement cost method.

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

A review was undertaken as at 30 June 2015 based on the Road and Bridge Construction Queensland Index. This index increased by 0.19% since 1 January 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

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*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 and residual values are disclosed in note 14.

**Sewerage and Other Infrastructure**

*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.

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.

A site inspection was conducted by Cardno on the pump station assets and a sample of the repeater stations. The purpose of the inspection was to:

- Confirm the existence and extent of the assets as indicated by records;
- Confirm details and measurements;
- Obtain further information on the assets; and
- Determine current condition

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) were increased by 20% to allow for Council project overheads including planning, survey, environmental and investigation (6%), engineering design (6%), procurement and project management (8%).

*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 were disaggregated into significant components which exhibited different useful lives Useful lives are as follows:

<b>Asset Category</b>	<b>Useful Life</b>
Structure	80
Mechanical	20
Electrical	20
Pipework	50
Metalwork	50
Telemetry	10
Buildings	50
Siteworks	150
Generators	20
Odour control	20
Overflow system	50
Fencing and Landscaping	20
Roads and Drainage	20



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In determining the level of accumulated depreciation, repeater station assets were disaggregated into significant components which exhibited different useful lives. Useful lives are as follows:

Asset Category	Useful Life
Telemetry	10
Electrical	20
Mechanical	20
Pipework	50
Generators	20
Tools	10
Fencing and Landscaping	20
Roads and Drainage	20

In determining accumulated depreciation, 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, which was used to estimate remaining useful life. Condition scoring explanations and effect on the remaining useful life are as follows:

Condition Rating	Condition Name	Description	Remaining Useful Life %
1	Excellent	Asset is in 'as new' condition	95%
2	Good	Asset is reliable, asset operates as intended and its appearance and structural integrity is up to the standard expected of an operating asset.	75%
3	Fair	Asset is reliable and operates as intended but early stages of deterioration are evident.	50%
4	Poor	Asset still operates but does not meet intended duty or does not appear sound.	25%
5	Unserviceable	Asset not functioning/needs immediate attention.	5%

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 and residual values are disclosed in note 14.

*Other sewerage assets*

Sewerage treatment plant assets were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2014. A review was undertaken as at 30 June 2015 based on the Road and Bridge Construction Queensland Index. This index decreased by 0.65% since 30 June 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

**Solid waste disposal**

*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.

A review was undertaken as at 30 June 2015, based on the Non- Residential Building Construction Index. The index decreased by 0.65% since 30 June 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

*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 and residual values are disclosed in note 14.

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**Drainage infrastructure**

*Current replacement cost*

Drainage infrastructure fair values were determined by independent valuers, Cardno (Qld) Pty Ltd effective 30 June 2014. Current replacement costs 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.

A review was undertaken as at 30 June 2015 based on the Road and Bridge Construction Queensland Index. This index decreased by 0.65% since 30 June 2014. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2015.

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.

*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 and residual values are disclosed in note 14.

**(iii) Valuation processes**

Council's valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is outlined in Note 1.12.

	2015	2014
	\$	Jan 1 - Jun 30 \$
	<u>                    </u>	<u>                    </u>
<b>16 Intangible assets</b>		
<b>Software</b>		
Opening gross carrying value	1,303,917	-
Transfer on de-amalgamation from Cairns Regional Council	-	327,839
Transfer from work in progress	-	4,934
Additions	74,185	971,144
Closing gross carrying value	<u>1,378,102</u>	<u>1,303,917</u>
<b>Accumulated amortisation</b>		
Opening balance	139,147	-
Amortisation in the period	289,312	139,147
Closing balance	<u>428,459</u>	<u>139,147</u>
Net carrying value at end of financial year	<u>949,643</u>	<u>1,164,770</u>

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

**17 Trade and other payables**

**Current**

Creditors and accruals	3,026,949	3,053,968
Annual leave	1,696,517	1,500,059
Sick leave	220,233	202,319
Other entitlements	31,985	28,213
	<u>4,975,683</u>	<u>4,784,560</u>

**Douglas Shire Council**  
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	2015	2014
	\$	Jan 1 - Jun 30 \$
	<u>                    </u>	<u>                    </u>
<b>18 Borrowings</b>		
<b>Current</b>		
Loans - Queensland Treasury Corporation	115,061	112,375
	<u>115,061</u>	<u>112,375</u>
<b>Non-current</b>		
Loans - Queensland Treasury Corporation	2,003,785	2,118,413
	<u>2,003,785</u>	<u>2,118,413</u>
<b>Loans - Queensland Treasury Corporation</b>		
Opening balance	2,230,787	-
Transfer in from Cairns Regional Council	-	2,282,493
Principal repayments	(111,940)	(51,706)
Book value at end of financial year	<u>2,118,847</u>	<u>2,230,787</u>

The QTC loan market value at the reporting date was \$2,544,883. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

No assets have been pledged as security by the Council for any liabilities, however all loans are guaranteed by the Queensland Government.

All borrowings are in \$A denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current reporting period. Expected final repayment dates vary from 30 September 2026 to 31 March 2028. There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made monthly in arrears.

**19 Provisions**

<b>Current</b>		
Landfill restoration	1,589,500	540,000
Long service leave	1,580,639	1,306,708
	<u>3,170,140</u>	<u>1,846,708</u>
<b>Non-current</b>		
Landfill restoration	6,728,095	6,838,064
Long service leave	173,516	240,793
	<u>6,901,611</u>	<u>7,078,857</u>

**Details of movements in provisions:**

The provision of comparative information is not required by AASB 137

	2015
	\$
	<u>                    </u>
<b>Property restoration: Landfill sites</b>	
Balance at beginning of financial year	7,378,064
Increase in provision due to unwinding of discount	216,756
Increase / (decrease) in provision for future cost	722,775
Balance at end of financial year	<u>8,317,595</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.

<b>Long service leave</b>	
Balance at beginning of financial year	1,547,501
Long service leave entitlement arising	245,912
Long Service entitlement paid	(39,258)
Balance at end of financial year	<u>1,754,155</u>

**Douglas Shire Council**  
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	2015	2014
	\$	Jan 1 - Jun 30 \$
<b>20 Asset revaluation surplus</b>		
<b>Movements in the asset revaluation surplus were as follows:</b>		
Balance at beginning of financial year	-	-
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	1,535,315	-
Buildings and other structures	1,314,678	-
Water, Sewerage and Solid waste Disposal	2,213,943	-
Balance at end of financial year	<u>5,063,936</u>	<u>-</u>
<b>Asset revaluation surplus analysis</b>		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	1,535,315	-
Buildings and other structures	1,314,678	-
Water, Sewerage and Solid waste Disposal	2,213,943	-
	<u>5,063,936</u>	<u>-</u>
<b>21 Commitments for expenditure</b>		
<b>Operating expenditure</b>		
Not later than 1 year	3,932,441	4,314,168
Later than 1 year but not later than 5 years	9,442,498	7,142,580
Later than 5 years	5,800,651	5,541,593
	<u>19,175,590</u>	<u>16,998,341</u>
<b>Capital expenditure</b>		
Not later than 1 year	11,067,951	1,463,725
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>11,067,951</u>	<u>1,463,725</u>

**22 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 2014 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 \$164,894.

**Douglas Shire Council**  
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**23 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 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 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 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Douglas Shire Council made less than 4% of the total contributions to the plan in the 2014-15 financial year.

The next actuarial investigation will be conducted as at 1 July 2015.

<b>Note</b>	<b>2015</b>	<b>2014</b>
<b></b>	<b>\$</b>	<b>Jan 1 - Jun 30</b>
<b></b>	<b>\$</b>	<b>\$</b>
6	1,097,156	485,249

The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:

**Douglas Shire Council**  
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	2015	2014
	\$	Jan 1 - Jun 30 \$
	<u>                    </u>	<u>                    </u>
<b>24 Trust funds</b>		
<b>Trust funds held for outside parties</b>		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	638,692	529,719
	<u>638,692</u>	<u>529,719</u>
	<u>638,692</u>	<u>529,719</u>
<p>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.</p>		
<b>25 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities</b>		
Net result	(10,031,844)	321,215,145
Non-cash items:		
Depreciation and amortisation	10,122,645	5,443,314
Revaluation adjustments	16,653,637	5,343,454
Loss on asset write-off	-	8,406,153
Gain on de-amalgamation	-	(339,632,547)
Change in future rehabilitation and restoration costs	995,536	-
	<u>27,771,818</u>	<u>(320,439,627)</u>
Investing and development activities:		
Net (profit) on disposal of non-current assets	(23,249)	(22,876)
Capital grants and contributions	(8,476,780)	(510,441)
	<u>(8,500,029)</u>	<u>(533,317)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	3,021,869	(2,332,396)
(Increase)/decrease in inventory	(39,185)	(5,771)
Increase/(decrease) in payables	191,123	2,974,182
Increase/(decrease) in liabilities	-	(91,951)
Increase/(decrease) in other provisions	150,649	(126,653)
	<u>3,324,456</u>	<u>417,411</u>
Net cash inflow from operating activities	<u>12,564,401</u>	<u>659,612</u>

**26 Events after the reporting period**

There were no material adjusting events after the balance date

**Douglas Shire Council**  
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**27 Financial instruments**

**Financial risk management**

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	2015	2014
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	10	21,835,031	16,062,186
Receivables - rates	12	3,181,823	3,888,466
Receivables - other	12	724,154	3,039,380
Other financial assets	11	5,000,000	2,000,000
<b>Total financial assets</b>		<b>30,741,008</b>	<b>24,990,032</b>

*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.

In other cases, Council assesses the credit risk before providing goods or services and applies normal business credit protection procedures to minimise the risk.

By the nature of Council's operations, there is a geographical concentration of risk in the Council area. Also as the area is largely agricultural or is concerned with tourism activities, there is also a concentration in these sectors.

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

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Not past due	3,043,561	2,859,353
Past due 31-60 days	16,772	22,598
Past due 61-90 days	(14,113)	27,140
More than 90 days	992,591	4,180,186
Impaired	(132,834)	(161,431)
Total	<u>3,905,977</u>	<u>6,927,846</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 and through its borrowings with QTC.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities to cater for unexpected volatility in cash flows. These facilities are disclosed in note 18. The following line of credit was available at the end of the reporting period:

	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Overdraft - QTC working capital facility	-	4,000,000
Available at 30 June	-	4,000,000

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:

	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2015</b>					
Trade and other payables	3,026,949	-	-	3,026,949	3,026,949
Loans - QTC	254,944	1,019,777	1,838,736	3,113,457	2,258,729
	<u>3,281,893</u>	<u>1,019,777</u>	<u>1,838,736</u>	<u>6,140,406</u>	<u>5,285,678</u>
<b>2014</b>					
Trade and other payables	3,053,968	-	-	3,053,968	3,053,968
Loans - QTC	254,944	1,019,777	2,068,776	3,343,497	2,373,357
	<u>3,308,912</u>	<u>1,019,777</u>	<u>2,068,776</u>	<u>6,397,465</u>	<u>5,427,325</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.



**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2015**

*Interest rate risk*

Council is exposed to interest rate risk through borrowings with QTC and investments with other 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*

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
	\$	\$	\$	\$	\$
<b>2015</b>					
Deposits at call	6,300,000	63,000	(63,000)	63,000	(63,000)
Short term deposits	20,000,000	200,000	(200,000)	200,000	(200,000)
Loans - QTC*	(2,118,847)	(21,188)	21,188	(21,188)	21,188
<b>Net total</b>	<b>24,181,153</b>	<b>241,812</b>	<b>(241,812)</b>	<b>241,812</b>	<b>(241,812)</b>
<b>2014</b>					
Deposits at call	15,500,000	155,000	(155,000)	155,000	(155,000)
Short term deposits	2,000,000	20,000	(20,000)	20,000	(20,000)
Loans - QTC*	(2,230,787)	(22,308)	22,308	(22,308)	22,308
<b>Net total</b>	<b>15,269,213</b>	<b>152,692</b>	<b>(152,692)</b>	<b>152,692</b>	<b>(152,692)</b>

In relation to the QTC loans held by the Council, the following has been applied:

\*QTC Generic Debt Pool - the generic debt pool products approximate a fixed rate loan. There is a negligible impact on interest sensitivity from changes in interest rates for generic debt pool borrowings.

**Douglas Shire Council**  
**Financial statements**  
**For the year ended 30 June 2015**

**Management Certificate**  
**For the year ended 30 June 2015**

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 2015**

**Measures of Financial Sustainability**

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2015 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-3%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	67%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-37%	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 2015.

**Certificate of Accuracy**  
For the period ended 30 June 2015

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 2015**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2015	Projected for the years ended								
				30 June 2016	31 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024
<b>Council</b>												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-3%	-10%	-7%	-5%	-2%	0%	1%	2%	3%	3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	67%	133%	52%	58%	65%	71%	73%	73%	73%	73%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-37%	-13%	-24%	-25%	-25%	-26%	-30%	-31%	-34%	-41%

**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 2015**

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: \_\_\_\_/\_\_\_\_/\_\_\_\_