

5.2. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

REPORT AUTHOR	Tara Killeen, Chief Financial Officer
MANAGER	Rachel Brophy, Chief Executive Officer
DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2022.

EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2022 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$602k compared to a (revised) budgeted operating deficit of \$2.99m.
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND

Council's Financial Statements have been prepared in accordance with the requirements of s 176-178 of the *Local Government Regulation 2012* (the Regulation). They have been audited by the Queensland Audit Office (QAO) in accordance with the requirements of s 212 of the Regulation. QAO has issued an unmodified audit opinion and have not identified any significant issues. In line the Regulation, the Financial Statements must be presented to a Council meeting.

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

COMMENT

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

Statement of Comprehensive Income

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

Operating Result

Council's operating result is determined by deducting recurrent expenditure from recurrent revenue resulting in an operating deficit of \$602k compared to a (revised) budgeted operating deficit of \$2.99m. This represents an improved result of \$2.39m to revised budget.

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

- Increased revenue from rates property growth/water usage, Van Parks/pool, property search fees & tipping fees, grant revenue (including financial assistance grant) and other income; and
- Expenditure was under budget due to a reduction in Finance Expenses related to the landfill provisions, and a reduction in Depreciation. As part of end of year processes, some works were reclassified as Capital. Employee expenses were under budget due to staff resourcing issues.

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

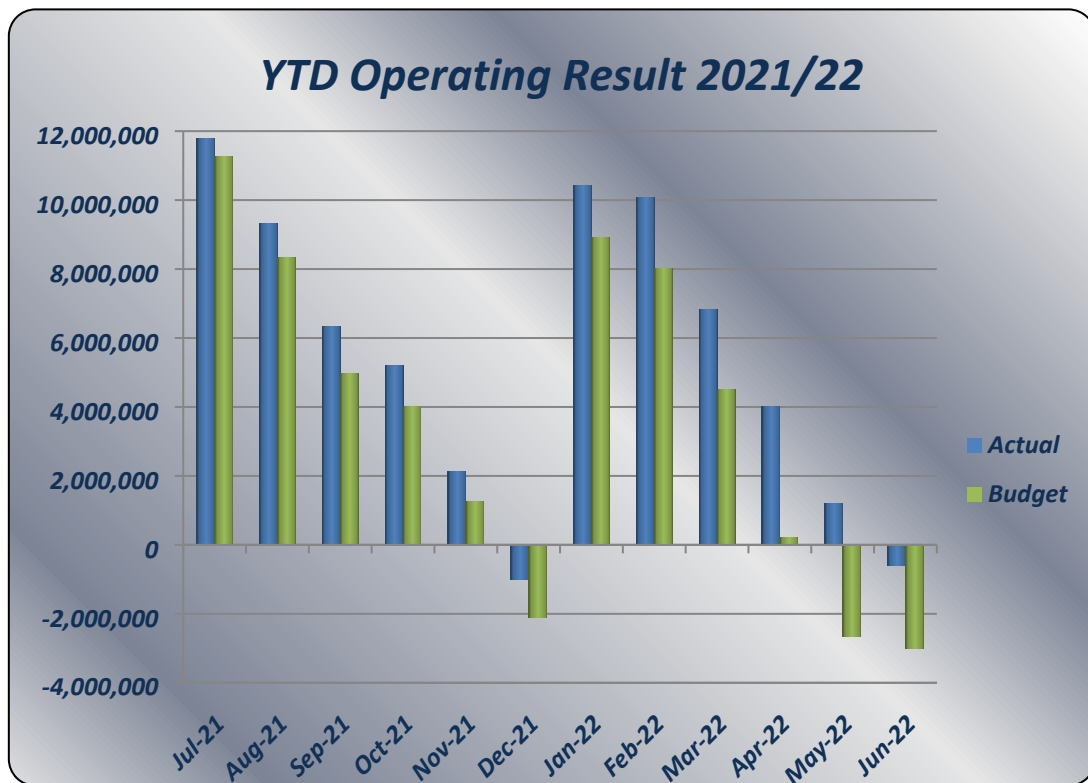


Figure 1. Operating Result 2021-2022

Capital Revenue

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

Capital Expenses

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

Statement of Financial Position

Provides details of Council's Current and Non-Current Assets and Liabilities.

Statement of Changes in Equity

Identifies movements in Council's Equity balance.

Statement of Cash Flows

Shows the movement in Council's cash position during the financial year and excludes all non-cash items such as depreciation. Council's cash position at the end of the reporting period was \$13.02m (as per the Statement of Financial Position) and consisted of cash and cash equivalents. This excludes \$10m held in term deposits at year end.

Notes to the Financial Statements

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

Financial Sustainability Ratios

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

Table 1. Douglas Shire Council Measures of Financial Sustainability

Douglas Shire Council – Measures of Financial Sustainability					
For the period ending 30 June 2022					
		Revised Budget	Actual	Target	Improvement over Budget
Council's Performance at 30 June 2022 against key financial ratios and Targets					
Ratio	How the measure is calculated				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-6%	-1%	Between 0% and 10%	Yes
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	101%	74%	Greater than 90%	No
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-14%	-28%	Not greater than 60%	Yes
Basis of Preparation					
The financial sustainability ratios are prepared in accordance with the requirements of the <i>Local Government Regulation 2012</i> and the Financial Management (Sustainability) Guideline 2013 issued by the Department of Local Government, Community Recovery and Resilience.					

The Operating surplus ratio has improved compared to budget due to an improvement in the operating result as discussed above. The Asset sustainability ratio has declined versus budget due to significant expenditures on funded asset betterment projects. Council will continue to focus on asset renewals in future years. The Net financial liabilities ratio is also well ahead of the required target percentage and indicates a healthy balance sheet.

Community Financial Report

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

PROPOSAL

That Council adopts the financial statements for the year ended 30 June 2022.

FINANCIAL/RESOURCE IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

Ongoing operating deficits have the potential to negatively impact upon Council's future financial sustainability. The Covid-19 pandemic has had a detrimental impact on Council's financial position. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2025-2026.

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

SUSTAINABILITY IMPLICATIONS

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

Environmental: Nil

Social: Nil

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2019-2024 Initiatives:

Theme 5 - Robust Governance and Efficient Service Delivery

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

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

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

Operational Plan 2021-2022 Actions:

Legislative requirement.

COUNCIL'S ROLE

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

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

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

CONSULTATION

Internal: Discussed at Councillor Workshop in October 2022
CEO
Management Team
Finance Team
Audit Committee

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

COMMUNITY ENGAGEMENT

The acceptance of the financial statements will fall within the "inform" category of Council's Community Engagement Framework.

ATTACHMENTS

1. QAO Financial Statements for the Year Ended 30 June 2022 [5.2.1 - 31 pages]



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2022**

Douglas Shire Council

Financial statements

For the year ended 30 June 2022

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	37,498,388	35,619,734
Fees and charges	3(b)	6,674,190	5,504,569
Rental income		269,988	241,960
Interest income	3(c)	299,492	361,697
Other revenue	3(d)	1,583,525	1,110,018
Grants, subsidies, contributions and donations	4(a)	3,169,668	2,730,667
Total recurrent revenue		<u>49,495,250</u>	<u>45,568,645</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	17,420,101	10,205,942
Other capital income	5	8,906,956	195,960
Total capital revenue		<u>26,327,057</u>	<u>10,401,902</u>
Total income		<u>75,822,307</u>	<u>55,970,547</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(16,676,678)	(16,478,995)
Materials and services	7	(20,029,758)	(18,433,039)
Finance costs	8	(82,450)	(105,098)
Depreciation and amortisation	13&14	(13,308,172)	(12,782,968)
		<u>(50,097,058)</u>	<u>(47,800,100)</u>
Capital expenses	9	(5,832,350)	(1,044,514)
Total expenses		<u>(55,929,408)</u>	<u>(48,844,613)</u>
Net result		<u>19,892,898</u>	<u>7,125,934</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	18	12,821,267	16,885,402
Total other comprehensive income for the year		<u>12,821,267</u>	<u>16,885,402</u>
Total comprehensive income for the year		<u>32,714,165</u>	<u>24,011,336</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 2022

	Note	2022 \$	2021 \$
Current assets			
Cash and cash equivalents	10	13,016,606	24,097,607
Investments	11	10,000,000	-
Trade and other receivables	12	5,066,722	4,852,232
Prepayments		324,859	244,940
Contract assets	15	3,208,965	1,503,088
Inventories		93,356	105,831
Total current assets		<u>31,710,508</u>	<u>30,803,697</u>
Non-current assets			
Property, plant and equipment	13	457,043,657	423,840,735
Intangible assets	14	93,800	134,967
Total non-current assets		<u>457,137,457</u>	<u>423,975,702</u>
Total assets		<u>488,847,965</u>	<u>454,779,399</u>
Current liabilities			
Trade and other payables	16	7,802,654	7,102,431
Provisions	17	3,513,536	2,244,567
Contract liabilities	15	1,069,630	1,738,869
Total current liabilities		<u>12,385,819</u>	<u>11,085,867</u>
Non-current liabilities			
Provisions	17	4,774,883	5,181,411
Unearned Revenue		460,977	-
Total non-current liabilities		<u>5,235,860</u>	<u>5,181,411</u>
Total liabilities		<u>17,621,679</u>	<u>16,267,278</u>
Net community assets		<u>471,226,286</u>	<u>438,512,121</u>
Community equity			
Asset revaluation surplus	18	69,784,674	56,963,407
Retained surplus		401,441,612	381,548,713
Total community equity		<u>471,226,286</u>	<u>438,512,121</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 2022

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2021	56,963,407	381,548,713	438,512,121
Net result	-	19,892,898	19,892,898
Other comprehensive income for the year			
Increase in asset revaluation surplus	12,821,267	-	12,821,267
Total comprehensive income for the year	<u>12,821,267</u>	<u>19,892,898</u>	<u>32,714,165</u>
Balance as at 30 June 2022	<u>69,784,674</u>	<u>401,441,612</u>	<u>471,226,286</u>
Balance as at 1 July 2020	40,078,005	374,422,779	414,500,784
Net result	-	7,125,934	7,125,934
Other comprehensive income for the year			
Increase in asset revaluation surplus	16,885,402	-	16,885,402
Total comprehensive income for the year	<u>16,885,402</u>	<u>7,125,934</u>	<u>24,011,336</u>
Balance as at 30 June 2021	<u>56,963,407</u>	<u>381,548,713</u>	<u>438,512,121</u>

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 2022

	Note	2022 \$	2021 \$
Cash flows from operating activities			
Receipts from customers		45,922,670	41,762,496
Payments to suppliers and employees		<u>(36,230,067)</u>	<u>(35,927,335)</u>
		9,692,602	5,835,161
Interest received		299,492	361,697
Rental income		269,988	241,960
Non capital grants and contributions		3,180,863	2,496,971
Borrowing costs		(61,808)	(72,286)
Net cash inflow from operating activities	22	<u>13,381,136</u>	<u>8,863,503</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(26,127,102)	(22,179,581)
Payments for intangible assets		-	(1,391)
Payments for assets donated		-	(274,499)
Proceeds from sale of property plant and equipment		69,787	804,078
Purchase of investments		(10,000,000)	-
Grants, subsidies, contributions and donations		11,595,177	8,630,389
Net cash used in investing activities		<u>(24,462,138)</u>	<u>(13,021,005)</u>
Net (decrease)/increase in cash and cash equivalent held		<u>(11,081,002)</u>	<u>(4,157,502)</u>
Cash and cash equivalents at the beginning of the financial year		24,097,607	28,255,109
Cash and cash equivalents at the end of the financial year	10	<u>13,016,606</u>	<u>24,097,607</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 2022

1 Information about these financial statements

1.1 Basis of preparation

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

These general purpose financial statements are for the year from 1 July 2021 to 30 June 2022. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.2 New and revised Accounting Standards

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2021, none of the standards had a material impact on reported position, performance and cash flows.

1.3 Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2022. These standards have not been adopted by Council and will be included in the financial statements on their effective date. These standards are not expected to have a material impact on Council's financial statements.

1.4 Estimates and judgements

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

Valuation, impairment and depreciation of property, plant and equipment - Note 13

Provisions - Note 17

Contingent liabilities - Note 20

Financial instruments and financial liabilities - Note 24

Revenue recognition - Note 3

1.5 Rounding and comparatives

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

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

1.6 Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

1.7 Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 global pandemic. The COVID-19 pandemic has had a detrimental impact on Council's operating result, as predicted by the Douglas Shire Council budgets. The COVID-19 pandemic may continue to impact the sustainability ratios of Douglas Shire Council. This will be closely managed by Council and mitigated where possible. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2025-26.

Council acknowledges that the COVID-19 restrictions have impacted some industries within the region and initiated the following financial incentives during the year ended 30 June 2022 (Estimated financial effect is \$55,253):

- Refunded venue hire fees cancelled due to Covid restrictions.
- Freezing Business Licence and Approval fees
- Freezing Planning and Plumbing Application fees
- Extended July 2021 rates levy interest grace period by 30 days
- Implemented a reduced fee for market stall holders

Council paid pandemic leave to employees totalling \$103,015 for the year ended 30 June 2022.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

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 2022

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 2022

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

Year ended 30 June 2021

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
3 Revenue analysis		
Rates, levies and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.		
(a) Rates, levies and charges		
General rates	17,072,154	16,347,631
Water	8,290,631	7,890,084
Sewerage	7,622,488	7,312,432
Waste	5,060,349	4,743,511
Less: Pensioner remissions, concessions and financial assistance	(547,234)	(673,924)
Net rates, levies and utility charges	<u>37,498,388</u>	<u>35,619,734</u>

(b) Fees and charges

Revenue arising from fees and charges are recognised at the point in time when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival, for example caravan parks. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

Revenue from infringements is recognised on issue of infringement notice after applying the expected credit loss model relating to impairment of receivables for initial recognition of statutory receivables.

Building and property fees	656,091	447,616
Caravan Parks and Camping Grounds	714,903	571,860
Ferry	3,256,077	2,588,526
Communication towers	181,454	197,125
Permits, licences & registrations	556,794	494,339
Markets	259,968	227,377
Refuse & transfer stations	419,371	407,440
Water & sewerage applications	307,203	317,324
Other fees and charges	322,328	252,962
	<u>6,674,190</u>	<u>5,504,569</u>

(c) Interest income

Interest income from bank and term deposits is accrued over the term of the investment.

Investments	186,533	210,588
Overdue rates and utility charges	112,959	151,108
	<u>299,492</u>	<u>361,697</u>

(d) Other revenue

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. The contract work carried out is not subject to retentions.

Contract and recoverable works	1,104,158	741,860
Commissions	33,431	33,306
Sundry revenue	445,936	334,852
	<u>1,583,525</u>	<u>1,110,018</u>

4 Grants, subsidies, contributions and donations

Grant income under AASB 15

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

Grant income under AASB 1058

Where Council receives an asset for significantly below fair value, the asset is recognised at fair value. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable, are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

Donations and contributions

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

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

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

Physical assets contributed to Council by developers in the form of roadworks, stormwater, water and wastewater infrastructure and park equipment are recognised as revenue when Council obtains control of the asset and there is sufficient data in the form of drawings and plans to determine the approximate specifications and value of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

Developers pay infrastructure charges for trunk infrastructure, such as pumping stations, treatment works, mains, sewers and water pollution control works. These infrastructure charges are not within the scope of AASB 1058 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

	2022	2021
	\$	\$
(a) Recurrent		
General purpose grants	2,114,803	1,706,874
State government subsidies and grants	1,054,865	1,023,793
	<u>3,169,668</u>	<u>2,730,667</u>
(b) Capital		
Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.		
Government/statutory authority subsidies and grants	13,191,045	8,203,467
Contributions	790,443	311,856
Assets contributed by developers at fair value	3,438,613	1,690,619
	<u>17,420,101</u>	<u>10,205,942</u>

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

	2022		2021	
	Revenue recognised at a point in time	Revenue recognised over time	Revenue recognised at a point in time	Revenue recognised over time
Grants and subsidies	2,595,782	13,764,931	1,846,320	9,087,814
Contributions	790,443	-	311,856	-
Assets contributed by developers at fair value	3,438,613	-	1,690,619	-
	<u>6,824,837</u>	<u>13,764,931</u>	<u>3,848,795</u>	<u>9,087,814</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
5 Capital income			
Provision for restoration of land			
Decrease in restoration provision - Sanitary Depot	17	-	-
Decrease in restoration provision - Killaloe	17	-	195,960
		<u>-</u>	<u>195,960</u>
Revaluations			
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	8,906,956	-
		<u>8,906,956</u>	<u>-</u>
Total capital income		<u>8,906,956</u>	<u>195,960</u>
6 Employee benefits			
Employee benefit expenses are recorded when the service has been provided by the employee.			
Total staff wages and salaries		13,585,373	13,403,554
Councillors' remuneration		383,819	378,216
Termination benefits		190,000	93,741
Annual, sick and long service leave entitlements		2,664,381	2,652,262
Superannuation	21	1,826,366	1,755,127
		<u>18,649,939</u>	<u>18,282,900</u>
Other employee related expenses		47,084	31,284
		<u>18,697,023</u>	<u>18,314,184</u>
Less: Capitalised employee expenses		<u>(2,020,345)</u>	<u>(1,835,189)</u>
		<u>16,676,678</u>	<u>16,478,995</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		95	85
Depot and outdoors staff		107	105
Total full time equivalent employees		<u>207</u>	<u>195</u>
7 Materials and services			
Expenses are recorded on an accruals basis as Council receives the goods or services.			
Audit of annual financial statements by the Auditor-General of Queensland		110,700	108,000
Doubtful debt expense		1,733	(19,042)
Consultancy		991,298	976,057
Contractors		6,909,338	5,890,098
Communications and IT		843,428	1,013,375
Donations		580,053	499,678
Electricity		951,692	962,197
Insurances		870,524	821,106
Legal		212,406	205,099
Repairs and maintenance		7,019,433	6,479,019
Other materials and services		1,539,154	1,497,453
		<u>20,029,758</u>	<u>18,433,039</u>
8 Finance costs			
Bank charges		61,808	72,286
Landfill sites - change in present value over time		20,642	32,812
		<u>82,450</u>	<u>105,098</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

9	Note	2022 \$	2021 \$
Capital expenses			
Property restoration: Landfill sites			
	17	707,049	-
	17	140,023	11,898
	17	231,055	274,857
		<u>1,078,127</u>	<u>286,755</u>
Revaluation decrement			
	13	4,221,107	30,491
Gain / Loss on disposal of non-current assets			
		(69,787)	(86,617)
		602,904	463,174
		<u>533,116</u>	<u>376,557</u>
		-	(717,461)
		-	793,673
		<u>-</u>	<u>76,211</u>
		<u>533,116</u>	<u>452,768</u>
Donated assets			
		-	274,499
		<u>5,832,350</u>	<u>1,044,514</u>

10 Cash and cash equivalents

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

Cash at bank and on hand	8,016,606	24,097,607
Term deposits	5,000,000	-
Balance per Statement of Cash Flows	<u>13,016,606</u>	<u>24,097,607</u>
Cash and cash equivalents	13,016,606	24,097,607
Less: Externally imposed restrictions on cash	(2,773,616)	(3,191,435)
Unrestricted cash	<u>10,242,990</u>	<u>20,906,172</u>

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

Externally imposed expenditure restrictions at the reporting date:		
Unspent government grants and subsidies	1,069,630	1,738,869
Internally imposed expenditure restrictions at the reporting date:		
Future constrained works	1,243,009	1,452,566
Waste levy refund received in advance	460,977	-
Total unspent restricted cash	<u>2,773,616</u>	<u>3,191,435</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	875,288	779,040
	<u>875,288</u>	<u>779,040</u>

In accordance with the *Local Government Act 2009* & the *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by the Council. The Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes they are not considered revenue nor brought to account in these financial statements since the Council has no control over the assets.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

	<u>2022</u>	<u>2021</u>
	\$	\$
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.		
Current fixed short term investments		
Unrestricted	10,000,000	-
	<u>10,000,000</u>	<u>-</u>

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

	<u>2022</u>	<u>2021</u>
	\$	\$
12 Trade and other receivables		
Receivables are amounts owed to Council at 30 June. They are recognised at the amount due at the time of sale or service delivery. Settlement is required within 30 days after the invoice is issued.		

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

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

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

Current		
Rateable revenue and utility charges	3,142,713	3,354,458
Other debtors	345,842	172,028
Less impairment	(49,287)	(49,287)
Accrued revenue	1,037,052	378,230
GST recoverable	590,403	996,803
	<u>5,066,722</u>	<u>4,852,232</u>

Interest is charged on outstanding rates (8.03% per annum from 1 July 2021, previously 8.53% per annum). No interest is charged on other debtors.

Impairment of receivables is not material.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

13 Property, plant and equipment

30 June 2022

	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste disposal	Drainage	Marine	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Basis of measurement										
Asset values										
Opening gross value as at 1 July 2021	29,706,075	57,476,872	7,794,718	42,640	219,241,181	241,865,838	39,692,177	-	15,614,856	611,434,356
Additions	-	-	-	-	-	-	-	-	29,565,715	29,565,715
Disposals	-	(149,060)	(179,113)	-	(320,635)	(569,398)	(10,827)	-	-	(1,229,032)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	1,268,886	5,534,425	-	-	-	14,040,351	-	-	-	20,843,662
Revaluation adjustment to expense (capital expense)	-	-	-	-	-	-	4,599,665	(1,242,297)	-	3,357,368
Revaluation adjustment to income (capital income)	30,491	-	-	-	11,668,850	331,454	-	-	-	12,030,795
Write-off assets damaged by natural disaster	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	(2,720,000)	-	-	2,234,656	-	(2,234,656)	2,720,000	-	-
Contributed assets	129,953	3,700	-	-	688,119	1,135,978	1,480,863	-	(3,438,613)	-
Internal transfers from work in progress	377,439	1,559,270	469,774	-	10,506,322	4,056,670	3,029,515	4,796,984	(24,795,974)	-
Closing gross value as at 30 June 2022	31,512,844	61,705,207	8,085,378	42,640	244,018,494	260,860,894	46,556,736	6,274,687	16,945,983	676,002,864

Accumulated depreciation

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

Total written down value as at 30 June 2022

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

Additions comprise:

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

13 Property, plant and equipment

30 June 2021

	Note	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste disposal	Drainage	Work in Progress	Total
		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Basis of measurement										
Asset values		\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2020		28,867,470	52,210,769	7,286,362	42,640	210,613,399	236,260,868	38,502,373	12,982,892	586,766,772
Additions		-	-	-	-	-	-	-	23,870,200	23,870,200
Disposals	9	(797,030)	(166,462)	(525,754)	-	(183,779)	(492,029)	(71,748)	-	(2,236,803)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18	(547,930)	3,041,970	-	-	-	489,801	-	-	2,983,841
Revaluation adjustment to expense (capital expense)	9	(30,491)	-	-	-	-	-	-	-	(30,491)
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		(122,821)	(284,679)	-	-	-	407,500	-	-	-
Assets classified as held for sale PY, sold CY		-	-	80,838	-	-	-	-	-	80,838
Assets classified as held for sale		-	-	-	-	-	-	-	-	-
Contributed assets		445,185	826,773	-	-	152,326	108,164	158,171	(1,690,619)	-
Internal transfers from work in progress		1,891,691	1,848,502	953,272	-	8,659,236	5,091,534	1,103,382	(19,547,617)	-
Closing gross value as at 30 June 2021		29,706,075	57,476,872	7,794,718	42,640	219,241,181	241,865,838	39,692,177	15,614,856	611,434,356
Accumulated depreciation										
Opening balance as at 1 July 2020		1,447,869	22,416,206	3,547,423	41,316	52,415,424	102,754,032	7,076,247	-	189,698,517
Depreciation provided in period		221,075	1,668,768	613,372	610	4,314,909	5,449,466	458,292	-	12,726,493
Depreciation on disposals	9	(3,357)	(83,786)	(457,590)	-	(96,252)	(331,584)	(9,094)	-	(981,662)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18	(81,177)	(4,170,848)	-	-	-	(9,105,819)	-	-	(13,357,844)
Impairment adjustment to asset revaluation surplus	18	-	(480,019)	-	-	-	(63,699)	-	-	(543,717)
Revaluation adjustment to income (capital income)	5	-	-	-	-	-	-	-	-	-
Revaluation adjustment to expense (capital expense)	9	-	-	-	-	-	-	-	-	-
Write-off assets damaged by natural disaster		-	-	-	-	-	-	-	-	-
Transfers between classes		(32,357)	(126,641)	-	-	-	158,998	-	-	-
Assets classified as held for sale PY, sold CY		-	-	51,834	-	-	-	-	-	51,834
Assets classified as held for sale		-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2021		1,552,053	19,223,680	3,755,039	41,927	56,634,082	98,861,395	7,525,446	-	187,593,621
Total written down value as at 30 June 2021		28,154,022	38,253,192	4,039,679	713	162,607,100	143,004,443	32,166,731	15,614,856	423,840,735
Residual value		-	-	1,520,843	-	-	-	-	-	-
Range of estimated useful life in years		10 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100	-	-
Additions comprise:		\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals		-	-	-	-	-	-	-	11,763,247	11,763,247
Other additions		-	-	-	-	-	-	-	12,106,953	12,106,953
Total additions		-	-	-	-	-	-	-	23,870,200	23,870,200

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

13 Property, plant and equipment

a) Recognition

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

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

b) Measurement

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

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

c) Valuation

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

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

In the intervening years, management performs a desktop valuation on each asset class. A desktop valuation involves management assessing the condition and cost assumptions associated with each asset class and considering the movements in the Road and Bridge Construction Index and the Non-residential Building Construction Queensland Index as published by the Australian Bureau of Statistics (March rates of the relevant financial year have been used for 2022 indexation purposes). Together these are used to form the basis of the desktop valuation.

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

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

(i) Recognised fair value measurements

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

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

There were no transfers between levels 2 and 3 during the year.

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

(ii) Valuation techniques used to derive fair values

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

Accumulated depreciation

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

Valuation - dates of revaluations and reviews

Asset Class	Valuation Approach	Last Full Valuation date	Valuer Engaged	Key Assumptions and Estimates	Cumulative indexation	Index applied
Land (level 2)	Market value	30 June 2021	Cardno (QLD) Pty Ltd	Sales prices of comparable land sites in close proximity were adjusted for differences in key attributes such as property size.	2.50%	Market selling price - State Valuation Service (SVS); The Economic Statistics Section, Queensland Government Statistician's Office, Queensland Treasury and Trade. The Queensland Government Statistician's website.
Land improvements (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	Replacement costs calculated primarily by reference to actual costs for similar construction in the Far North Queensland region.	10.10%	ABS PPI Building 3020 Non-residential building construction Queensland
Buildings and Other Structures (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	Replacement costs calculated primarily by reference to actual costs for similar construction in the Far North Queensland region. The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.	10.10%	ABS PPI Building 3020 Non-residential building construction Queensland
Transport Assets						
- Road assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	Council categorises its road assets into geographical regions and then further sub-categorises these into sealed and unsealed roads. All road segments are then componentised into formation, pavement and seal (where applicable). Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	5.27%	ABS PPI 3101 Road and bridge construction Queensland
- Bridge assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	Each bridge was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.	5.27%	ABS PPI 3101 Road and bridge construction Queensland

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

- Other transport assets (level 3)	Current replacement cost	30 June 2020	Cardno (QLD) Pty Ltd	Construction estimates were determined on a similar basis to roads.	5.27%	ABS PPI 3101 Road and bridge construction Queensland
Water, Sewerage and Solid Waste Disposal						
- Water (level 3)	Current replacement cost	30 June 2021	Cardno (QLD) Pty Ltd	Unit rates were based on a combination of actual contract data obtained from various Queensland local governments and water utilities over the past few years as well as actual supply/installation costs from suppliers and contractors. The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.	6.19%	ABS PPI 3101 Road and bridge construction Queensland
- Sewerage (level 3)	Current replacement cost	30 June 2019	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data. The valuation process involved the collection and review of asset information, condition based assessment and scoring, review and update of unit rates, application of adjustment factors as well as the review of asset useful and remaining useful lives.	5.91%	ABS PPI 3101 Road and bridge construction Queensland
- Solid Waste Disposal (level 3)	Current replacement cost	30 June 2022	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	0.00%	Nil - revaluation performed
Drainage (level 3)	Current replacement cost	30 June 2022	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	0.00%	Nil - revaluation performed
Marine (level 3)	Current replacement cost	30 June 2022	Cardno (QLD) Pty Ltd	Unit rates for construction were developed using: Industry standard cost guides, project costs from recently completed projects, manufactured specifications and other data.	0.00%	Nil - revaluation performed

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

d) Capital and operating expenditure

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

e) Capital work in progress

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

f) Depreciation

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

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

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

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

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

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

g) Impairment of non-current assets

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

	2022	2021
	\$	\$
14 Intangible assets		
Software		
Opening gross carrying value	196,043	344,475
Additions	-	1,391
Disposals	-	(149,824)
Closing gross carrying value	<u>196,043</u>	<u>196,043</u>
Accumulated amortisation		
Opening balance	61,076	152,719
Amortisation in the year	41,167	56,475
Disposals		(148,118)
Closing balance	<u>102,243</u>	<u>61,076</u>
Net carrying value at the end of the financial year	<u><u>93,800</u></u>	<u><u>134,967</u></u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

15 Contract assets/contract liabilities

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

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

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

	2022	2021
	\$	\$
a Contract assets	3,208,965	1,503,088
b Contract liabilities		
Funds received upfront to construct Council controlled assets	1,069,630	1,738,869
	1,069,630	1,738,869

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

Funds to construct Council controlled assets	1,738,869	687,548
--	-----------	---------

	2022	2021
	\$	\$

16 Trade and other payables

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

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

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense.

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

Current

Creditors and accruals	3,466,714	3,438,637
Accrued wages and salaries	309,211	194,660
Unearned revenue	405,407	58,501
Prepaid rates	1,203,700	1,078,180
Annual leave	2,048,641	1,979,331
Sick leave	305,171	289,504
Other entitlements	63,811	63,618
	<u>7,802,654</u>	<u>7,102,431</u>

17 Provisions

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

Restoration Provision

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

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

Restoration on land not controlled by Council

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

Restoration on land controlled by Council

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

Long Service Leave

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

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

	2022	2021
	\$	\$
Current		
Landfill restoration	1,484,371	392,150
Long service leave	2,029,165	1,852,417
	<u>3,513,536</u>	<u>2,244,567</u>
Non-current		
Landfill restoration	4,378,634	4,769,794
Long service leave	396,249	411,617
	<u>4,774,883</u>	<u>5,181,411</u>

Details of movements in provisions:

	2022	2021
	\$	\$
Property restoration: Landfill sites		
Balance at the beginning of the financial year	5,161,944	5,383,933
Increase in provision due to unwinding of discount	20,642	32,812
Increase / (decrease) in provision for future cost	1,078,127	90,795
Provision expended to date	(397,709)	(345,596)
Balance at the end of the financial year	<u>5,863,005</u>	<u>5,161,944</u>

Council has two landfill sites located at Newell Beach and Killaloe and a Sanitary Depot. The provision is stated at the present value of the estimated cost of restoring the landfill sites to a standard required under licensing conditions. The provision increased during the year as a result of a re-estimation of restoration costs at the landfill sites. The Killaloe site is due for its final capping in the 2023FY (with post closure monitoring until the 2053FY). Newell Beach landfill is due for final capping in the 2025FY (with post closure monitoring until the 2055FY). A site investigation is underway at the Sanitary Depot to determine any future capping requirements and submission to the regulator for removal from licensing requirements.

	2022	2021
	\$	\$
Long service leave		
Balance at the beginning of the financial year	2,264,034	2,071,418
Long service leave entitlement arising	351,417	387,326
Long Service entitlement paid	(190,037)	(194,710)
Balance at the end of the financial year	<u>2,425,414</u>	<u>2,264,034</u>

18 Asset revaluation surplus

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

	2022 \$	2021 \$
Movements in the asset revaluation surplus were as follows:		
Balance at the beginning of the financial year	56,963,407	40,078,005
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	1,088,827	(466,753)
Buildings and other structures	3,560,696	7,692,837
Water, Sewerage and Solid waste disposal	8,171,744	9,659,319
Balance at the end of the financial year	<u>69,784,674</u>	<u>56,963,407</u>
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	1,088,827	-
Buildings and other structures	21,389,742	17,829,047
Water, Sewerage and Solid waste disposal	47,306,105	39,134,361
	<u>69,784,674</u>	<u>56,963,407</u>
19 Commitments for expenditure		
Operating expenditure		
Not later than 1 year	7,718,288	6,068,822
Later than 1 year but not later than 5	14,759,506	16,768,787
Later than 5 years	844,428	2,895,181
	<u>23,322,222</u>	<u>25,732,790</u>
Capital expenditure		
Not later than 1 year	4,664,556	11,055,638
	<u>4,664,556</u>	<u>11,055,638</u>
20 Contingent liabilities		
Details and estimates of maximum amounts of contingent liabilities are as follows:		
Local Government Mutual		
Council is a member of the local government mutual liability self-insurance pool, LGM Queensland. In the event of the pool being wound up or being unable to meet its debts as they fall due, the trust deed and rules provide that any accumulated deficit will be met by the individual pool members in the same proportion as their contribution to the total pool contributions in respect to any year that a deficit arises.		
As at 30 June 2022 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.		
Local Government Workcare		
The Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is \$486,815.		

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

21 Superannuation

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2021. The actuary indicated that "At the valuation date of 1 July 2021, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The measure of vested benefits represents the value of benefit entitlements should all participating employees voluntarily exit the scheme. Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

The next triennial actuarial review is not due until 1 July 2024.

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

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

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

Note	2022 \$	2021 \$	
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,826,366	1,755,127
22 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities			
Net result	19,892,898	7,125,934	
Non-cash items:			
Depreciation and amortisation	13,308,172	12,782,968	
Revaluation adjustments	(4,685,850)	30,491	
Change in future rehabilitation and restoration costs	1,098,769	123,607	
	<u>9,721,091</u>	<u>12,937,066</u>	
Investing and development activities (non-cash):			
Net profit or loss on disposal of non-current assets	533,116	452,768	
Capital grants and contributions	(17,420,101)	(10,205,942)	
Donated assets	-	274,499	
	<u>(16,886,984)</u>	<u>(9,478,675)</u>	
Changes in operating assets and liabilities:			
(Increase)/decrease in receivables	(214,491)	(506,529)	
(Increase)/decrease in inventory	12,475	17,561	
(Increase)/decrease in prepayments	(79,919)	34,704	
(Increase)/decrease in contract assets (recurrent grants)	(26,170)	(88,905)	
Increase/(decrease) in payables	302,514	(1,225,479)	
Increase/(decrease) in contract liabilities (recurrent grants)	37,365	(144,791)	
Increase/(decrease) in other provisions	161,380	192,616	
Increase/(decrease) in unearned revenue	460,977	-	
	<u>654,131</u>	<u>(1,720,823)</u>	
Net cash inflow from operating activities	<u>13,381,136</u>	<u>8,863,503</u>	

23 Events after the reporting period

No significant events have occurred since year-end.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

24 Financial instruments and financial risk management

Financial assets and financial liabilities

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

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

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

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

Council does not enter into derivatives.

Credit risk

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

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

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

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

The 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	2022	2021
		\$	\$
Financial assets			
Cash and cash equivalents	10	13,016,606	24,097,607
Receivables - rates	12	3,142,713	3,354,458
Receivables - other	12	1,973,296	1,547,060
Investments	11	10,000,000	-
Total financial assets		<u>28,132,615</u>	<u>28,999,126</u>

Cash and cash equivalents

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

Investments

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 2022

Trade and other receivables

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

	2022	2021
	\$	\$
Subject to impairment		
Not past due	247,042	97,277
Past due 31-60 days	33,281	30,570
Past due 61-90 days	4,044	418
More than 90 days	39,475	31,664
Total gross carrying amount	<u>323,842</u>	<u>159,929</u>
Loss allowance	<u>(49,287)</u>	<u>(49,287)</u>
	<u>274,555</u>	<u>110,642</u>
Not subject to impairment		
Rates and Charges	3,142,714	3,354,458
Grants	22,000	12,100
GST recoverable/accrued income (less contract assets)	1,627,454	1,375,032
	<u>4,792,168</u>	<u>4,741,590</u>
	<u>5,066,723</u>	<u>4,852,232</u>

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

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

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

Liquidity risk

Liquidity risk is the risk that Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Council is exposed to liquidity risk through its normal course of business. Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

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

Market risk

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

Currency risk

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

Price risk

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

Interest rate risk

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

Sensitivity

Interest rate sensitivity analysis evaluates the outcome on financial result if interest rates would change by +/- 1 percent from the year-end rates applicable to Council's financial assets and financial liabilities. With all other variables held constant, Council would have a financial result and equity increase/(decrease) of \$230,166 (2021: \$240,976).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

25 Transactions with related parties

(a) Transactions with key management personnel (KMP)

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

	2022	2021
	\$	\$
Short-term employee benefits	1,629,094	1,639,871
Post-employment benefits	198,381	175,187
Long-term benefits	46,139	27,714
Termination benefits	190,000	38,252
Total	2,063,614	1,881,024

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	2022	2021
		\$	\$
Purchase of materials and services from entities controlled by key management personnel or their close family members.	25(b)(i)	170,575	133,696
Employee Expenses for close family members of key management personnel	26(b)(ii)	33,041	28,069

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

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

(c) Outstanding balances

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

Receivables	Amounts owed by entities controlled by KMP	Amounts owed by entities controlled by KMP
	2022	2021
Current	\$ 1,021	\$ 4,603
Total owing	\$ 1,021	\$ 4,603

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

(d) Loans and guarantees to/from related parties

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2022

(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 2022

Management Certificate
For the year ended 30 June 2022

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

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

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

Mayor
Michael Kerr

Chief Executive Officer
Rachel Brophy

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2022

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2022 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-1%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	74%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-28%	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 2022.

Certificate of Accuracy
For the year ended 30 June 2022

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

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

Mayor
Michael Kerr

Chief Executive Officer
Rachel Brophy

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Long-Term Financial Sustainability Statement - Unaudited
Prepared as at 30 June 2022

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2022	Projected for the years ended									
				30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	30 June 2030	30 June 2031	30 June 2032
Council													
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-1%	-5%	-2%	-1%	0%	0%	0%	1%	1%	1%	1%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	74%	76%	91%	90%	90%	90%	91%	91%	90%	90%	91%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-28%	-16%	-18%	-19%	-20%	-21%	-21%	-21%	-21%	-20%	-20%

Douglas Shire Council's Financial Management Strategy

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

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2022

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

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

 Mayor
 Michael Kerr

 Chief Executive Officer
 Rachel Brophy

Date: ____/____/____

Date: ____/____/____