

3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

REPORT AUTHOR	Tara Killeen, Chief Financial Officer
MANAGER	Mark Stoermer, Chief Executive Officer
DEPARTMENT	Finance and Corporate Services

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2019 and that the Mayor and Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.

EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2019 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$970.9k compared to a (revised) budgeted operating deficit of \$594.6k.
- the cash position at the end of the year is \$29.1m.
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND

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

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

COMMENT

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

Statement of Comprehensive Income

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

Operating Result

Council's operating result is determined by deducting recurrent expenditure from recurrent revenue resulting in an operating deficit of \$971k compared to a (revised) budgeted operating deficit of \$595k. This represents a variance of \$376k to revised budget. The operating result was adversely affected by expenditure incurred due to weather events experienced this financial year.

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

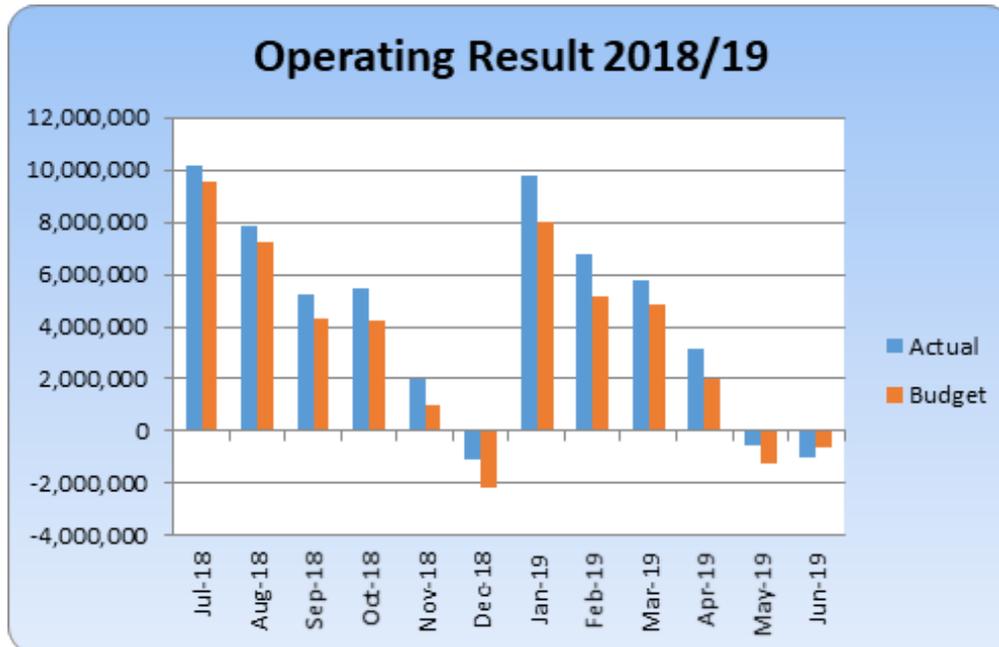


Figure 1. Operating Result 2018-2019

Capital Revenue & Income

Includes accepting ownership of Bloomfield River Bridge & upwards revaluation of Transport assets

Capital Expenses

Includes a landfill provision adjustment and write-off of assets damaged by natural disasters

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 \$29.1m (as per the Statement of Financial Position) and consisted of cash and cash equivalents and investments (short term deposits exceeding 3 months).

Notes to the Financial Statements

Provide details of significant accounting policies and supporting information relating to the 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. DSC Measures of Financial Sustainability

Douglas Shire Council – Measures of Financial Sustainability					
For the period ending 30 June 2019					
		Original Budget	Actual	Target	Improvement over Budget
Council's Performance at 30 June 2019 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)	-2%	-2%	Between 0% and 10%	Same
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	99%	84%	Greater than 90%	No
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-29%	-47%	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 remained constant to budget. Council continues to increase its focus on asset renewals however, the Asset sustainability ratio is behind target due to the delay in completing works on Noah's Creek Bridge. The Net financial liabilities ratio has improved and is well ahead of the required target percentage and indicates a healthy balance sheet.

Community Financial Report

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

PROPOSAL

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

FINANCIAL/RESOURCE IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

Ongoing operating deficits have the potential to negatively impact upon Council's future financial sustainability. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2019/20, in accordance with Council's Corporate Plan.

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 – Governance

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

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

CONSULTATION

Internal: CEO and Management Team

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

ATTACHMENTS

1. Douglas Shire Council Financial Statements for the Year Ended 30 June 2019 [3.1.1 - 33 pages]



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2019**

Douglas Shire Council

Financial statements

For the year ended 30 June 2019

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**Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2019**

	Note	2019 \$	2018 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	33,840,069	32,309,812
Fees and charges	3(b)	5,483,360	5,299,191
Rental income		256,261	278,004
Interest received	3(c)	825,732	883,490
Other revenue	3(d)	961,672	1,530,090
Grants, subsidies, contributions and donations	4(a)	4,078,584	2,036,921
		<u>45,445,678</u>	<u>42,337,508</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	18,598,176	10,212,217
Other capital income	5	6,991,969	2,193,301
Total capital revenue		<u>25,590,145</u>	<u>12,405,518</u>
Total income		<u>71,035,822</u>	<u>54,743,026</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(13,513,697)	(12,812,702)
Materials and services	7	(21,073,884)	(19,303,433)
Finance costs	8	(203,072)	(147,930)
Depreciation and amortisation	13&14	(11,625,956)	(10,851,299)
		<u>(46,416,609)</u>	<u>(43,115,364)</u>
Capital expenses	9	(3,472,314)	(1,752,533)
Total expenses		<u>(49,888,923)</u>	<u>(44,867,897)</u>
Net result		<u>21,146,899</u>	<u>9,875,129</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	17	7,623,847	333,517
Total other comprehensive income for the year		<u>7,623,847</u>	<u>333,517</u>
Total comprehensive income for the year		<u>28,770,746</u>	<u>10,208,646</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 2019**

	2019	2018
Note	\$	\$
Current assets		
Cash and cash equivalents	10 25,114,863	13,589,280
Investments	11 4,000,000	10,000,000
Trade and other receivables	12 4,896,101	5,901,541
Inventories	119,745	101,271
Non-current assets held for sale	-	250,000
Total current assets	<u>34,130,710</u>	<u>29,842,093</u>
Non-current assets		
Property, plant and equipment	13 377,164,277	350,928,766
Intangible assets	14 70,530	140,888
Total non-current assets	<u>377,234,806</u>	<u>351,069,654</u>
Total assets	<u>411,365,516</u>	<u>380,911,746</u>
Current liabilities		
Trade and other payables	15 5,808,342	6,103,911
Provisions	16 1,692,465	2,650,676
Total current liabilities	<u>7,500,807</u>	<u>8,754,586</u>
Non-current liabilities		
Provisions	16 5,108,363	2,171,560
Total non-current liabilities	<u>5,108,363</u>	<u>2,171,560</u>
Total liabilities	<u>12,609,170</u>	<u>10,926,146</u>
Net community assets	<u>398,756,346</u>	<u>369,985,600</u>
Community equity		
Asset revaluation surplus	17 40,078,005	32,454,158
Retained surplus/(deficiency)	358,678,341	337,531,442
Total community equity	<u>398,756,346</u>	<u>369,985,600</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 2019**

	Asset revaluation surplus	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2018	32,454,158	337,531,442	369,985,600
Net result		21,146,899	21,146,899
Other comprehensive income for the year			
Increase in asset revaluation surplus	17 7,623,847		7,623,847
Total comprehensive income for the period	<u>7,623,847</u>	<u>21,146,899</u>	<u>28,770,746</u>
Balance as at 30 June 2019	<u>40,078,005</u>	<u>358,678,341</u>	<u>398,756,346</u>
Balance as at 1 July 2017	32,120,641	327,656,314	359,776,955
Net result		9,875,129	9,875,129
Other comprehensive income for the year			
Increase in asset revaluation surplus	17 333,517		333,517
Total comprehensive income for the period	<u>333,517</u>	<u>9,875,129</u>	<u>10,208,646</u>
Balance as at 30 June 2018	<u>32,454,158</u>	<u>337,531,442</u>	<u>369,985,600</u>

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 2019

	<u>Note</u>	<u>2019</u> <u>\$</u>	<u>2018</u> <u>\$</u>
Cash flows from operating activities			
Receipts from customers		41,290,541	38,908,970
Payments to suppliers and employees		<u>(35,242,915)</u>	<u>(30,801,510)</u>
		6,047,626	8,107,459
Interest received		825,732	883,490
Rental income		256,261	278,004
Non capital grants and contributions		4,078,584	2,036,921
Borrowing costs		<u>(77,441)</u>	<u>(85,859)</u>
Net cash inflow (outflow) from operating activities	21	<u>11,130,762</u>	<u>11,220,015</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(16,318,832)	(26,111,585)
Payments for intangible assets		(35,172)	-
Proceeds from sale of property plant and equipment		626,698	251,871
(Purchase) / redemption of investments		6,000,000	5,000,000
Grants, subsidies, contributions and donations		10,059,459	8,718,508
Capital insurance proceeds		<u>62,668</u>	<u>-</u>
Net cash inflow (outflow) from investing activities		<u>394,821</u>	<u>(12,141,206)</u>
Net increase (decrease) in cash and cash equivalent held		<u>11,525,583</u>	<u>(921,190)</u>
Cash and cash equivalents at the beginning of the financial year		13,589,280	14,510,471
Cash and cash equivalents at end of the financial year	10	<u>25,114,863</u>	<u>13,589,280</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 2019**

1 Significant accounting policies

1.1 Basis of preparation

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

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

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

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

1.2 New and revised Accounting Standards

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

AASB 9 Financial Instruments

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses. Council does not have any material changes from this new standard and has not restated comparatives.

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

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-to-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by Council will be recognised as a liability, and subsequently recognised progressively as revenue as Council satisfies its performance obligations under the grant agreement. At present, such grants are recognised as revenue upfront.

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

- Revenue decrease of \$1,013,857 due to deferral of grant funding and pre-paid rates revenue (based on the facts available to Council at the date of assessment).
- There would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.
- Net result would be lower on initial application as a result of decreased revenue.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

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

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements and determined that they will have no impact as Council does not generally lease its assets (other than some Deed of Grant in Trust Leases - i.e. peppercorn leases). Peppercorn leases are currently not recognised in Council's financial statements. Council does not intend to elect to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

However, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.

1.3 Estimates and judgements

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

Valuation and depreciation of property, plant and equipment - Note 13
 Provisions - Note 1.10 (d), Note 1.11 and Note 16
 Contingent liabilities - Note 19

1.4 Revenue Recognition

a) Rates and levies

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

b) Grants and subsidies

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

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

c) Non-cash contributions

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

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

d) Cash Contributions

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

e) Interest

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

f) Fees and Charges

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

g) Share of proceeds from sale of operational trust land

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

h) Contract and recoverable works revenue

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

1.5 Cash and cash equivalents

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

Cash at bank and on hand at 30 June 2019 includes \$119,613 received from the State government to mitigate the direct impacts on households of the State Waste Levy, which comes into effect from 1 July 2019. This money has been set aside to help fund the Council's 2019-20 Levy expense.

1.6 Receivables

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

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

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

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

1.7 Investments

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

1.8 Intangible assets

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

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

At the reporting date intangible assets consist of software only.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

1.9 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.

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

The State government made an advance payment to Council in June 2019 to mitigate the impacts on households for 2019-20 of the State Waste Levy, which takes effect from 1 July 2019. The Council will be liable to the State for payment of the Levy on most forms of commercial and household waste delivered to its disposal sites from 1 July 2019. The State is required to make an annual payment to the Council that essentially refunds the Council for the portion of the Levy that relates to households. Council will fund the portion of the Levy that relates to commercial waste through charges to commercial users of disposal sites from 1 July 2019. As the receipt from the State in June 2019 is for a refund of Council's 2019-20 Levy expense, the full amount has been recognised as a liability at 30 June 2019.

1.10 Liabilities - employee benefits

a) Annual leave

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

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

b) Sick leave

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

c) Superannuation

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

d) Long service leave

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

1.11 Restoration provision

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

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

Restoration on land controlled by Council

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

1.12 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.

1.13 Taxation

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

**Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019**

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 2019

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 2019

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							
	2019	2019	2019	2019		2019	2019				
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$		
Corporate and Community	1,710,702	16,463,009	186,726		18,360,437	(10,524,266)	192,416	(10,331,850)	7,649,445	8,028,587	62,240,862
Infrastructure	2,095,706	4,785,714	14,206,617	6,991,969	28,080,006	(20,494,718)	(1,300,153)	(21,794,871)	(13,613,298)	6,285,135	211,624,665
Development and Environment	246,948	713,627	-		960,575	(2,138,484)	-	(2,138,484)	(1,177,909)	(1,177,909)	-
Water and Waste	25,228	19,404,744	4,204,833		23,634,804	(13,259,141)	(2,364,578)	(15,623,718)	6,170,831	8,011,086	137,499,992
Total Council	4,078,584	41,367,093	18,598,176	6,991,969	71,035,823	(46,416,609)	(3,472,315)	(49,888,924)	(970,932)	21,146,899	411,365,519

Year ended 30 June 2018

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Note	2019 \$	2018 \$
3 Revenue analysis		
(a) Rates, levies and charges		
General rates	15,706,225	14,977,519
Water	7,284,706	7,098,598
Sewerage	6,944,253	6,637,644
Waste	4,353,516	4,013,440
Less: Pensioner remissions & concessions	(448,631)	(417,389)
Net rates, levies and utility charges	<u>33,840,069</u>	<u>32,309,812</u>
(b) Fees and charges		
Building and property fees	267,086	345,505
Ferry	3,098,114	2,969,151
Communication towers	204,982	182,803
Permits, licences & registrations	497,870	463,380
Markets	306,865	295,038
Refuse & transfer stations	274,671	263,083
Water & sewerage applications	322,771	309,058
Other fees and charges	511,001	471,174
	<u>5,483,360</u>	<u>5,299,191</u>
(c) Interest received		
Investments	644,497	667,896
Overdue rates and utility charges	181,235	215,594
	<u>825,732</u>	<u>883,490</u>
(d) Other revenue		
Share of proceeds from sale of operational trust land	-	822,700
Contract and recoverable works	719,217	453,922
Commissions	33,136	33,008
Sundry revenue	209,319	220,459
	<u>961,672</u>	<u>1,530,090</u>
4 Grants, subsidies, contributions and donations		
(a) Recurrent		
General purpose grants	1,563,777	1,395,420
State government subsidies and grants	2,514,807	641,501
	<u>4,078,584</u>	<u>2,036,921</u>
(b) Capital		
Government/statutory authority subsidies and grants	9,980,643	8,681,473
Contributions	78,816	37,035
Assets contributed by developers at fair value	8,538,717	1,493,709
	<u>18,598,176</u>	<u>10,212,217</u>
Conditions over contributions		
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:		
Non-reciprocal grants for expenditure on infrastructure	<u>1,112,374</u>	<u>907,844</u>
	1,112,374	907,844
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	<u>907,844</u>	<u>3,777,297</u>
	907,844	3,777,297

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
5 Capital income			
Provision for restoration of land			
Decrease in restoration provision	16	-	30,675
		-	30,675
Revaluations			
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	6,929,301	2,162,626
		6,929,301	2,162,626
Capital insurance proceeds			
Insurance proceeds		62,668	-
		62,668	-
Total capital income		6,991,969	2,193,301
6 Employee benefits			
Total staff wages and salaries		10,738,443	10,000,890
Councillors' remuneration		345,503	353,361
Annual, sick and long service leave entitlements		1,840,652	2,029,782
Superannuation	20	1,386,034	1,303,211
		14,310,633	13,687,244
Other employee related expenses		46,527	66,281
		14,357,160	13,753,525
Less: Capitalised employee expenses		(843,462)	(940,823)
		13,513,697	12,812,702
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	83	79	
Depot and outdoors staff	86	84	
Total full time equivalent employees	174	168	
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		106,500	106,500
Consultancy		762,724	1,170,610
Contractors		7,804,756	6,030,028
Communications and IT		759,723	689,488
Donations		919,872	664,945
Electricity		1,320,031	1,216,348
Insurances		670,081	722,085
Legal		279,263	152,129
Repairs and maintenance		6,747,239	6,718,091
Other materials and services		1,703,694	1,833,209
		21,073,884	19,303,433
8 Finance costs			
Bank charges		77,441	85,859
Landfill sites - change in present value over time		125,631	62,071
		203,072	147,930

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
9 Capital expenses			
Property restoration: Landfill sites			
Revaluation adjustment to refuse restoration provision - Killaloe	16	347,217	140,412
Post closure monitoring cost of Sanitary Depot	16	836,635	-
Adjustment to refuse restoration provision - Newell Beach	16	1,010,403	-
		<u>2,194,255</u>	<u>140,412</u>
Revaluation decrement			
Revaluation down of property, plant and equipment	13	51,261	-
Gain / Loss on disposal of non-current assets			
Proceeds from the sale of property, plant and equipment		(188,361)	(78,274)
Less: Carrying value of property, plant and equipment disposed of		631,613	771,642
		<u>443,252</u>	<u>693,368</u>
Proceeds from the sale of land and land improvements		(438,337)	(173,597)
Less: Carrying value of land and land improvements sold		250,000	100,000
		<u>(188,337)</u>	<u>(73,597)</u>
Total gain/loss on disposal of non-current assets		<u>254,915</u>	<u>619,771</u>
Loss on write-off			
Loss on write-off of assets damaged by natural disaster	13	971,883	992,350
Total capital expenses		<u>3,472,314</u>	<u>1,752,533</u>

The loss on write-off of assets classified as transport assets relates to damage caused by monsoonal flooding events. The damage was mainly to roads and restoration work was undertaken with funding assistance from the Natural Disaster Relief and Recovery Arrangements (NDRRA).

10 Cash and cash equivalents

Cash at bank and on hand	6,114,863	8,588,280
Deposits at call	-	1,000
Term deposits	19,000,000	5,000,000
Balance per Statement of Cash Flows	<u>25,114,863</u>	<u>13,589,280</u>

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

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

Unspent government grants and subsidies	1,112,374	907,844
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Internally imposed expenditure restrictions at the reporting date:

Future capital works	4,000,000	4,000,000
Future constrained works	3,240,797	3,369,367
Future recurrent expenditure	41,945	41,945
Waste levy refund received in advance	119,613	-
Total unspent restricted cash	<u>8,514,729</u>	<u>8,319,156</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	641,833	503,642
	<u>641,833</u>	<u>503,642</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

	<u>Note</u>	<u>2019</u> \$	<u>2018</u> \$
11 Investments			
Current fixed short term investments			
Unrestricted		4,000,000	10,000,000
		<u>4,000,000</u>	<u>10,000,000</u>

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

12 Trade and other receivables

Current

Rateable revenue and utility charges	3,202,630	3,372,723
Other debtors	715,016	1,633,814
Less impairment	(46,211)	(68,291)
Accrued revenue	508,061	459,357
GST recoverable	287,488	351,942
Prepayments	229,118	151,996
	<u>4,896,101</u>	<u>5,901,541</u>

Interest is charged on outstanding rates (9.83% per annum from 1 July 2019, previously 11% per annum). No interest is charged on other debtors.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

13 Property, plant and equipment

30 June 2019

Basis of measurement

Asset values

Opening gross value as at 1 July 2018

Additions

Disposals

Revaluation adjustment to other comprehensive income (asset revaluation surplus)

Revaluation adjustment to expense (capital expense)

Revaluation adjustment to income (capital income)

Write-off assets damaged by natural disaster

Transfers between classes

Assets classified as held for sale

Contributed assets

Internal transfers from work in progress

Closing gross value as at 30 June 2019

Accumulated depreciation

Opening balance as at 1 July 2018

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to other comprehensive income (asset revaluation surplus)

Revaluation adjustment to income (capital income)

Revaluation adjustment to expense (capital expense)

Write-off assets damaged by natural disaster

Transfers between classes

Accumulated depreciation as at 30 June 2019

Total written down value as at 30 June 2019

Residual value

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

	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	\$
Opening gross value as at 1 July 2018	27,705,394	47,009,925	6,913,543	42,640	185,921,131	208,686,407	36,557,006	15,384,978	528,221,023
Additions								24,857,550	24,857,550
Disposals	(55,337)	(394,500)	(601,964)	-	(229,189)	(1,203,768)			(2,484,758)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)						6,320,485			6,320,485
Revaluation adjustment to expense (capital expense)									-
Revaluation adjustment to income (capital income)					9,866,015				9,866,015
Write-off assets damaged by natural disaster					(1,673,290)				(1,673,290)
Transfers between classes			(62,783)			(24,375)			(87,158)
Assets classified as held for sale									-
Contributed assets					8,536,275	2,443		(8,538,718)	-
Internal transfers from work in progress	56,261	2,166,845	695,433		4,852,494	17,517,817	1,063,840	(26,352,690)	-
Closing gross value as at 30 June 2019	27,706,318	48,782,270	6,944,229	42,640	207,273,436	231,299,009	37,620,846	5,351,120	565,019,867
Opening balance as at 1 July 2018	1,085,645	19,344,072	3,211,860	39,146	51,926,052	95,434,508	6,250,974		177,292,257
Depreciation provided in period	182,342	1,373,045	664,139	1,560	3,882,112	4,979,271	408,969		11,491,438
Depreciation on disposals	(614)	(199,994)	(486,997)		(132,091)	(1,033,446)			(1,853,142)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)		480,019				(1,783,381)			(1,303,362)
Revaluation adjustment to income (capital income)					2,936,714				2,936,714
Revaluation adjustment to expense (capital expense)					51,261				51,261
Write-off assets damaged by natural disaster					(701,406)				(701,406)
Transfers between classes			(55,162)			(3,008)			(58,170)
Accumulated depreciation as at 30 June 2019	1,267,373	20,997,142	3,333,840	40,706	57,962,642	97,593,944	6,659,943	-	187,855,590
Total written down value as at 30 June 2019	26,438,945	27,785,128	3,610,389	1,933	149,310,793	133,705,065	30,960,903	5,351,120	377,164,277
Residual value	-	-	1,467,510	-	-	-	-	-	-
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80		

	\$	\$	\$	\$	\$	\$	\$	\$	
Renewals	-	-	-	-	-	-	-	9,559,417	9,559,417
Other additions	-	-	-	-	-	-	-	15,298,133	15,298,133
Total additions	-	-	-	-	-	-	-	24,857,550	24,857,550

**Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019**

13 Property, plant and equipment

30 June 2018

Basis of measurement

Asset values

Opening gross value as at 1 July 2017

Additions

Disposals

Revaluation adjustment to other comprehensive income (asset revaluation surplus)

Revaluation adjustment to expense (capital expense)

Impairment adjustment to asset revaluation surplus

Revaluation adjustment to income (capital income)

Write-off assets damaged by natural disaster

Transfers between classes

Assets classified as held for sale

Contributed assets

Internal transfers from work in progress

Closing gross value as at 30 June 2018

Accumulated depreciation

Opening balance as at 1 July 2017

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to other comprehensive

Revaluation adjustment to income (capital income)

Revaluation adjustment to expense (capital expense)

Write-off assets damaged by natural disaster

Transfers between classes

Accumulated depreciation as at 30 June 2018

Total written down value as at 30 June 2018

Residual value

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

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	\$
	25,386,431	46,332,399	6,439,174	42,640	179,568,644	201,910,163	34,428,956	4,553,890	498,662,296
								27,605,294	27,605,294
9	(100,000)	(315,300)	(313,274)		(265,390)	(839,392)			(1,833,356)
17		(131,076)				2,358,054			2,226,978
9									-
5									-
					2,196,057		1,307,415		3,503,472
					(1,649,911)		(43,750)		(1,693,661)
									-
	(250,000)								(250,000)
			33,870		536,850	380,048	609,893	(1,560,661)	-
	2,668,963	1,123,902	753,773		5,534,881	4,877,534	254,492	(15,213,545)	-
	27,705,394	47,009,925	6,913,543	42,640	185,921,131	208,686,407	36,557,006	15,384,978	528,221,023
	940,641	18,171,454	2,691,435	34,467	48,069,848	90,085,482	5,439,262	-	165,432,589
	144,968	1,336,297	750,579	4,679	3,744,121	4,234,964	384,560		10,600,168
9		(141,521)	(230,154)		(100,300)	(489,739)			(961,714)
17	36	(22,158)				1,603,801			1,581,679
5					907,236		433,610		1,340,846
9									-
					(694,853)		(6,458)		(701,311)
									-
	1,085,645	19,344,072	3,211,860	39,146	51,926,052	95,434,508	6,250,974	-	177,292,257
	26,619,749	27,665,853	3,701,683	3,493	133,995,078	113,251,899	30,306,032	15,384,978	350,928,766
	-	-	1,424,524	-	-	-	-	-	-
	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80		

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

**Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019**

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 2019 indexation purposes). Together these are used to form the basis of the desktop valuation.

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

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

(i) Recognised fair value measurements

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

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

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

(ii) Valuation techniques used to derive fair values

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

Land and land improvements (level 2 and 3)

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

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

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

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

For land no revaluation adjustment was made as at 30 June 2019 as the movement in sales data in the region between 2017 and 2019 was considered immaterial.

For land improvements no revaluation adjustment was made as at 30 June 2019 as the movement in the Non-Residential Building Construction Index (QLD) between 2017 and 2019 (1.74%) was considered immaterial.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Buildings and other structures (level 3)

Current replacement cost

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

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

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

No revaluation adjustment was made as at 30 June 2019 as the movement in the Non-Residential Building Construction Index (QLD) between 2017 and 2019 (1.74%) was considered immaterial.

Accumulated depreciation

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

Transport assets (level 3)

Current replacement cost

Road assets

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

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

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

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

A review was undertaken as at 30 June 2019, based on the Road and Bridge Construction Index (QLD). The index increased by 6.68% since 2017. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2019.

Bridge assets

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

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

A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD) and a revaluation adjustment of 7.45% was provided for as at 30 June 2018.

No revaluation adjustment was made as at 30 June 2019 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2019 (3.32%) was considered immaterial.

Bloomfield River Bridge

In 2014 the Department of Transport and Main Roads (the Department) completed construction of the Bloomfield River Bridge which is located within Council's local government area. The bridge was commenced prior to Council's de-amalgamation from Cairns Regional Council. The Department was expecting Council to take ownership of the bridge at the end of the twelve month defects liability period. However, in December 2015 Council passed a resolution to not take ownership of and ongoing operational responsibility for the bridge and outlined its reasons to the Department for making this decision. On 26 March 2019 Council resolved to accept ownership of the bridge.

Cardno was engaged to assist with determining the fair value of the bridge as at 1 July 2018. The valuation process involved the collection and review of asset information, application of adjustment factors as well as the review of asset useful and remaining useful lives. The fair value of the aggregate components of the bridge was determined to be \$8,459,171 and Council has recognised this value in its financial statements in the 2019 financial year (the year that Council took effective control of the asset).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Other transport assets

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

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

A review was undertaken as at 30 June 2018, based on the Road and Bridge Construction Index (QLD) and a revaluation of 5.83% was provided for as at 30 June 2018.

No revaluation adjustment was made as at 30 June 2019 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2019 (3.32%) was considered immaterial.

Accumulated depreciation

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

Water, Sewerage and Solid Waste Disposal (level 3)

Water

Current replacement cost

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

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

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

A review was undertaken as at 30 June 2019, based on the Road and Bridge Construction Index (QLD). The index increased by 6.68% since 2017. As the movement was considered material, a revaluation adjustment was provided for as at 30 June 2019.

Accumulated depreciation

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

Sewerage

Current replacement cost

Sewerage assets were comprehensively revalued by Cardno (QLD) Pty Ltd as at 30 June 2019. Current replacement cost for these assets was calculated based on expected replacement costs. Assets were disaggregated to significant component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

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

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

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

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, assets were disaggregated into significant components which exhibited different useful lives.

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Solid waste disposal

Current replacement cost

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

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

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

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

No revaluation adjustment was made at 30 June 2019 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2019 (3.32%) was considered immaterial.

Accumulated depreciation

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

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

Drainage infrastructure (level 3)

Current replacement cost

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

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

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

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

No revaluation adjustment was made at 30 June 2019 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2019 (3.32%) was considered immaterial.

Accumulated depreciation

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

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

**Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019**

d) Capital and operating expenditure

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

e) Capital work in progress

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

f) Depreciation

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

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

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

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

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

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

g) Impairment of non-current assets

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

	2019	2018
	\$	\$
14 Intangible assets		
Software		
Opening gross carrying value	1,403,201	1,403,201
Additions	35,172	-
Transfers from Plant and Equipment	87,158	-
Disposals	(1,293,786)	-
Closing gross carrying value	<u>231,745</u>	<u>1,403,201</u>
Accumulated amortisation		
Opening balance	1,262,313	1,011,182
Amortisation in the period	134,518	251,131
Transfers from Plant and Equipment	58,170	-
Disposals	(1,293,786)	-
Closing balance	<u>161,215</u>	<u>1,262,313</u>
Net carrying value at end of financial year	<u><u>70,530</u></u>	<u><u>140,888</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 2019

	2019 \$	2018 \$
15 Trade and other payables		
Current		
Creditors and accruals	3,591,559	4,081,231
Unearned Revenue	164,078	-
Waste levy refund received in advance	119,613	
Annual leave	1,624,740	1,725,624
Sick leave	235,843	244,966
Other entitlements	72,509	52,090
	<u>5,808,342</u>	<u>6,103,911</u>
16 Provisions		
Current		
Landfill restoration	-	826,000
Long service leave	1,692,465	1,824,676
	<u>1,692,465</u>	<u>2,650,676</u>
Non-current		
Landfill restoration	4,872,340	1,938,488
Long service leave	236,022	233,072
	<u>5,108,363</u>	<u>2,171,560</u>

Details of movements in provisions:

	2019 \$	2018 \$
Property restoration: Landfill sites		
Balance at beginning of financial year	2,764,488	2,280,897
Increase in provision due to unwinding of discount	125,631	62,071
Increase / (decrease) in provision for future cost	2,194,255	421,520
Provision expended to date	(212,034)	-
Balance at end of financial year	<u>4,872,340</u>	<u>2,764,488</u>

Council has two active landfill sites located at Newell Beach and Killaloe. During the 2019FY the regulator also reinstated conditions on the restoration of the 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 the recognition of the Sanitary Depot site and a re-estimation of restoration costs at the Killaloe and Newell beach sites.

	2019 \$	2018 \$
Long service leave		
Balance at beginning of financial year	2,057,748	2,021,805
Long service leave entitlement arising	224,502	320,523
Long Service entitlement paid	(353,763)	(284,580)
Balance at end of financial year	<u>1,928,487</u>	<u>2,057,748</u>

17 Asset revaluation surplus

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year	32,454,158	32,120,641
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	-	(36)
Buildings and other structures	(480,019)	(108,918)
Water, Sewerage and Solid waste disposal	8,103,866	754,253
Change in value of restoration costs		
Landfill	-	(311,782)
Balance at end of financial year	<u>40,078,005</u>	<u>32,454,158</u>

Asset revaluation surplus analysis

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

Land and land improvements	466,753	466,753
Buildings and other structures	10,136,210	10,616,229
Water, Sewerage and Solid waste disposal	29,475,042	21,371,176
	<u>40,078,005</u>	<u>32,454,158</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

18 Commitments for expenditure

Operating expenditure

Not later than 1 year	5,828,836	6,034,781
Later than 1 year but not later than 5 years	5,604,080	9,811,815
Later than 5 years	1,565,936	2,324,347
	<u>12,998,852</u>	<u>18,170,943</u>

Capital expenditure

Not later than 1 year	3,688,464	4,332,229
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>3,688,464</u>	<u>4,332,229</u>

19 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2019 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 \$313,187.

20 Superannuation

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

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

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

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

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Another actuarial investigation is being conducted as at 1 July 2021. At the time of signing these financial statements this investigation is still in progress.

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

- Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.
- Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.

There are currently 62 entities contributing to the scheme and any changes in contribution rates would apply equally to all 62 entities. Council made less than 4% of the total contributions to the plan in the 2018-19 financial year.

	Note	2019 \$	2018 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,386,034	1,303,211
		2019 \$	2018 \$
21 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities			
Net result		21,146,899	9,875,129
Non-cash items:			
Depreciation and amortisation		11,625,956	10,851,299
Revaluation adjustments		(6,878,040)	(2,162,626)
Loss on asset write-off		971,883	992,350
Change in future rehabilitation and restoration costs		2,319,886	171,808
		8,039,685	9,852,831
Investing and development activities:			
Net profit or loss on disposal of non-current assets		254,915	619,771
Capital grants and contributions		(18,598,176)	(10,212,217)
Capital insurance proceeds		(62,668)	-
		(18,405,929)	(9,592,446)
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		1,005,440	(230,123)
(Increase)/decrease in inventory		(18,474)	(3,543)
Increase/(decrease) in payables		(507,602)	1,282,224
Increase/(decrease) in other provisions		(129,258)	35,943
		350,106	1,084,501
Net cash inflow from operating activities		11,130,762	11,220,015
22 Events after the reporting period			
There were no material adjusting events after the balance date.			

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

23 Financial instruments and financial risk management

Financial assets and financial liabilities

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

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

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

Council does not enter into derivatives.

Credit risk

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

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

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

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

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

	Note	2019	2018
Financial assets		\$	\$
Cash and cash equivalents	10	25,114,863	13,589,280
Receivables - rates	12	3,202,630	3,372,723
Receivables - other	12	1,693,472	2,528,819
Investments	11	4,000,000	10,000,000
Total financial assets		34,010,965	29,490,821

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 (held in Westpac which is rated AA- based on rating agency ratings).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

Trade and other receivables

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

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

	2019	2018
	\$	\$
Subject to impairment		
Not past due	238,968	162,531
Past due 31-60 days	9,960	12,772
Past due 61-90 days	10,716	73,829
More than 90 days	12,862	34,347
Total gross carrying amount	<u>272,506</u>	<u>283,479</u>
Loss allowance	<u>(46,211)</u>	<u>(68,291)</u>
	<u>226,295</u>	<u>215,188</u>
Not subject to impairment		
Rates and Charges	3,202,630	3,372,723
Grants	442,509	1,350,335
GST recoverable/prepayments/accrued income	1,024,667	963,295
	<u>4,669,806</u>	<u>5,686,353</u>
	<u>4,896,101</u>	<u>5,901,541</u>

Liquidity risk

Liquidity risk is the risk that Council will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Council is exposed to liquidity risk through its normal course of business.

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

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

Market risk

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

Interest rate risk

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

Sensitivity

Interest rate sensitivity analysis evaluates the outcome on profit or loss if interest rates would change by +/- 1 percent from the year-end rates applicable to Council's financial assets and financial liabilities. With all other variables held constant, Council would have a surplus and equity increase/(decrease) of \$291,149 (2018: \$235,893).

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2019

24 Transactions with related parties

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer and some executive management. Note: Due to the restructure of the Executive Management Team, the number of staff that fit the definition of a KMP has increased in the 2019 financial year. The compensation paid to KMP comprises:

	2019	2018
	\$	\$
Short-term employee benefits	1,257,138	876,204
Post-employment benefits	136,103	94,172
Long-term benefits	42,957	20,622
Termination benefits	-	-
Total	1,436,198	990,998

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	2019	2018
		\$	\$
Purchase of materials and services from entities controlled by key management personnel.	24(b)(i)	456,668	417,881

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

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

(c) Outstanding balances

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

Receivables	Amounts owed by entities controlled by KMP	Amounts owed by entities controlled by KMP
	2019	2018
Current	\$ 7,304	\$ 9,531
Past due 31-60 days	\$ -	\$ -
Past due 61 - 90 days	\$ -	\$ -
More than 90 days overdue	\$ -	\$ -
Total owing	\$ 7,304	\$ 9,531

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

(d) Loans and guarantees to/from related parties

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

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

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

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

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

**Douglas Shire Council
Financial statements
For the year ended 30 June 2019**

**Management Certificate
For the year ended 30 June 2019**

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

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

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

**Mayor
Julia Leu**

**Chief Executive Officer
Mark Stoermer**

Date: ____/____/____

Date: ____/____/____

**Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2019**

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2019 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-2%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	84%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-47%	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 2019.

Certificate of Accuracy
For the year ended 30 June 2019

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

Date: ____/____/____

Chief Executive Officer
Mark Stoermer

Date: ____/____/____

**Douglas Shire Council
Long-Term Financial Sustainability Statement - Unaudited
Prepared as at 30 June 2019**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	Projected for the years ended								
				30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028
Council												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-2%	0%	0%	0%	1%	1%	2%	2%	2%	3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	84%	90%	91%	91%	92%	92%	92%	92%	92%	92%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-47%	-28%	-27%	-27%	-26%	-26%	-26%	-28%	-28%	-28%

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 2019**

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

Date: ____/____/____

Chief Executive Officer
Mark Stoermer

Date: ____/____/____