

### 3.1. FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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**DEPARTMENT** Finance and Corporate Services

#### RECOMMENDATION

**That Council adopts the Financial Statements for the Year Ended 30 June 2020 and that the Mayor and Chief Executive Officer be authorised to execute the Management Certificate and Financial Sustainability Statements accordingly.**

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#### EXECUTIVE SUMMARY

The financial statements for the year ended 30 June 2020 have been finalised and are submitted to Council for adoption. Key points to note include the following:

- the operating deficit for the year is \$828k compared to a (revised) budgeted operating surplus of \$87k.
- the cash position at the end of the year is \$28.2m.
- 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 \$828k compared to a (revised) budgeted operating surplus of \$87k. This represents a variance of \$915k to revised budget. The operating result was adversely affected by lost revenue and expenditure incurred due to the Covid-19 pandemic experienced this financial year.

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

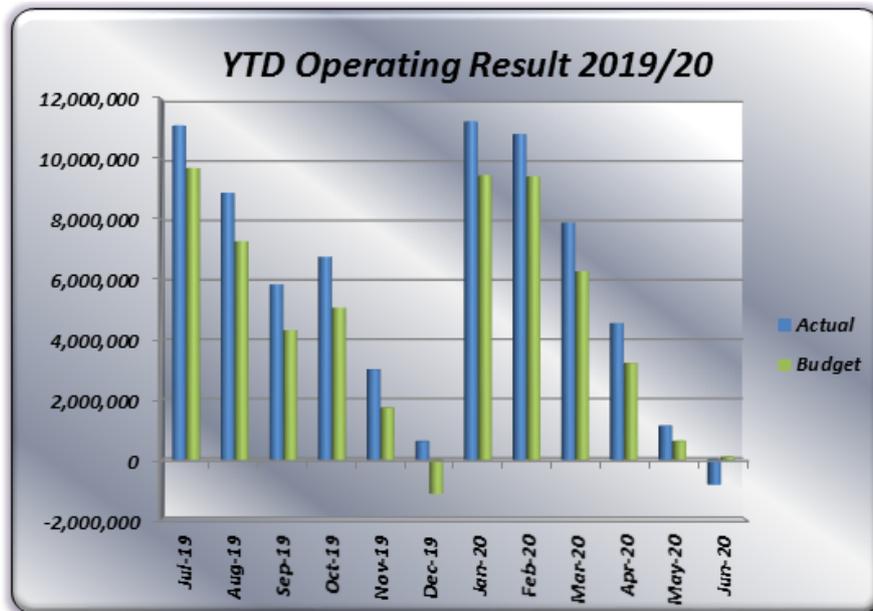


Figure 1. Operating Result 2019-2020

## Capital Revenue & Income

Includes upwards revaluation of Transport assets.

## Capital Expenses

Includes a landfill provision adjustment and disposal of property, plant and equipment.

## 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 \$28.2m (as per the Statement of Financial Position) and consisted of cash and cash equivalents.

## 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**

<b>Douglas Shire Council – Measures of Financial Sustainability</b>					
For the period ending 30 June 2020					
		Original Budget	Actual	Target	Improvement over Budget
Council's Performance at 30 June 2020 against key financial ratios and Targets					
Ratio	How the measure is calculated				
<b>Operating surplus ratio</b>	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	0.4%	-2%	Between 0% and 10%	No
<b>Asset sustainability ratio</b>	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	90%	173%	Greater than 90%	Yes
<b>Net financial liabilities ratio</b>	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-28%	-39%	Not greater than 60%	Yes
<b>Basis of Preparation</b>					
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 worsened to budget due to the impact on net result by Covid-19. Council continues to increase its focus on asset renewals. Council's asset sustainability is well ahead of budget due to extensive disaster restoration works undertaken in the 2020 financial year. 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. The Covid-19 pandemic has had a detrimental impact on Council's financial position. Council's Long-Term Financial Sustainability Statement projects a move towards a balanced operating position by 2028-29.

## SUSTAINABILITY IMPLICATIONS

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

**Environmental:** Nil

**Social:** Nil

## CORPORATE/OPERATIONAL PLAN, POLICY REFERENCE

This report has been prepared in accordance with the following:

### Corporate Plan 2019-2024 Initiatives:

#### Theme 5 - Robust Governance and Efficient Service Delivery

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

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

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

## COUNCIL'S ROLE

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

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

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

## CONSULTATION

**Internal:** CEO and Management Team

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

## COMMUNITY ENGAGEMENT

The acceptance of the financial statements will fall within the “inform” category of Council’s Community Engagement Framework.

## ATTACHMENTS

1. Douglas Shire Council Financial Statements for the Year Ended 30 June 2020 [3.1.1 - 36 pages]



**Douglas Shire Council  
Financial Statements  
for the year ended 30 June 2020**

# Douglas Shire Council

## Financial statements

### For the year ended 30 June 2020

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**Douglas Shire Council**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
<b>Income</b>			
<b>Revenue</b>			
<b>Recurrent revenue</b>			
Rates, levies and charges	3(a)	34,833,175	33,840,069
Fees and charges	3(b)	4,816,194	5,483,360
Rental income		196,326	256,261
Interest received	3(c)	660,849	825,732
Other revenue	3(d)	959,294	961,672
Grants, subsidies, contributions and donations	4(a)	3,190,145	4,078,584
		<u>44,655,983</u>	<u>45,445,678</u>
<b>Capital revenue</b>			
Grants, subsidies, contributions and donations	4(b)	12,637,794	18,598,176
Other capital income	5	6,661,567	6,991,969
<b>Total capital revenue</b>		<u>19,299,361</u>	<u>25,590,145</u>
<b>Total income</b>		<u>63,955,344</u>	<u>71,035,822</u>
<b>Expenses</b>			
<b>Recurrent expenses</b>			
Employee benefits	6	(15,032,735)	(13,513,697)
Materials and services	7	(17,753,700)	(21,073,884)
Finance costs	8	(292,954)	(203,072)
Depreciation and amortisation	13&14	(12,404,947)	(11,625,956)
		<u>(45,484,336)</u>	<u>(46,416,609)</u>
<b>Capital expenses</b>	9	(902,713)	(3,472,314)
<b>Total expenses</b>		<u>(46,387,049)</u>	<u>(49,888,923)</u>
<b>Net result</b>		<u>17,568,295</u>	<u>21,146,899</u>
<b>Other comprehensive income</b>			
<b>Items that will not be reclassified to net result</b>			
Increase / (decrease) in asset revaluation surplus	18	-	7,623,847
<b>Total other comprehensive income for the year</b>		<u>-</u>	<u>7,623,847</u>
<b>Total comprehensive income for the year</b>		<u>17,568,295</u>	<u>28,770,746</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 2020**

	<b>Note</b>	<b>2020 \$</b>	<b>2019 \$</b>
<b>Current assets</b>			
Cash and cash equivalents	10	28,255,109	25,114,863
Investments	11	-	4,000,000
Trade and other receivables	12	4,625,347	4,896,101
Contract assets	15	333,137	-
Inventories		123,392	119,745
Non-current assets held for sale		29,008	-
<b>Total current assets</b>		<u>33,365,992</u>	<u>34,130,710</u>
<b>Non-current assets</b>			
Property, plant and equipment	13	397,068,255	377,164,277
Intangible assets	14	191,756	70,530
<b>Total non-current assets</b>		<u>397,260,011</u>	<u>377,234,806</u>
<b>Total assets</b>		<u>430,626,003</u>	<u>411,365,516</u>
<b>Current liabilities</b>			
Trade and other payables	16	7,982,319	5,808,342
Provisions	17	2,229,872	1,692,465
Contract liabilities	15	687,548	-
<b>Total current liabilities</b>		<u>10,899,739</u>	<u>7,500,807</u>
<b>Non-current liabilities</b>			
Provisions	17	5,225,480	5,108,363
<b>Total non-current liabilities</b>		<u>5,225,480</u>	<u>5,108,363</u>
<b>Total liabilities</b>		<u>16,125,218</u>	<u>12,609,170</u>
<b>Net community assets</b>		<u>414,500,784</u>	<u>398,756,346</u>
<b>Community equity</b>			
Asset revaluation surplus	18	40,078,005	40,078,005
Retained surplus/(deficiency)		374,422,779	358,678,341
<b>Total community equity</b>		<u>414,500,784</u>	<u>398,756,346</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 2020**

		Asset revaluation surplus	Retained Surplus	Total
	Note	\$	\$	\$
<b>Balance as at 1 July 2019</b>		40,078,005	358,678,341	398,756,346
Adjustment on initial application of new accounting standards	23	-	(1,823,857)	(1,823,857)
Restated balance at 1 July 2019		<u>40,078,005</u>	<u>356,854,484</u>	<u>396,932,489</u>
Net result			17,568,295	17,568,295
Other comprehensive income for the year				
Increase in asset revaluation surplus	18	-	-	-
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>17,568,295</u>	<u>17,568,295</u>
<b>Balance as at 30 June 2020</b>		<u><u>40,078,005</u></u>	<u><u>374,422,779</u></u>	<u><u>414,500,784</u></u>
<b>Balance as at 1 July 2018</b>		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	18	7,623,847	-	7,623,847
<b>Total comprehensive income for the period</b>		<u>7,623,847</u>	<u>21,146,899</u>	<u>28,770,746</u>
<b>Balance as at 30 June 2019</b>		<u><u>40,078,005</u></u>	<u><u>358,678,341</u></u>	<u><u>398,756,346</u></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 2020**

	<b>Note</b>	<b>2020</b> <b>\$</b>	<b>2019</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from customers		40,030,561	41,290,541
Payments to suppliers and employees		(30,537,333)	(35,242,915)
		<u>9,493,228</u>	<u>6,047,626</u>
Interest received		660,849	825,732
Rental income		196,326	256,261
Non capital grants and contributions		3,398,890	4,078,584
Borrowing costs		(75,044)	(77,441)
<b>Net cash inflow (outflow) from operating activities</b>	22	<u>13,674,248</u>	<u>11,130,762</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(24,971,601)	(16,318,832)
Payments for intangible assets		(159,478)	(35,172)
Proceeds from sale of property plant and equipment		183,544	626,698
(Purchase) / redemption of investments		4,000,000	6,000,000
Grants, subsidies, contributions and donations		10,342,660	10,059,459
Capital insurance proceeds		70,873	62,668
<b>Net cash inflow (outflow) from investing activities</b>		<u>(10,534,002)</u>	<u>394,821</u>
<b>Net increase (decrease) in cash and cash equivalent held</b>		<u>3,140,247</u>	<u>11,525,583</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>		25,114,863	13,589,280
<b>Cash and cash equivalents at end of the financial year</b>	10	<u>28,255,110</u>	<u>25,114,863</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 2020**

**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 2019 to 30 June 2020. They are prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

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

**1.2 New and revised Accounting Standards**

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy note 23 for transition disclosures for AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP Entities and AASB 16 Leases.

**1.3 Standards issued by the AASB not yet effective**

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, these standards have not been adopted by Council and will be included in the financial statements on their effective date. These standards are not expected to have a material impact on Council's financial statements.

**1.4 Estimates and judgements**

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

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

Provisions - Note 1.11 (c), Note 1.13 and Note 17

Contingent liabilities - Note 20

**1.5 Revenue Recognition**

**a) Rates and levies**

2020 accounting policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

2019 accounting policy: 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.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**b) Grants and subsidies**

2020 accounting policy:

Grant income under AASB 15

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

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

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

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

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 are recognised at the asset's fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

2019 accounting policy:

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 2020**

f) **Fees and Charges**

2020 accounting policy: Revenue arising from fees and charges is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

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

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

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

2019 accounting policy: 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) **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.

**1.6 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.

**1.7 Receivables**

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

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

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

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

**1.8 Investments**

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

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**1.9 Intangible assets**

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

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

At the reporting date intangible assets consist of software only.

**1.10 Payables**

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

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

**1.11 Liabilities - employee benefits**

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date.

Short-term benefits which are expected to be wholly settled within 12 months are calculated on wage and salary levels which are expected to be paid and includes related employee on-costs. Amounts not expected to be wholly settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values.

a) **Annual leave**

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 16 as a payable.

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 17 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 2020**

**1.12 Leases**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

**Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

**1.13 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 17.

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.

**1.14 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.

**1.15 Taxation**

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

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

## **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 2020**

**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 2020**

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							
	2020	2020	2020	2020		2020	2020				
\$	\$	\$	\$	\$	\$						
Corporate and Community	1,691,357	16,393,563	213,274		18,298,194	(10,565,053)	(42,359)	(10,607,412)	7,519,867	7,690,782	63,424,471
Infrastructure	1,406,916	4,247,515	9,924,961	6,650,552	22,229,943	(19,968,208)	(304,025)	(20,272,233)	(14,313,777)	1,957,710	228,832,731
Development and Environment	18,803	717,587	-		736,390	(2,063,841)	-	(2,063,841)	(1,327,452)	(1,327,452)	-
Water and Waste	73,069	20,107,173	2,499,559	11,016	22,690,817	(12,887,233)	(556,329)	(13,443,562)	7,293,009	9,247,255	138,368,801
<b>Total Council</b>	<b>3,190,145</b>	<b>41,465,838</b>	<b>12,637,794</b>	<b>6,661,568</b>	<b>63,955,344</b>	<b>(45,484,336)</b>	<b>(902,713)</b>	<b>(46,387,049)</b>	<b>(828,353)</b>	<b>17,568,295</b>	<b>430,626,003</b>

**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		23,634,805	(13,259,141)	(2,364,578)	(15,623,719)	6,170,831	8,011,086	137,499,992
<b>Total Council</b>	<b>4,078,584</b>	<b>41,367,093</b>	<b>18,598,176</b>	<b>6,991,969</b>	<b>71,035,822</b>	<b>(46,416,609)</b>	<b>(3,472,315)</b>	<b>(49,888,924)</b>	<b>(970,932)</b>	<b>21,146,899</b>	<b>411,365,519</b>

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

Note	2020 \$	2019 \$
<b>3 Revenue analysis</b>		
<b>(a) Rates, levies and charges</b>		
General rates	15,947,657	15,706,225
Water	7,745,653	7,284,706
Sewerage	7,129,432	6,944,253
Waste	4,486,574	4,353,516
Less: Pensioner remissions & concessions	(476,141)	(448,631)
Net rates, levies and utility charges	<u>34,833,175</u>	<u>33,840,069</u>
<b>(b) Fees and charges</b>		
Building and property fees	306,985	267,086
Caravan Parks and Camping Grounds	347,473	179,434
Ferry	2,448,396	3,098,114
Communication towers	190,163	204,982
Permits, licences & registrations	462,684	497,870
Markets	245,605	306,865
Refuse & transfer stations	311,522	274,671
Water & sewerage applications	227,330	322,771
Other fees and charges	276,036	331,567
	<u>4,816,194</u>	<u>5,483,360</u>
<b>(c) Interest received</b>		
Investments	552,679	644,497
Overdue rates and utility charges	108,170	181,235
	<u>660,849</u>	<u>825,732</u>
<b>(d) Other revenue</b>		
Contract and recoverable works	713,027	719,217
Commissions	33,221	33,136
Sundry revenue	213,045	209,319
	<u>959,294</u>	<u>961,672</u>
<b>4 Grants, subsidies, contributions and donations</b>		
<b>(a) Recurrent</b>		
General purpose grants	1,514,144	1,563,777
State government subsidies and grants	1,676,001	2,514,807
	<u>3,190,145</u>	<u>4,078,584</u>
<b>(b) Capital</b>		
Government/statutory authority subsidies and grants	9,977,232	9,980,643
Contributions	1,194,763	78,816
Assets contributed by developers at fair value	1,465,799	8,538,717
	<u>12,637,794</u>	<u>18,598,176</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	1,112,374
	<u>-</u>
	<u>1,112,374</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	907,844
	<u>-</u>
	<u>907,844</u>

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
<b>5 Capital income</b>			
<b>Provision for restoration of land</b>			
Decrease in restoration provision - Sanitary Depot	17	11,016	-
		<u>11,016</u>	<u>-</u>
<b>Revaluations</b>			
Revaluation up of property, plant and equipment	13	6,579,678	6,929,301
		<u>6,579,678</u>	<u>6,929,301</u>
<b>Capital insurance proceeds</b>			
Insurance proceeds		70,873	62,668
		<u>70,873</u>	<u>62,668</u>
Total capital income		<u>6,661,567</u>	<u>6,991,969</u>
<b>6 Employee benefits</b>			
Total staff wages and salaries		12,615,401	10,738,443
Councillors' remuneration		374,198	345,503
Annual, sick and long service leave entitlements		2,291,831	1,840,652
Superannuation	21	1,620,929	1,386,034
		<u>16,902,359</u>	<u>14,310,633</u>
Other employee related expenses		22,787	46,527
		<u>16,925,146</u>	<u>14,357,160</u>
Less: Capitalised employee expenses		(1,892,412)	(843,462)
		<u>15,032,735</u>	<u>13,513,697</u>
Councillor remuneration represents salary and other allowances paid in respect of carrying out their duties.			
Total Council employees at the reporting date:			
		<b>No. employees</b>	<b>No. employees</b>
Elected members		5	5
Administration staff		87	83
Depot and outdoors staff		94	86
Total full time equivalent employees		<u>186</u>	<u>174</u>
<b>7 Materials and services</b>			
Audit of annual financial statements by the Auditor-General of Queensland		102,000	106,500
Doubtful debt expense		32,500	-
Consultancy		655,077	762,724
Contractors		5,768,209	7,804,756
Communications and IT		706,783	759,723
Donations		709,621	919,872
Electricity		1,019,347	1,320,031
Insurances		662,252	670,081
Legal		259,887	279,263
Repairs and maintenance		6,332,601	6,747,239
Other materials and services		1,505,422	1,703,694
		<u>17,753,700</u>	<u>21,073,884</u>
<b>8 Finance costs</b>			
Bank charges		75,044	77,441
Landfill sites - change in present value over time		217,910	125,631
		<u>292,954</u>	<u>203,072</u>

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

	Note	2020 \$	2019 \$
<b>9 Capital expenses</b>			
<b>Property restoration: Landfill sites</b>			
Adjustment to refuse restoration provision - Killaloe	17	336,392	347,217
Adjustment to refuse restoration provision - Sanitary Depot	17	-	836,635
Adjustment to refuse restoration provision - Newell Beach	17	32,464	1,010,403
		<u>368,856</u>	<u>2,194,255</u>
<b>Revaluation decrement</b>			
Revaluation down of property, plant and equipment	13	-	51,261
<b>Gain / Loss on disposal of non-current assets</b>			
Proceeds from the sale of property, plant and equipment		(183,544)	(188,361)
Less: Carrying value of property, plant and equipment disposed of		717,401	631,613
		<u>533,857</u>	<u>443,252</u>
Proceeds from the sale of land and land improvements		-	(438,337)
Less: Carrying value of land and land improvements		-	250,000
		<u>-</u>	<u>(188,337)</u>
Total gain/loss on disposal of non-current assets		<u>533,857</u>	<u>254,915</u>
<b>Loss on write-off</b>			
Loss on write-off of assets damaged by natural disaster	13	-	971,883
Total capital expenses		<u>902,713</u>	<u>3,472,314</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.

**10 Cash and cash equivalents**

Cash at bank and on hand	18,255,109	6,114,863
Term deposits	10,000,000	19,000,000
Balance per Statement of Cash Flows	<u>28,255,109</u>	<u>25,114,863</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		
Unspent government grants and subsidies	687,548	1,112,374
Internally imposed expenditure restrictions at the reporting date:		
Future capital works	4,000,000	4,000,000
Future constrained works	1,945,122	3,240,797
Future recurrent expenditure	1,850	41,945
Waste levy refund received in advance	-	119,613
Total unspent restricted cash	<u>6,634,520</u>	<u>8,514,729</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	658,141	641,833
	<u>658,141</u>	<u>641,833</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 since Council has no control over the assets.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

<u>Note</u>	<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
<b>11 Investments</b>		
Current fixed short term investments		
Unrestricted	-	4,000,000
	<u>-</u>	<u>4,000,000</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	3,471,311	3,202,630
Other debtors	230,319	715,016
Less impairment	(69,287)	(46,211)
Accrued revenue	376,500	508,061
GST recoverable	406,268	287,488
Prepayments	210,236	229,118
	<u>4,625,347</u>	<u>4,896,101</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.

Impairment of receivables is not material.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**13 Property, plant and equipment**

**30 June 2020**

	Note	Land and land improvements	Buildings and other structures	Plant and equipment	Office furniture and fittings	Transport assets	Water, Sewerage and Solid waste disposal	Drainage	Work in Progress	Total
		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
Basis of measurement										
<b>Asset values</b>		\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 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
Additions									26,437,400	26,437,400
Disposals	9		(86,996)	(617,561)		(434,363)	(398,911)	(38,035)		(1,575,866)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18									-
Revaluation adjustment to expense (capital expense)	9									-
Revaluation adjustment to income (capital income)	5					(3,033,791)				(3,033,791)
Write-off assets damaged by natural disaster										-
Transfers between classes		(125,471)				(156,135)	281,606			-
Assets classified as held for sale				(80,838)						(80,838)
Contributed assets		100,175				307,902	698,413	359,309	(1,465,799)	-
Internal transfers from work in progress		1,186,448	3,515,495	1,040,532		6,656,350	4,380,751	560,253	(17,339,829)	-
<b>Closing gross value as at 30 June 2020</b>		<b>28,867,470</b>	<b>52,210,769</b>	<b>7,286,362</b>	<b>42,640</b>	<b>210,613,399</b>	<b>236,260,868</b>	<b>38,502,373</b>	<b>12,982,892</b>	<b>586,766,772</b>
<b>Accumulated depreciation</b>										
Opening balance as at 1 July 2019		1,267,373	20,997,142	3,333,840	40,706	57,962,642	97,593,944	6,659,943		187,855,590
Depreciation provided in period		184,141	1,466,053	672,425	610	4,253,900	5,367,238	422,328		12,366,695
Depreciation on disposals	9		(46,989)	(407,008)		(187,006)	(211,438)	(6,024)		(858,465)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18									-
Revaluation adjustment to income (capital income)	5					(9,613,469)				(9,613,469)
Revaluation adjustment to expense (capital expense)	9									-
Write-off assets damaged by natural disaster										-
Transfers between classes		(3,645)				(643)	4,288			-
Assets classified as held for sale				(51,834)						(51,834)
<b>Accumulated depreciation as at 30 June 2020</b>		<b>1,447,869</b>	<b>22,416,206</b>	<b>3,547,423</b>	<b>41,316</b>	<b>52,415,424</b>	<b>102,754,032</b>	<b>7,076,247</b>	<b>-</b>	<b>189,698,517</b>
<b>Total written down value as at 30 June 2020</b>		<b>27,419,601</b>	<b>29,794,563</b>	<b>3,738,939</b>	<b>1,323</b>	<b>158,197,974</b>	<b>133,506,836</b>	<b>31,426,126</b>	<b>12,982,892</b>	<b>397,068,255</b>
Residual value		-	-	1,533,418	-	-	-	-		
Range of estimated useful life in years		3 - 100	5 - 60	3 - 20	5 - 10	10 - 100	10 - 150	10 - 100		

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	21,282,777	21,282,777
Other additions	-	-	-	-	-	-	-	5,154,623	5,154,623
Total additions	-	-	-	-	-	-	-	26,437,400	26,437,400

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**13 Property, plant and equipment**

**30 June 2019**

	Note	Land and land	Buildings and	Plant and	Office	Transport	Water,	Drainage	Work in	Total
		improvements	other structures	equipment	furniture and fittings	assets	Sewerage and Solid waste disposal		Progress	
Basis of measurement		Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	
<b>Asset values</b>		\$	\$	\$	\$	\$	\$	\$	\$	\$
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	9	(55,337)	(394,500)	(601,964)	-	(229,189)	(1,203,768)			(2,484,758)
Revaluation adjustment to other comprehensive income (asset revaluation surplus)	18						6,320,485			6,320,485
Revaluation adjustment to expense (capital expense)	9									-
Impairment adjustment to asset revaluation surplus	5									-
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)	-
<b>Closing gross value as at 30 June 2019</b>		<b>27,706,318</b>	<b>48,782,270</b>	<b>6,944,229</b>	<b>42,640</b>	<b>207,273,436</b>	<b>231,299,009</b>	<b>37,620,846</b>	<b>5,351,120</b>	<b>565,019,867</b>

**Accumulated depreciation**

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	9	(614)	(199,994)	(486,997)		(132,091)	(1,033,446)			(1,853,142)
Revaluation adjustment to other comprehensive income	18		480,019				(1,783,381)			(1,303,362)
Revaluation adjustment to income (capital income)	5					2,936,714				2,936,714
Revaluation adjustment to expense (capital expense)	9					51,261				51,261
Write-off assets damaged by natural disaster						(701,406)				(701,406)
Transfers between classes				(55,162)			(3,008)			(58,170)
<b>Accumulated depreciation as at 30 June 2019</b>		<b>1,267,373</b>	<b>20,997,142</b>	<b>3,333,840</b>	<b>40,706</b>	<b>57,962,642</b>	<b>97,593,944</b>	<b>6,659,943</b>	<b>-</b>	<b>187,855,590</b>

**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
-	-	1,467,510	-	-	-	-	-	
3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	10 - 150	40 - 80		

Additions comprise:

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

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**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 2020 indexation purposes). Together these are used to form the basis of the desktop valuation.

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

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

**(i) Recognised fair value measurements**

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

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

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

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

**(ii) Valuation techniques used to derive fair values**

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

*Accumulated depreciation*

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

**Douglas Shire Council**  
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**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 2020 as the movement in sales data in the region between 2017 and 2020 was considered immaterial.

For land improvements no revaluation adjustment was made as at 30 June 2020 as the movement in the Non-Residential Building Construction Index (QLD) between 2017 and 2020 (2%) was considered immaterial.

**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 2020 as the movement in the Non-Residential Building Construction Index (QLD) between 2017 and 2020 (2%) was considered immaterial.

**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 2020. 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

*Bridge assets*

Bridge asset fair values were determined by independent valuers, Cardno (Qld) Pty Ltd, effective 30 June 2020. 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.

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*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 2020. 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.

**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.

No revaluation adjustment was made at 30 June 2020 as the movement in the Road and Bridge Construction Index (QLD) between 2019 and 2020 (0.61%) was considered immaterial.

*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

No revaluation adjustment was made at 30 June 2020 as the movement in the Road and Bridge Construction Index (QLD) between 2019 and 2020 (0.61%) was considered immaterial.

*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 2020 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2020 (3.95%) was considered immaterial.

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**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 2020 as the movement in the Road and Bridge Construction Index (QLD) between 2018 and 2020 (3.95%) was considered immaterial.

**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.

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	2020 \$	2019 \$
<b>14 Intangible assets</b>		
<b>Software</b>		
Opening gross carrying value	231,745	1,403,201
Additions	159,478	35,172
Transfers from Plant and Equipment	-	87,158
Disposals	(46,748)	(1,293,786)
Closing gross carrying value	<u>344,475</u>	<u>231,745</u>
<b>Accumulated amortisation</b>		
Opening balance	161,215	1,262,313
Amortisation in the period	38,252	134,518
Transfers from Plant and Equipment	-	58,170
Disposals	(46,748)	(1,293,786)
Closing balance	<u>152,719</u>	<u>161,215</u>
Net carrying value at end of financial year	<u><u>191,756</u></u>	<u><u>70,530</u></u>

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

**15 Contract balances**

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

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

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

	2020 \$
a Contract assets	<u>333,137</u>
b Contract liabilities	
Funds received upfront to construct Council controlled assets	687,548
	<u>687,548</u>
Current contract liabilities	687,548
Non-current contract liabilities	-
	<u>687,548</u>

Revenue recognised that was included in the contract liability balance at the beginning of the year  
Funds to construct Council controlled assets 898,257

	2020 \$	2019 \$
<b>16 Trade and other payables</b>		
<b>Current</b>		
Creditors and accruals	4,830,274	3,591,559
Unearned revenue	111,167	164,078
Prepaid rates	947,793	-
Waste levy refund received in advance	-	119,613
Annual leave	1,787,427	1,624,740
Sick leave	228,418	235,843
Other entitlements	77,241	72,509
	<u>7,982,319</u>	<u>5,808,342</u>

**Douglas Shire Council**  
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	2020	2019
	\$	\$
<b>17 Provisions</b>		
<b>Current</b>		
Landfill restoration	488,750	-
Long service leave	1,741,122	1,692,465
	<u>2,229,872</u>	<u>1,692,465</u>
<b>Non-current</b>		
Landfill restoration	4,895,183	4,872,340
Long service leave	330,297	236,022
	<u>5,225,480</u>	<u>5,108,363</u>

**Details of movements in provisions:**

	2020	2019
	\$	\$
<b>Property restoration: Landfill sites</b>		
Balance at beginning of financial year	4,872,340	2,764,488
Increase in provision due to unwinding of discount	217,910	125,631
Increase / (decrease) in provision for future cost	357,840	2,194,255
Provision expended to date	(64,157)	(212,034)
Balance at end of financial year	<u>5,383,933</u>	<u>4,872,340</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 a re-estimation of restoration costs at the Killaloe, Newell beach and Sanitary Depot sites. The Killaloe site is due for its final capping in the 2023FY (with post closure monitoring until the 2054FY). Newell Beach landfill and the Sanitary Depot are due for final capping in the 2022FY (with post closure monitoring until the 2053FY).

	2020	2019
	\$	\$
<b>Long service leave</b>		
Balance at beginning of financial year	1,928,487	2,057,748
Long service leave entitlement arising	293,273	224,502
Long Service entitlement paid	(150,342)	(353,763)
Balance at end of financial year	<u>2,071,418</u>	<u>1,928,487</u>

**18 Asset revaluation surplus**

**Movements in the asset revaluation surplus were as follows:**

Balance at beginning of financial year	40,078,005	32,454,158
Net adjustment to non-current assets at end of period to reflect a change in current fair value:		
Land and land improvements	-	-
Buildings and other structures	-	(480,019)
Water, Sewerage and Solid waste disposal	-	8,103,866
Change in value of restoration costs		
Landfill	-	-
Balance at end of financial year	<u>40,078,005</u>	<u>40,078,005</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	10,136,210
Water, Sewerage and Solid waste disposal	29,475,042	29,475,042
	<u>40,078,005</u>	<u>40,078,005</u>

**Douglas Shire Council**  
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	2020	2019
	\$	\$
<b>19 Commitments for expenditure</b>		
<b>Operating expenditure</b>		
Not later than 1 year	4,618,202	5,828,836
Later than 1 year but not later than 5 years	4,195,368	5,604,080
Later than 5 years	791,284	1,565,936
	<u>9,604,854</u>	<u>12,998,852</u>
<b>Capital expenditure</b>		
Not later than 1 year	5,533,235	3,688,464
Later than 1 year but not later than 5 years	-	-
Later than 5 years	-	-
	<u>5,533,235</u>	<u>3,688,464</u>

**20 Contingent liabilities**

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

**Local Government Mutual**

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

As at 30 June 2020 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 \$370,177.

**21 Superannuation**

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

The scheme is a 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.

The next triennial actuarial review is not due until 1 July 2021.

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

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

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

	Note	2020 \$	2019 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	1,620,929	1,386,034

**22 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities**

Net result		17,568,295	21,146,899
Non-cash items:			
Depreciation and amortisation		12,404,947	11,625,956
Revaluation adjustments		(6,579,678)	(6,878,040)
Loss on asset write-off		-	971,883
Change in future rehabilitation and restoration costs		575,750	2,319,886
		<u>6,401,019</u>	<u>8,039,685</u>
Investing and development activities (non-cash):			
Net profit or loss on disposal of non-current assets		533,857	254,915
Capital grants and contributions		(12,637,794)	(18,598,176)
Changes in accounting policy		(893,857)	-
Capital insurance proceeds		(70,873)	(62,668)
		<u>(13,068,667)</u>	<u>(18,405,929)</u>
Changes in operating assets and liabilities:			
(Increase)/ decrease in receivables		270,755	1,005,440
(Increase)/decrease in inventory		(3,647)	(18,474)
Increase/(decrease) in payables		2,109,816	(507,602)
Increase/(decrease) in contract liabilities (recurrent grants)		253,746	-
Increase/(decrease) in other provisions		142,931	(129,258)
		<u>2,773,602</u>	<u>350,107</u>
Net cash inflow from operating activities		<u><u>13,674,248</u></u>	<u><u>11,130,762</u></u>

**23 Changes in accounting policy**

During the year ended 30 June 2020, the Council has adopted AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of NFP Entities and AASB 16 Leases using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 Construction Contracts, AASB 117 Leases, AASB 118 Revenue, AASB 1004 Contributions and associated Accounting Interpretations.

All material adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

**Revenue standards - AASB 15 and AASB 1058**

The following options have been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has not retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Major changes to revenue recognition methodology are detailed below:

- Pre-paid rates - now recorded as a financial liability until the beginning of the rating period. At 1 July 2019 there is \$848,857 of prepaid rates that have now been recognised as a liability and an adjustment to accumulated reserves has been made for this amount at 1 July 2019.
- Recognition of grant revenue within the scope of AASB 15
- Recognition of grant revenue for acquisition or construction of assets controlled by Council.

**Douglas Shire Council**  
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Opening contract balances on transition at 1 July 2019

	Balance at 1 July 2019
	\$
<b>Contract assets</b>	
- Under AASB 15	-
- Under AASB 1058	-
	<u>-</u>
<b>Contract liabilities</b>	
- Under AASB 15	45,000
- Under AASB 1058	930,000
	<u>975,000</u>
<b>Prepaid rates</b>	
Prepaid rates opening balance adjustment	848,857
	<u>848,857</u>
	<u>1,823,857</u>

Comparison of affected financial statements lines between AASB 15 / 1058 and previous revenue standards

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards.

Statement of financial position at 30 June 2020

	Carrying amount per Statement of Financial Position Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Contract assets	333,137	(333,137)	-
Contract liabilities	(687,548)	687,548	-
Retained earnings	374,422,779	(354,411)	374,068,369
	<u>374,068,369</u>	<u>-</u>	<u>374,068,369</u>

Statement of comprehensive income for the year ended 30 June 2020

	Balance per Statement of Comprehensive Income Dr / (Cr) \$	Adjustments Dr / (Cr) \$	Carrying amount if previous standards had been applied
Revenue - operating grants	(3,190,145)	(253,745)	(3,443,890)
Revenue - capitals grants	(9,977,232)	(100,666)	(10,077,898)
	<u>(13,167,376)</u>	<u>(354,411)</u>	<u>(13,521,787)</u>

The adjustments above relate to the recognition of contract assets and contract liabilities for revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

**Lease standard - AASB 16**

Under the previous lease accounting standard, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

After using the exceptions to lease accounting mentioned above, Council's only contract which meets the definition of a 'lease' under AASB 16 amounts to approximately \$170k over a five year term. Council has assessed this as not material to the financial statements and therefore no adjustment has been made.

**Practical expedients used on transition**

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.

**Douglas Shire Council**  
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**Lease at significantly below market value - Concessionary / peppercorn leases**

Council has a number of leases at significantly below market for land and buildings which are used for:

- Communication towers

The leases are generally between 2 and 50 years and require payments between \$1 and \$10,000 per annum. The use of the right-to-use asset is restricted by the lessors to specified community services which Council must provide, these services are detailed in the leases.

Council does not believe that any of the leases in place are individually material.

**Council as a lessor**

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 Revenue from Contracts with Customers.

The lease income is recognised on a straight-line basis over the lease term.

**24 Events after the reporting period**

On 10 August 2020, Douglas Shire Council resolved to sell Lot 83 SR596 Cape Tribulation Road to Queensland Trust for Nature for \$725,000 (ex-gst), which was the price Council paid for the land in October 2019. The settlement date is expected to be in November 2020.

On 28 July 2020, Douglas Shire Council resolved to purchase land & associated buildings - Lot 21 SP212664 and associated buildings on adjacent land - Lot 20 SP212664 by negotiation up to a maximum amount. This purchase is expected to cost \$202,181 (ex-gst).

On 1 July 2020 the sale of four plant and equipment items classified as a non-current asset held for sale as at 30 June 2020, with a carrying value of \$29,008, was finalised with proceeds of \$54,454.

There were no material adjusting events after the balance date.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**25 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	2020	2019
		\$	\$
<b>Financial assets</b>			
Cash and cash equivalents	10	28,255,109	25,114,863
Receivables - rates	12	3,471,311	3,202,630
Receivables - other	12	1,154,035	1,693,472
Investments	11	-	4,000,000
<b>Total financial assets</b>		<b>32,880,456</b>	<b>34,010,965</b>

*Cash and cash equivalents*

Council may be exposed to credit risk through its investments held with financial institutions. All cash and cash equivalents are held in financial institutions which are rated 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 2020**

*Trade and other receivables*

In the case of rate receivables, Council has the power to sell the property to recover any defaulted amounts and therefore generally for rates debtors the credit risk is low.

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Subject to impairment</b>		
Not past due	127,547	238,968
Past due 31-60 days	742	9,960
Past due 61-90 days	7,479	10,716
More than 90 days	61,130	12,862
<b>Total gross carrying amount</b>	<u>196,899</u>	<u>272,506</u>
Loss allowance	(69,287)	(46,211)
	<u><u>127,612</u></u>	<u><u>226,295</u></u>
 <b>Not subject to impairment</b>		
Rates and Charges	3,473,062	3,202,630
Grants	27,500	442,509
GST recoverable/prepayments/accrued income	997,173	1,024,667
	<u>4,497,735</u>	<u>4,669,806</u>
	<u><u>4,625,347</u></u>	<u><u>4,896,101</u></u>

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

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

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

**Liquidity risk**

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

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

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

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

**Market risk**

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

*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 deficit and equity increase/(decrease) of \$282,551 (2019: \$291,149).

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**26 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 increased as of January 2019. The compensation paid to KMP comprises:

	2020	2019
	\$	\$
Short-term employee benefits	1,709,463	1,257,138
Post-employment benefits	175,996	136,103
Long-term benefits	8,627	42,957
Termination benefits	-	-
<b>Total</b>	<b>1,894,086</b>	<b>1,436,198</b>

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	2020	2019
		\$	\$
Purchase of materials and services from entities controlled by key management personnel.	26(b)(i)	291,056	456,668

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

**(c) Outstanding balances**

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

Receivables	Amounts owed by entities controlled by KMP	Amounts owed by entities controlled by KMP
	2020	2019
Current		\$ 7,304
Past due 31-60 days	\$ -	\$ -
Past due 61 - 90 days	\$ -	\$ -
More than 90 days overdue	\$ -	\$ -
<b>Total owing</b>	<b>\$ -</b>	<b>\$ 7,304</b>

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

**(d) Loans and guarantees to/from related parties**

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

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2020**

**(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.

**27 Impacts from the COVID-19 pandemic**

Council has assessed the impact of the COVID-19 global pandemic. The Covid-19 pandemic has had a detrimental impact on Council's operating result in comparison to the revised budget, reducing a small budgeted operating surplus to a deficit.

Council acknowledges that the COVID-19 restrictions have impacted some industries within the region and has initiated the following financial incentives during the year ended 30 June 2020 (Estimated financial effect is \$336,696):

- Waive interest on overdue rates and water from 24 March 2020 to 30 June 2020
- Remove rates dishonour administration fees from 24 March 2020 to 30 June 2020
- Pensioner remission application dates extended to 30 June 2020 (usually only permitted in the first three months of the rating period)
- Credit or refund all outdoor dining fees 23 March 2020 to 30 June 2020
- Refund all cancelled venue hire fees 23 March 2020 to 30 June 2020
- Rent relief – waive rent for all Council commercial tenants suffering financial stress or hardship due to Covid 19, as defined by their eligibility for the Commonwealth Government's Jobkeeper program (excluding not for profits, sporting entities, Government entities) for the period 1 April 2020 – 30 June 2020
- Wonga Beach Caravan Park – top up for foregone commission 1 April 2020 – 30 June 2020
- Waive Daintree Ferry Tour Bus Fees 18 March 2020 to 30 June 2020
- Waive Daintree Ferry Fees (all vehicles) 8 April 2020 to 30 June 2020
- Waive Charges for backflow registration 1 April 2020 to 30 June 2020

In the subsequent financial year, Council has initiated further COVID-19 relief measures including (Estimated financial effect is \$476,238):

- Limiting general rate increases to CPI (Mar 2019-Mar 2020 ABS statistics)
- Limiting fees and charges to CPI (Mar 2019-Mar 2020 ABS statistics)
- Covid discount 1.2% general rates paid by due date
- New policies introduced– Concealed Leaks and Rates Financial Assistance
- Amendments to Procurement Policy to support local spend
- Extend Daintree Ferry Multi-Day passes to be valid until 31 Dec 2020 (previously expired 30 June 2020)
- Daintree Ferry Tour Bus fee waiver (Aug 2020 – Sep 2020) and 50% rebate (Oct-Dec 2020)

**Douglas Shire Council**  
**Financial statements**  
**For the year ended 30 June 2020**

**Management Certificate**  
**For the year ended 30 June 2020**

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

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

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

\_\_\_\_\_  
**Mayor**  
**Michael Kerr**

\_\_\_\_\_  
**Chief Executive Officer**  
**Mark Stoermer**

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

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

**Douglas Shire Council**  
**Current-year Financial Sustainability Statement**  
**For the year ended 30 June 2020**

**Measures of Financial Sustainability**

	How the measure is calculated	Actual - Council	Target
Council's performance at 30 June 2020 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.	173%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-39%	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 2020.

**Certificate of Accuracy**  
For the year ended 30 June 2020

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

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

\_\_\_\_\_  
**Mayor**  
**Michael Kerr**

\_\_\_\_\_  
**Chief Executive Officer**  
**Mark Stoermer**

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

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

**Douglas Shire Council**  
**Long-Term Financial Sustainability Statement - Unaudited**  
**Prepared as at 30 June 2020**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2020	Projected for the years ended								
				30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
<b>Council</b>												
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-2%	-8%	-5%	-4%	-3%	-3%	-2%	-1%	0%	1%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	173%	91%	96%	92%	95%	92%	93%	95%	96%	97%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-39%	-22%	-19%	-20%	-19%	-18%	-20%	-19%	-18%	-18%

**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 2020**

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

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

\_\_\_\_\_  
**Mayor**  
**Michael Kerr**

\_\_\_\_\_  
**Chief Executive Officer**  
**Mark Stoermer**

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

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