

3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

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DEPARTMENT: Finance and Information Technology

RECOMMENDATION

That Council adopts the Financial Statements for the Year Ended 30 June 2016 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 2016 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$1.6m compared to a budgeted operating deficit of \$3.6m.
- the cash position at the end of the year is \$24.9m.
- no material changes to Council's overall financial position resulted from the audit process.

BACKGROUND

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

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

COMMENT

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

Statement of Comprehensive Income

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

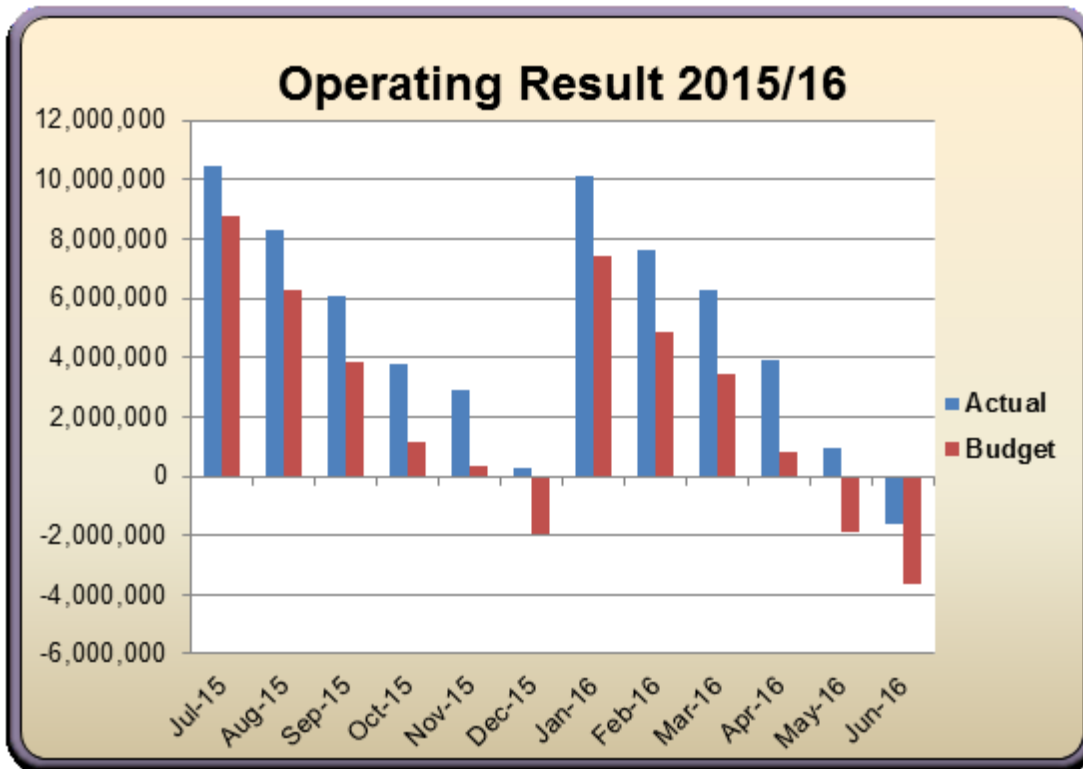
Operating Result

Council's operating result is determined by deducting operating expenditure from operating revenue and shows an operating deficit of \$1.6m compared to a budgeted operating deficit of \$3.6m. This represents a \$2m or 56% improvement over budget.

This result can be attributed to:

- operating revenue \$1.3m ahead of budget (mainly rates & utility charges and fees & charges)
- operating expenditure \$681k under budget (mainly materials & services).

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



Capital Income

Includes a decrease in the landfill restoration provision, a revaluation up of property, plant and equipment (sewerage assets) reversing a previous revaluation down and a revaluation of the landfill restoration provision reversing a previous revaluation expense

Capital Expenses

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

Statement of Financial Position

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

Statement of Changes in Equity

Identifies movements in Council's Equity balance.

Statement of Cashflows

Shows the movement in Council's cash position during the financial year and excludes all non-cash items such as depreciation. Council's cash position at the end of the reporting period was \$24.9m and consisted of cash and cash equivalents and short term deposits (deposits exceeding 3 months).

Notes to the Financial Statements

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

Financial Sustainability Ratios

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

Measures of Financial Sustainability	How the measure is calculated	Budget	Actual	Target	Improvement over budget
Council's performance at 30 June 2016 against key financial ratios and targets:					
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-10%	-4% between 0% and 10%		Yes
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	133%	235% greater than 90%		Yes
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-13%	-45% not greater than 60%		Yes

The Operating surplus ratio has improved over the budgeted ratio as a result of the reduced operating deficit. The large improvement in the Asset sustainability ratio is as a result of the NDRRA asset restoration work that was undertaken by Council during the financial year. The Net financial liabilities ratio has also improved and this ratio indicates a healthy balance sheet.

Community Financial Report

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

PROPOSAL

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

FINANCIAL/RESOURCE IMPLICATIONS

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

RISK MANAGEMENT IMPLICATIONS

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

CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

Corporate Plan 2014-2019 Initiatives:

Theme 5 – Governance

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

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

ATTACHMENTS

Attachment 1 - Financial Statements for the Year Ended 30 June 2016.



**Douglas Shire Council
Financial Statements
for the year ended 30 June 2016**

Douglas Shire Council

Financial statements

For the year ended 30 June 2016

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Douglas Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Income			
Revenue			
Recurrent revenue			
Rates, levies and charges	3(a)	29,471,466	28,122,320
Fees and charges	3(b)	4,724,559	4,655,890
Rental income		296,420	272,314
Interest received	3(c)	1,037,587	1,123,392
Other recurrent revenue		557,346	576,585
Grants, subsidies, contributions and donations	4(a)	1,587,259	2,178,788
		<u>37,674,636</u>	<u>36,929,289</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	16,195,035	8,476,780
Total revenue		<u>53,869,671</u>	<u>45,406,069</u>
Capital income	5	4,866,328	1,978,162
Total income		<u>58,735,999</u>	<u>47,384,231</u>
Expenses			
Recurrent expenses			
Employee benefits	6	(12,310,033)	(11,338,883)
Materials and services	7	(16,030,724)	(16,137,571)
Finance costs	8	(399,215)	(429,645)
Depreciation and amortisation	13&15	(10,523,693)	(10,122,645)
		<u>(39,263,665)</u>	<u>(38,028,744)</u>
Capital expenses	9	(5,327,974)	(19,387,331)
Total expenses		<u>(44,591,640)</u>	<u>(57,416,075)</u>
Net result		<u>14,144,360</u>	<u>(10,031,844)</u>
Other comprehensive income			
Items that will not be reclassified to net result			
Increase / (decrease) in asset revaluation surplus	19	939,568	5,063,936
Total other comprehensive income for the year		<u>939,568</u>	<u>5,063,936</u>
Total comprehensive income for the period		<u>15,083,928</u>	<u>(4,967,908)</u>

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

Douglas Shire Council
Statement of Financial Position
as at 30 June 2016

	Note	2016 \$	2015 \$
Current assets			
Cash and cash equivalents	10	16,896,812	21,835,031
Investments	11	8,000,000	5,000,000
Trade and other receivables	12	4,309,829	3,905,977
Inventories		86,405	104,441
Total current assets		<u>29,293,046</u>	<u>30,845,449</u>
Non-current assets			
Property, plant and equipment	13	315,900,347	303,724,129
Intangible assets	15	657,166	949,643
Total non-current assets		<u>316,557,513</u>	<u>304,673,772</u>
Total assets		<u>345,850,559</u>	<u>335,519,221</u>
Current liabilities			
Trade and other payables	16	4,730,965	4,975,683
Borrowings	17	127,143	115,061
Provisions	18	2,755,049	3,170,140
Total current liabilities		<u>7,613,156</u>	<u>8,260,884</u>
Non-current liabilities			
Borrowings	17	1,872,051	2,003,785
Provisions	18	2,928,484	6,901,611
Total non-current liabilities		<u>4,800,536</u>	<u>8,905,397</u>
Total liabilities		<u>12,413,692</u>	<u>17,166,280</u>
Net community assets		<u>333,436,867</u>	<u>318,352,940</u>
Community equity			
Asset revaluation surplus	19	6,003,504	5,063,936
Retained surplus/(deficiency)		327,433,361	313,289,001
Total community equity		<u>333,436,865</u>	<u>318,352,937</u>

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

Douglas Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

	Asset revaluation surplus 19	Retained Surplus	Total
Note	\$	\$	\$
Balance as at 1 July 2015	5,063,936	313,289,001	318,352,937
Net operating result		14,144,360	14,144,360
Other comprehensive income for the year			
Increase in asset revaluation surplus	19 939,568		939,568
Total comprehensive income for the period	<u>939,568</u>	<u>14,144,360</u>	<u>15,083,928</u>
Balance as at 30 June 2016	<u>6,003,504</u>	<u>327,433,361</u>	<u>333,436,865</u>
Balance as at 1 July 2014	-	323,320,845	323,320,845
Net operating result		(10,031,844)	(10,031,844)
Other comprehensive income for the year			
Increase in asset revaluation surplus	19 5,063,936		5,063,936
Total comprehensive income for the period	<u>5,063,936</u>	<u>(10,031,844)</u>	<u>(4,967,908)</u>
Balance as at 30 June 2015	<u>5,063,936</u>	<u>313,289,001</u>	<u>318,352,937</u>

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

Douglas Shire Council
Statement of Cash Flows
For the year ended 30 June 2016

	<u>Note</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
Cash flows from operating activities			
Receipts from customers		34,349,519	36,376,664
Payments to suppliers and employees		<u>(28,567,553)</u>	<u>(27,173,867)</u>
		5,781,966	9,202,797
Interest received		1,037,587	1,123,392
Rental income		296,420	272,314
Non capital grants and contributions		1,587,259	2,178,788
Borrowing costs		<u>(214,701)</u>	<u>(212,889)</u>
Net cash inflow (outflow) from operating activities	24	<u>8,488,530</u>	<u>12,564,402</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(26,499,425)	(10,233,525)
Payments for intangible assets		-	(74,185)
Proceeds from sale of property plant and equipment		29,232	61,936
Net movement in investments		(3,000,000)	(3,000,000)
Grants, subsidies, contributions and donations		16,163,097	6,566,159
Net cash inflow (outflow) from investing activities		<u>(13,307,096)</u>	<u>(6,679,616)</u>
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		<u>(119,653)</u>	<u>(111,940)</u>
Net cash inflow (outflow) from financing activities		<u>(119,653)</u>	<u>(111,940)</u>
Net increase (decrease) in cash and cash equivalent held		<u>(4,938,219)</u>	<u>5,772,847</u>
Cash and cash equivalents at the beginning of the financial year		21,835,032	16,062,185
Cash and cash equivalents at end of the financial year	10	<u>16,896,812</u>	<u>21,835,032</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1 Significant accounting policies

1.1 Basis of preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and comparative information is for the period 1 July 2014 to 30 June 2015 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

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

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

1.2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the AASB that are relevant to Council's operations and effective for the current reporting period. As Council is a not-for-profit entity and the accounting standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS) then, to the extent these inconsistencies are applied, these financial 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.

1.3 Adoption of new and revised Accounting Standards

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

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

AASB 9 Financial Instruments (effective from 1 January 2018)

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

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.4 Critical accounting judgements and key sources of estimation uncertainty

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

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

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

1.5 Revenue Recognition

a) Rates and levies

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

b) Grants and subsidies

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

c) Non-cash contributions

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

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

d) Cash Contributions

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

e) Interest

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

f) Fees and Charges

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.6 Cash and cash equivalents

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

1.7 Receivables

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

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

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

1.8 Investments

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

1.9 Property, plant and equipment

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

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

a) Acquisition of assets

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

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

b) Capital and operating expenditure

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

c) Valuation

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

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.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

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

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

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

d) Capital work in progress

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

e) Depreciation

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

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

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

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

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.10 Intangible assets

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

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

At the reporting date intangible assets consist of software only.

1.11 Impairment of non-current assets

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

1.12 Payables

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

1.13 Liabilities - employee benefits

a) Annual leave

A liability for annual leave is recognised and is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability represents an accrued expense and is reported in Note 17 as a payable.

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

b) Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 23.

c) Long service leave

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

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

1.14 Borrowings and borrowing costs

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.15 Restoration provision

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

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

Restoration on land not controlled by Council

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

Restoration on land controlled by Council

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

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

1.16 Asset revaluation surplus

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

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

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

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

1.17 Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST').

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

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 2016

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 2016

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

Period ended 30 June 2015

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Note	2016 \$	2015 \$
3 Revenue analysis		
(a) Rates, levies and charges		
Rates	13,890,298	13,227,410
Water	6,355,314	6,104,040
Sewerage	6,114,858	5,823,073
Waste	3,496,910	3,321,138
Less: Pensioner remissions	(385,914)	(353,341)
Net rates and utility charges	<u>29,471,466</u>	<u>28,122,320</u>
(b) Fees and charges		
Building and property fees	295,329	518,281
Ferry	2,784,121	2,542,487
Other fees and charges	1,645,109	1,595,122
	<u>4,724,559</u>	<u>4,655,890</u>
(c) Interest received		
Investments	760,800	801,196
Overdue rates and utility charges	276,787	322,196
	<u>1,037,587</u>	<u>1,123,392</u>
4 Grants, subsidies, contributions and donations		
(a) Recurrent - grants, subsidies, contributions and donations are analysed as follows:		
General purpose grants	1,307,167	1,340,794
State government subsidies and grants	280,092	837,994
	<u>1,587,259</u>	<u>2,178,788</u>
(b) Capital – grants, subsidies, contributions and donations are analysed as follows:		
(i) Monetary revenue designated for capital funding purposes:		
Government subsidies and grants	16,122,485	5,586,564
Contributions	40,612	979,595
	<u>16,163,097</u>	<u>6,566,159</u>
(ii) Non-monetary revenue received:		
Assets contributed by developers at fair value	31,938	1,910,621
	<u>16,195,035</u>	<u>8,476,780</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	-	1,611,322
	<u>-</u>	<u>1,611,322</u>
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:		
Non-reciprocal grants for expenditure on infrastructure	1,611,322	238,818
	<u>1,611,322</u>	<u>238,818</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Note	2016 \$	2015 \$
5 Capital income			
Provision for restoration of landfill			
Decrease in restoration provision	18	2,477,825	-
		<u>2,477,825</u>	<u>-</u>
Revaluations			
Revaluation up of property, plant and equipment reversing previous revaluation expense	13	1,233,278	1,978,162
Revaluation of Landfill restoration provision reversing previous revaluation expense		1,155,225	-
		<u>2,388,503</u>	<u>1,978,162</u>
Total capital income		<u>4,866,328</u>	<u>1,978,162</u>
6 Employee benefits			
Total staff wages and salaries		9,589,031	8,705,057
Councillors' remuneration		332,249	322,884
Annual, sick and long service leave entitlements		1,811,294	1,630,508
Superannuation	22	1,232,655	1,097,156
		<u>12,965,230</u>	<u>11,755,605</u>
Other employee related expenses		60,268	48,159
		<u>13,025,498</u>	<u>11,803,764</u>
Less: Capitalised employee expenses		(715,465)	(464,881)
		<u>12,310,033</u>	<u>11,338,883</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
		No. employees	No. employees
Elected members		5	5
Administration staff		72	64
Depot and outdoors staff		84	82
Total full time equivalent employees		<u>161</u>	<u>151</u>
7 Materials and services			
Audit of annual financial statements by the Auditor-General of Queensland		95,000	98,000
Consultancy		762,439	739,725
Contractors		4,630,296	4,912,580
Communications and IT		559,341	610,803
Donations		702,439	720,954
Electricity		1,017,503	1,124,825
Insurances		710,426	711,757
Legal		187,387	458,054
Repairs and maintenance		5,659,411	5,038,197
Other materials and services		1,706,483	1,722,676
		<u>16,030,724</u>	<u>16,137,571</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	<u>Note</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
8 Finance costs			
Bank charges		73,093	69,885
Finance costs charged by the Queensland Treasury Corporation		141,608	143,004
Landfill sites - change in present value over time		184,514	216,756
		<u>399,215</u>	<u>429,645</u>

9 Capital expenses

Property restoration: Landfill sites	18		
Discount rate adjustment to refuse restoration provision		-	778,780
		<u>-</u>	<u>778,780</u>

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

Revaluation decrement

Revaluation down of property, plant and equipment	13	4,493,835	18,631,800
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Gain / Loss on disposal of non-current assets

Proceeds from the sale of property, plant and equipment		(29,232)	(61,936)
Less: Book value of property, plant and equipment disposed of		790,863	38,687
		<u>761,631</u>	<u>(23,249)</u>

Loss on write-off

Loss on write-off of assets damaged by natural disaster	13	72,509	-
Total capital expenses		<u>5,327,974</u>	<u>19,387,331</u>

The loss on write-off of assets classified as transport assets relates to damage caused by Tropical Cyclone Nathan in 2015. 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	246,812	535,031
Deposits at call	1,650,000	6,300,000
Term deposits	15,000,000	15,000,000
Balance per Statement of Cash Flows	<u>16,896,812</u>	<u>21,835,031</u>

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

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

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

Future capital works	4,207,598	3,407,583
Future constrained works	4,858,772	5,852,448
Future recurrent expenditure	41,945	41,945

Total unspent restricted cash	<u>9,108,315</u>	<u>10,913,298</u>
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Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

<u>Note</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
11 Investments		
Current fixed short term investments		
Unrestricted	8,000,000	5,000,000
	<u>8,000,000</u>	<u>5,000,000</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	3,086,608	3,181,823
Other debtors	442,105	245,870
Less impairment	(131,589)	(132,834)
Accrued revenue	336,605	315,847
GST recoverable	247,639	248,777
Prepayments	328,462	46,494
	<u>4,309,829</u>	<u>3,905,977</u>

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

13 Property, plant and equipment

30 June 2016

Note

Basis of measurement

Asset values

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

Accumulated depreciation and impairment

Opening balance as at 1 July 2015

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to 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 2016

246,454	2,407,861	1,140,935	22,306	28,543,148	32,882,584	4,723,869	63,534	-	70,030,691
115,420	1,613,354	825,476	10,297	3,399,788	3,909,608	357,167	105	-	10,231,216
(2,762)	(10,081)	(31,353)	(6,654)	(34,369)	(267,142)	-	(63,639)	-	(416,001)
-	-	-	-	-	-	-	-	-	-
-	-	-	-	1,123,541	-	-	-	-	1,123,541
-	-	-	-	3,782,697	-	-	-	-	3,782,697
-	-	-	-	(22,831)	-	-	-	-	(22,831)
(2,757)	-	-	-	2,757	-	-	-	-	-
356,354	4,011,134	1,935,058	25,949	36,794,731	36,525,050	5,081,036	0	-	84,729,312

Total written down value as at 30 June 2016

Residual value

Range of estimated useful life in years

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

Additions comprise:

Renewals

Other additions

Total additions

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

13 Property, plant and equipment

30 June 2015

Basis of measurement	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste Disposal	Drainage	Other assets	Work in Progress	Total
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2014	23,898,672	20,688,624	4,516,602	50,969	138,906,974	106,898,899	33,765,982	184,792	2,547,466	331,458,980
Additions	168,280	638,227	803,521						8,623,497	10,233,525
Disposals			(36,838)		(7,011)					(43,849)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	1,551,659	1,473,031				20,193,254				23,217,944
Revaluation adjustment to expense (capital expense)					4,999,437					4,999,437
Revaluation adjustment to income (capital income)						1,978,162				
Write-off assets damaged by natural disaster										-
Transfers between classes										-
Transfer to intangible assets										-
Contributed assets					643,689	820,419	446,513			1,910,621
Internal transfers from work in progress		71,943	15,070		4,596,249	908,932	90,011		(5,682,205)	-
Closing gross value as at 30 June 2015	25,618,611	22,871,825	5,298,355	50,969	149,139,338	130,799,666	34,302,506	184,792	5,488,758	373,754,820

Accumulated depreciation and impairment

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

Total written down value as at 30 June 2015

Residual value	-	-	1,216,607	-	-	-	-	-	-	
Range of estimated useful life in years	3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80	7		

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	62,537	393,591	729,812		-	-	-	-	5,433,532	6,619,472
Other additions	105,743	244,636	73,709						3,189,965	3,614,053
Total additions	168,280	638,227	803,521	-	-	-	-	-	8,623,497	10,233,525

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

14 Fair Value Measurements

(i) Recognised fair value measurements

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

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

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

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

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

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

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

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

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

The table presents Council's assets and liabilities measured and recognised at fair value at 30 June 2016.

At 30 June 2016	Note	Level 2	Level 3	Total
		(Significant other observable inputs)	(Significant unobservable inputs)	
		\$	\$	\$
Recurring fair value measurements				
Land	13	23,922,433		23,922,433
Land improvements	13		1,697,446	1,697,446
Residential buildings	13	34,420		34,420
Other buildings and other structures	13		19,218,009	19,218,009
Transport assets	13		138,759,451	138,759,451
Water, Sewerage and Solid waste disposal	13		95,499,309	95,499,309
Drainage	13		29,221,470	29,221,470
		23,956,853	284,395,685	308,352,538

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

At 30 June 2015	Note	Level 2	Level 3	Total
		(Significant other observable inputs)	(Significant unobservable inputs)	
		\$	\$	\$
Recurring fair value measurements				
Land	13	23,602,970		23,602,970
Land improvements	13		1,769,187	1,769,187
Residential buildings	13	36,435		36,435
Other buildings and other structures	13		20,427,529	20,427,529
Transport assets	13		120,596,191	120,596,191
Water, Sewerage and Solid waste disposal	13		97,917,082	97,917,082
Drainage	13		29,578,637	29,578,637
		23,639,405	270,288,626	293,928,030

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

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

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Specific valuation techniques used to value Council assets comprise:

Land and land improvements (level 2 and 3)

Current replacement cost

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

A review was undertaken as at 30 June 2015 and as the movement in the relevant index was considered material, a revaluation adjustment was provided for as at 30 June 2015.

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

No revaluation adjustment was made as at 30 June 2016 as a review undertaken by the State Valuation Service indicated that the movement in values between 1 July 2015 and 30 June 2016 was considered immaterial.

An independent valuation of land assets and land improvements is scheduled for 2017.

Buildings and other structures (level 2 and 3)

Current replacement cost

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

A review was undertaken as at 30 June 2015 and as the movement in the relevant index was considered material, a revaluation adjustment was provided for as at 30 June 2015.

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 July 2015 and 30 June 2016 was considered immaterial.

An independent valuation of buildings and other structures is scheduled for 2017.

Accumulated depreciation

In determining the level of accumulated depreciation, estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs.

Estimated useful lives are disclosed in note 13.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Transport assets (level 3)

Current replacement cost

Road asset fair values (excluding footpaths) were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2015. Current replacement cost for these assets was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

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

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

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

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

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

The movement in the relevant index between 1 July 2015 and 30 June 2016 was considered immaterial, however a revaluation adjustment was made during the period to offset a prior period decrement as a result of a correction to the road assets revaluation that was undertaken during the prior period.

Bridge assets

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

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

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

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

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

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

Other transport assets

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 January 2014 and 30 June 2016 was considered immaterial.

An independent valuation of footpath assets is scheduled for 2017.

Accumulated depreciation

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

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

Estimated useful lives are disclosed in note 13.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Water

Current replacement cost

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 January 2014 and 30 June 2016 was considered immaterial.

An independent valuation of water assets is scheduled for 2017.

Accumulated depreciation

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

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

Estimated useful lives are disclosed in note 13.

Sewerage and Other Infrastructure

Current replacement cost

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

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

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

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

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

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 July 2015 and 30 June 2016 was considered immaterial.

Accumulated depreciation

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

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

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

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

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

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life.

Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate remaining useful life. Condition scoring explanations and effect on the remaining useful life are as follows:

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

Development factors

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

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

Estimated useful lives are disclosed in note 13.

Other sewerage assets

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

Solid waste disposal

Current replacement cost

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 July 2014 and 30 June 2016 was considered immaterial.

Accumulated depreciation

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

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

Estimated useful lives are disclosed in note 13.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Drainage infrastructure

Current replacement cost

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

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

No revaluation adjustment was made as at 30 June 2016 as the movement in the relevant index between 1 July 2014 and 30 June 2016 was considered immaterial.

Accumulated depreciation

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

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

Estimated useful lives are disclosed in note 13.

	<u>2016</u>	<u>2015</u>
	\$	\$
15 Intangible assets		
Software		
Opening gross carrying value	1,378,102	1,303,917
Transfer from work in progress	-	-
Additions	-	74,185
Closing gross carrying value	<u>1,378,102</u>	<u>1,378,102</u>
Accumulated amortisation		
Opening balance	428,459	139,147
Amortisation in the period	292,477	289,312
Closing balance	<u>720,936</u>	<u>428,459</u>
Net carrying value at end of financial year	<u><u>657,166</u></u>	<u><u>949,643</u></u>

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

16 Trade and other payables

Current

Creditors and accruals	2,758,724	3,026,949
Annual leave	1,688,828	1,696,517
Other entitlements	283,414	252,217
	<u>4,730,965</u>	<u>4,975,683</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	2016 \$	2015 \$
17 Borrowings		
Current		
Loans - Queensland Treasury Corporation	127,143	115,061
	<u>127,143</u>	<u>115,061</u>
Non-current		
Loans - Queensland Treasury Corporation	1,872,051	2,003,785
	<u>1,872,051</u>	<u>2,003,785</u>
Loans - Queensland Treasury Corporation		
Opening balance	2,118,847	2,230,787
Principal repayments	(119,653)	(111,940)
Book value at end of financial year	<u>1,999,194</u>	<u>2,118,847</u>

The QTC loan market value at the reporting date was \$2,520,186. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

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

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

Principal and interest repayments are made monthly in arrears.

18 Provisions

Current		
Landfill restoration	963,001	1,589,500
Long service leave	1,792,048	1,580,639
	<u>2,755,049</u>	<u>3,170,140</u>
Non-current		
Landfill restoration	2,765,125	6,728,095
Long service leave	163,359	173,516
	<u>2,928,484</u>	<u>6,901,611</u>

Details of movements in provisions:

	2016 \$
Property restoration: Landfill sites	
Balance at beginning of financial year	8,317,595
Increase in provision due to unwinding of discount	184,514
Increase / (decrease) in provision for future cost	(4,773,984)
Balance at end of financial year	<u>3,728,125</u>

Council has two landfill sites located at Newell Beach and Killaloe. The provision is stated at the present value of the estimated cost of restoring the landfill sites to a standard required under licensing conditions.

Long service leave	
Balance at beginning of financial year	1,754,155
Long service leave entitlement arising	226,987
Long Service entitlement paid	(25,734)
Balance at end of financial year	<u>1,955,408</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	2016 \$	2015 \$
19 Asset revaluation surplus		
Movements in the asset revaluation surplus were as follows:		
Balance at beginning of financial year	5,063,936	-
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	-	1,535,315
Buildings and other structures	-	1,314,678
Water, Sewerage and Solid waste Disposal	-	2,213,943
Change in value of restoration costs		
Landfill	939,568	-
Balance at end of financial year	<u>6,003,504</u>	<u>5,063,936</u>
Asset revaluation surplus analysis		
The closing balance of the asset revaluation surplus comprises the following asset categories:		
Land and land improvements	1,535,315	1,535,315
Buildings and other structures	1,314,678	1,314,678
Water, Sewerage and Solid waste Disposal	3,153,511	2,213,943
	<u>6,003,504</u>	<u>5,063,936</u>
20 Commitments for expenditure		
Operating expenditure		
Not later than 1 year	4,204,346	3,932,441
Later than 1 year but not later than 5 years	9,076,100	9,442,498
Later than 5 years	3,800,000	5,800,651
	<u>17,080,446</u>	<u>19,175,590</u>
Capital expenditure		
Not later than 1 year	1,164,989	11,067,951
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>1,164,989</u>	<u>11,067,951</u>

21 Contingent liabilities

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

Local Government Mutual

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

As at 30 June 2015 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council's maximum exposure to the bank guarantee is \$224,737.

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

22 Superannuation

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

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

The scheme has two elements referred to as:

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

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

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

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

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

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

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

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

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

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 69 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 69 entities. Douglas Shire Council made less than 4% of the total contributions to the plan in the 2015/16 financial year.

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

	<u>Note</u>	<u>2016</u> <u>\$</u>	<u>2015</u> <u>\$</u>
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,232,655	1,097,156

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	2016 \$	2015 \$
23 Trust funds		
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	525,090	638,692
	<u>525,090</u>	<u>638,692</u>
<p>Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by Council. Council performs only a custodial role in respect of these monies and because the monies cannot be used for Council purposes they are not considered revenue nor brought to account in these financial statements and are disclosed for information purposes only.</p>		
24 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities		
Net result	14,144,360	(10,031,844)
Non-cash items:		
Depreciation and amortisation	10,523,693	10,122,645
Revaluation adjustments	2,105,331	16,653,637
Loss on asset write-off	72,509	-
Change in future rehabilitation and restoration costs	(2,293,311)	995,536
	<u>10,408,222</u>	<u>27,771,818</u>
Investing and development activities:		
Net profit or loss on disposal of non-current assets	761,631	(23,249)
Capital grants and contributions	(16,195,035)	(8,476,780)
	<u>(15,433,404)</u>	<u>(8,500,029)</u>
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables	(403,852)	3,021,869
(Increase)/decrease in inventory	18,036	(39,185)
Increase/(decrease) in payables	(244,718)	191,123
Increase/(decrease) in liabilities	-	-
Increase/(decrease) in other provisions	(113)	150,649
	<u>(630,648)</u>	<u>3,324,456</u>
Net cash inflow from operating activities	<u>8,488,530</u>	<u>12,564,402</u>

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

25 Financial instruments

Financial risk management

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

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

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

Council does not enter into derivatives.

Credit risk

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

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

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

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

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

	Note	2016	2015
		\$	\$
Financial assets			
Cash and cash equivalents	10	16,896,812	21,835,031
Receivables - rates	12	3,086,608	3,181,823
Receivables - other	12	1,223,221	724,154
Other financial assets	11	8,000,000	5,000,000
Total financial assets		29,206,641	30,741,008

Cash and cash equivalents

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

Other financial assets

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

Trade and other receivables

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

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

	2016	2015
	\$	\$
Not past due	2,832,037	3,043,561
Past due 31-60 days	36,206	16,772
Past due 61-90 days	5,061	(14,113)
More than 90 days	1,568,115	992,591
Impaired	(131,589)	(132,834)
Total	<u>4,309,829</u>	<u>3,905,977</u>

Liquidity risk

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

Council is exposed to liquidity risk through its normal course of business and through its borrowings with QTC.

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

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2016					
Trade and other payables	2,758,724	-	-	2,758,724	2,758,724
Loans - QTC	265,185	1,060,740	1,550,179	2,876,104	2,137,236
	<u>3,023,909</u>	<u>1,060,740</u>	<u>1,550,179</u>	<u>5,634,828</u>	<u>4,895,960</u>
2015					
Trade and other payables	3,026,949	-	-	3,026,949	3,026,949
Loans - QTC	254,944	1,019,777	1,838,736	3,113,457	2,258,729
	<u>3,281,893</u>	<u>1,019,777</u>	<u>1,838,736</u>	<u>6,140,406</u>	<u>5,285,678</u>

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

Market risk

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

Douglas Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Interest rate risk

Council is exposed to interest rate risk through borrowings with QTC and investments with other financial institutions.

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

Sensitivity

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
2016					
Deposits at call	1,650,000	16,500	(16,500)	16,500	(16,500)
Short term deposits	23,000,000	230,000	(230,000)	230,000	(230,000)
Loans - QTC*	(1,999,194)	(19,992)	19,992	(19,992)	19,992
Net total	22,650,806	226,508	(226,508)	226,508	(226,508)
2015					
Deposits at call	6,300,000	63,000	(63,000)	63,000	(63,000)
Short term deposits	20,000,000	200,000	(200,000)	200,000	(200,000)
Loans - QTC*	(2,118,847)	(21,188)	21,188	(21,188)	21,188
Net total	24,181,153	241,812	(241,812)	241,812	(241,812)

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

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

Douglas Shire Council
Financial statements
For the year ended 30 June 2016

Management Certificate
For the year ended 30 June 2016

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

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

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

Mayor
Julia Leu

Chief Executive Officer
Linda Cardew

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Current-year Financial Sustainability Statement
For the year ended 30 June 2016

Measures of Financial Sustainability

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2016 against key financial ratios and targets:			
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-4%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	235%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-45%	not greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the Financial Management (Sustainability) Guideline 2013. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2016.

Certificate of Accuracy
For the period ended 30 June 2016

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

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

Mayor
Julia Leu

Chief Executive Officer
Linda Cardew

Date: ____/____/____

Date: ____/____/____

Douglas Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2016

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2016	Projected for the years ended								
				30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025
Council												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-4%	-5%	-3%	-2%	0%	1%	2%	2%	3%	4%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	235%	56%	69%	78%	90%	91%	91%	91%	91%	91%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-45%	-20%	-19%	-20%	-20%	-24%	-24%	-25%	-25%	-26%

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 2016

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

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

Mayor
Julia Leu

Chief Executive Officer
Linda Cardew

Date: ____/____/____

Date: ____/____/____