

DOUGLAS SHIRE COUNCIL

# ANNUAL REPORT

1 JANUARY - 30 JUNE 2014

CELEBRATING OUR COMMUNITIES  
BUILDING A SUSTAINABLE ECONOMIC BASE  
IMPROVING ENVIRONMENTAL PERFORMANCE  
ENGAGING, PLANNING, PARTNERING  
ENSURING EXCELLENCE IN GOVERNANCE

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# REGIONAL PROFILE

The Douglas Shire covers an area of 2,445km from north of Ellis Beach in the south to the Bloomfield River in the north. Douglas is home to approximately 11,000 residents, most of whom live in the two major population centres of Port Douglas and Mossman.

The Shire has many diverse communities with the Traditional Owners, the Eastern Kuku Yalanji and Yirrganydii peoples occupying this land for thousands of years prior to first contact.

As a world renowned tourist destination where the 'Rainforest meet the Reef', the Shire lies within Australia's Wet Tropics World Heritage Area to the west and north and the Coral Sea and World Heritage listed Great Barrier Reef Marine Park to the east.

While the economy of the Shire depends mainly on tourism, with 1.2 million visitors annually exploring the stunning natural wonders, much of the rural area that is farmed is used for sugar cane production, which is the primary agricultural industry in Douglas.



# MESSAGE FROM THE MAYOR

It is with great pride that I present the first Annual Report of the new Douglas Shire Council.

The new Douglas Shire Council came into existence on 1 January 2014 following a poll in March 2013 when the majority of the community voted to de-amalgamate from Cairns Regional Council.

It is now a new era in Douglas and our future is both exciting and challenging. The birth of the new Douglas Council has allowed us to create an entirely new local government authority, organisational structure and culture. This culture is based on a contemporary, smart and innovative approach to all aspects of council's operations, with a strong focus on community engagement, productivity, business efficiency, accountability and good governance.

Our vision is to lead the way on financial, environmental and social sustainability, and be a model for other councils to follow. A priority is to build a sustainable economic base in an extraordinary beautiful and environmentally rich part of this planet. Douglas Shire is the only place in the world with two adjoining World Heritage listed areas: the Great Barrier Reef and the ancient Daintree rainforest.

In my first six months as Mayor I have worked diligently with my fellow Councillors, the CEO, staff and the broader community to successfully establish the new Council. Our far better than expected opening financial position has been supported by a large number of milestone events and achievements that have been well received by the community.

We have adopted two budgets, the Corporate Plan, delivered on our core services and capital works program. We have established a raft of new programs and policies, including a new approach to community engagement and communication, which is focused on connecting, consulting and involving the Douglas community. On top of that, we have successfully coped with a natural disaster Cyclone Ita, just fourteen weeks into the new Council.

Looking ahead, Council will continue to work closely with all sectors of the community and business, including the state and federal governments in order to achieve a strong, vibrant, and sustainable economy with long term job opportunities and an enjoyable lifestyle.

Finally, I want to thank and pay tribute to Jeff Tate, Geoff Haberfeld, Darryl Crees, Paul Hoyer and all staff who did such an extraordinary job with the de-amalgamation process and the final separation of cash, assets and liabilities that has enabled us to start with a far better than expected opening financial position. CEO Linda Cardew, who commenced in March, is to be congratulated alongside our committed and enthusiastic staff for their significant and important contributions to the successful establishment of the new Council.

I also applaud the Douglas community who had the faith and foresight to regain our Council and allow us to determine our own future for generations to come.



# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

The presentation of this annual report for the first six months' operations of the new Douglas Shire Council is an historical moment of which both Councillors and staff can be proud. During this period all officers of the newly de-amalgamated Council were presented with many exciting opportunities and some unenviable challenges as the groundwork, and then business processes, operations and projects were established, and implemented. It is a pleasure to commend and thank all staff for their tremendous efforts in establishing the new Council business, completing all de-amalgamation work and meeting all statutory obligations, while at the same time providing a very high level of service to the community, not only meeting, but exceeding expectations.

All major operational goals set by the new Council for the first six months were delivered on time and within budget. A substantial capital works program was implemented. Council's first Corporate Plan setting the strategic

direction for the next five years, was developed in consultation with the community, and includes a number of important themes and goals to achieve sustainable social, financial and environmental outcomes.

Damage caused to the Shire by the two declared disaster events, the Monsoonal event in February and Tropical Cyclone Ita in April is assessed at more than \$15 million. Teams were on the ground and planning started almost immediately to get the community back on track to welcome the Easter visitors and then to commence the process for the restoration of essential public assets over the following two year period. My appreciation goes to all staff for their commitment to Council and the community, in successfully maintaining business continuity over this time, and in absorbing the very significant additional workload that disaster and recovery work requires.



# ELECTED REPRESENTATIVES

Douglas Shire Council comprises a Mayor and four Councillors elected by the community to represent the interests of the diverse communities that form the Shire. Council meets at the Mossman Administration Building on the third Tuesday of each month commencing at 10am, unless otherwise required. Meetings are open to the public, unless it is resolved by Council to move into a closed session under the relevant provisions of the *Local Government Regulation 2012*.



**Mayor Julia Leu**



**Cr Abigail Noli  
(Deputy Mayor)**



**Cr David Carey**



**Cr Bruce Clarke**



**Cr Terry Melchert**



# COUNCILLORS

Under Section 186 of the *Local Government Regulation 2012*, Council is required to report information relating to the total remuneration, total superannuation contributions, expenses incurred and the facilities provided to each Councillor under Council's Reimbursement and Expenses policy. A record of attendance by Councillors at Council meetings and details of complaints received against Councillors is also included.

## Councillors' Remuneration

The following table shows the total remuneration, including superannuation contributions, paid to each Councillor during the financial year 2013/2014, noting that as a new Council remuneration was paid from 1 January 2014.

The below table shows expenses incurred by and the facilities provided to each Councillor during the financial year 2013/2014 under the local government's expenses reimbursement policy.

Councillors' Remuneration				
Mayor and Councillors	Gross Salary	Superannuation	Total Remuneration	Travel/ Expenses Reimbursement
Mayor Julia Leu	\$ 34,914.42	\$ 4,189.73	\$ 39,104.15	\$4,980.75
Deputy Mayor Abigail Noli	\$ 18,288.63	\$ 1,691.74	\$ 19,980.37	\$ 203.25
Councillor Bruce Clarke	\$ 14,963.43	\$ 1,384.12	\$ 16,347.55	\$ 977.50
Councillor David Carey	\$ 14,963.43	\$ 1,384.12	\$ 16,347.55	\$ 372.00
Councillor Terence Melchert	\$ 14,963.43	\$ 1,384.12	\$ 16,347.55	\$ 178.50
<b>TOTAL</b>			<b>\$108,127.17</b>	<b>\$6,712.00</b>



In accordance with section 249 of the *Local Government Regulation 2012*, Council must prepare and adopt by resolution an Expenses Reimbursement Policy.

The Expenses Reimbursement Policy for Elected Representatives was adopted by Council at its Ordinary meeting on 3 January 2014 and was amended on 28 January 2014.

## **Expenses Reimbursement Policy for Elected Representatives**

**Intent** To clarify the extent of expenses reimbursement and facilities provided to Councillors.

**Scope** This policy applies to all Councillors.

### **PROVISIONS**

**1. REIMBURSEMENT OF EXPENSES This policy must provide for:**

- a. Payment of reasonable expenses incurred, or to be incurred, by Councillors discharging their duties and responsibilities as Councillors
- b. Provision of facilities to the Councillors for that purpose

**2. SCHEDULE OF EXPENSES REIMBURSEMENT AND FACILITIES**

### **SECTION A - EXPENSES REIMBURSEMENT**

Councillors are eligible for the following:

- Upon receipt of a claim with relevant documentation, a maximum amount of \$600 per annum will be reimbursed to Councillors for home communication (including internet) expenditure. Claims must be submitted in the financial year to which the expenditure relates.
- If a Councillor uses a private vehicle for official Council business, reimbursement may be claimed based on log book substantiation of the relevance of the travel to Council. The log book detailing the use must be submitted within one (1) month of use and reimbursement is to occur within (3) months of use. Official Council business is deemed to be:
  - Travel to Council meetings and/or workshops;
  - Travel to attend meetings of external bodies/community groups to which the Councillor is the Council appointed representative;
  - Travel to conferences or training courses when Council has resolved the relevant Councillor attend.
- Where Councillors obtain approval to attend conferences, workshops or training courses, Council will cover the following expenses:





- Registration fees;
- Accommodation including breakfast (where appropriate);
- Economy airfares (any upgrades will be at Councillor's own expense);
- Reasonable meal expenditure (will only be reimbursed upon presentation of receipts/tax invoices);
- Reasonable taxi fares or public transport costs (will only be reimbursed upon presentation of receipts/tax invoices)

Such approval can be provided as follows:

- a) The Mayor and Chief Executive Officer can provide approval for attendance by Councillors where the expenditure is not expected to exceed \$800 (for any one attendance)
- b) The Chief Executive Officer can provide approval for attendance by the Mayor where the expenditure is not expected to exceed \$2,000 (for any one attendance)
- c) By Council resolution for all other attendances.

## **SECTION B - PROVISION OF FACILITIES**

Councillors will be provided with the following facilities and support:

Mayor:

- Office accommodation with Administration Support.
- Fully maintained vehicle for use in Council duties with full and unrestricted private use. Vehicle is to have a favourable Green Star Rating and purchase price is not to exceed \$40,000.

Deputy Mayor and other Councillors:

- Basic administration support to assist with conferences, workshops or training attendance, including travel and accommodation arrangements.

Each Councillor will be provided with a single standard laptop and mobile telephone to be used for Council purposes. Each laptop will be provided with appropriate hardware and software applicable to enable Councillors to perform their role.

Support for the Council supplied laptops and mobile telephones will be supplied by Council's Information Technology Unit during standard business hours.

**Policy Requirements:** That this policy remains in force for a period of no longer than six (6) months after the next local government quadrennial election.

**General Manager Responsible for Review: General Manager Corporate Services**



## ***Continuation of 'Councillors'***

<b>ITEM</b>	<b>Julia Leu</b>	<b>Abigail Noli</b>	<b>David Carey</b>	<b>Bruce Clarke</b>	<b>Terry Melchert</b>
The number of local government meetings that each Councillor attended during the financial year	14	14	14	14	14
Orders and recommendations made under section 180(2) or (4) of the Act – orders by Regional Conduct Review Panel	Nil	Nil	Nil	Nil	Nil
Orders made under section 181 of the Act – Inappropriate conduct	Nil	Nil	Nil	Nil	Nil
Complaints about the conduct or performance of Councillors for which no further action was taken under section 176C(2) of the Act	Nil	Nil	Nil	Nil	Nil
Complaints referred to the department's chief executive under section 176C(3)(a)(i) of the Act	Nil	Nil	Nil	Nil	Nil
Complaints referred to the mayor under section 176C(3)(a)(ii) or (b)(i) of the Act	Nil	Nil	Nil	Nil	Nil
Complaints referred to the department's chief executive under section 176C(4)(a) of the Act	Nil	Nil	Nil	Nil	Nil
Complaints assessed by the chief executive officer as being about official misconduct	Nil	Nil	Nil	Nil	Nil
Complaints heard by a regional review panel	Nil	Nil	Nil	Nil	Nil
Complaints heard by the tribunal	Nil	Nil	Nil	Nil	Nil
Complaints to which section 176C(6) of the Act applied	Nil	Nil	Nil	Nil	Nil



## Resolutions: Expenses Reimbursement Policy

Under Section 185 of the *Local Government Regulation 2012*, Council is required to include a copy of the resolutions made during 2013 - 2014.

### ORDINARY COUNCIL MEETING HELD ON FRIDAY 3 JANUARY 2014 AT 10AM

#### **1. EXPENSES REIMBURSEMENT POLICY FOR ELECTED REPRESENTATIVES**

Darryl Crees - General Manager Corporate Services

**Moved** Cr Carey

**Seconded** Cr Noli

*“That Council adopt the Expenses Reimbursement Policy for Elected Representatives.”*

**Carried** unanimously.

### ORDINARY COUNCIL MEETING HELD ON TUESDAY 28 JANUARY 2014 AT 10AM

#### **1. EXPENSES REIMBURSEMENT POLICY FOR ELECTED REPRESENTATIVES**

Darryl Crees – General Manager Corporate Services

**Moved** Cr Carey

**Seconded** Cr Noli

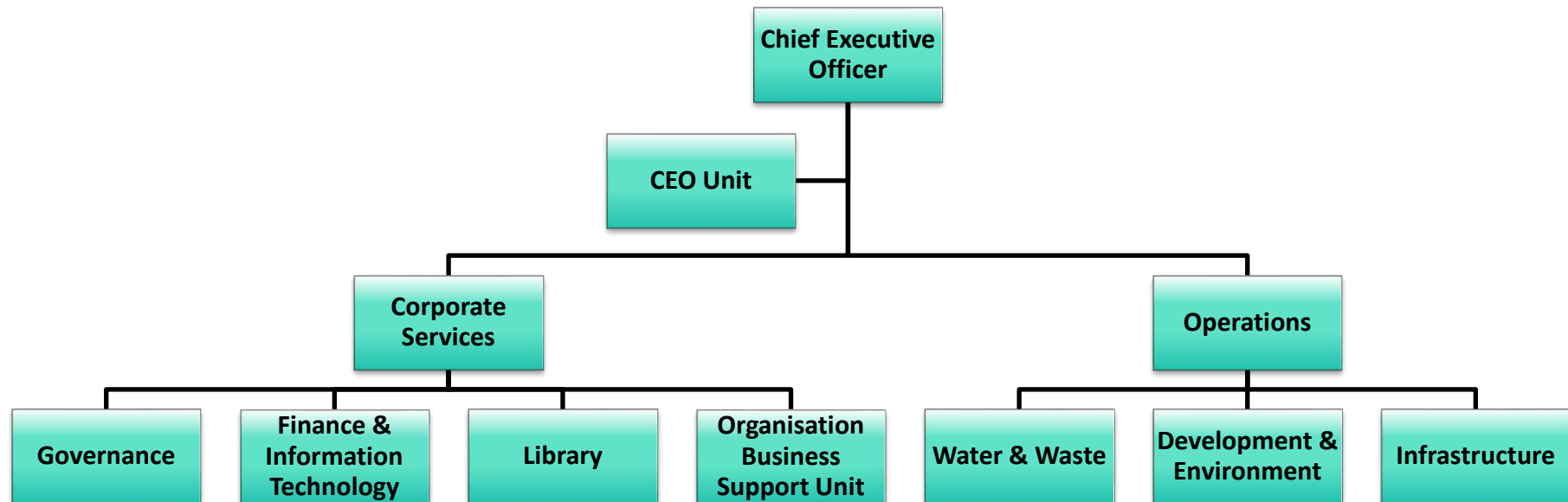
*“That Council adopt the amended Expenses Reimbursement Policy for Elected Representatives.”*

**For:** Crs Carey, Noli, Leu and Clarke.

**Against:** Cr Melchert.

**Carried.**

# ORGANISATIONAL STRUCTURE



# CORPORATE AND OPERATIONAL PLANS

Under Section 190 of the *Local Government Regulation 2012*, the Chief Executive Officer must provide an assessment of the progress towards implementing the Corporate Plan and Operational Plan.

The new Douglas Shire Council came into existence on 1 January 2014 following a poll in March 2013 when the majority of the community voted in favour of de-amalgamation.

In the first six months of operation, Council developed and adopted two Operational Plans and two Budgets. The Operational Plan for the period 1 January 2014 – 30 June 2014 identified the projects Council would undertake to establish the foundation for the new Council. There were thirty seven operational initiatives in the Operational Plan when adopted by Council 24 January 2014.

All thirty seven projects were completed prior to the end of the financial year. Three projects were identified for the development of further stages in the Operational Plan 2014 – 2015.

One of the major initiatives for the 2013 -2014 Operational Plan was the development of a Corporate Plan for the period 2014 to 2019. Council's first Corporate Plan was adopted on 3 June 2014, prior to the adoption of the 2014 -15 annual budget.

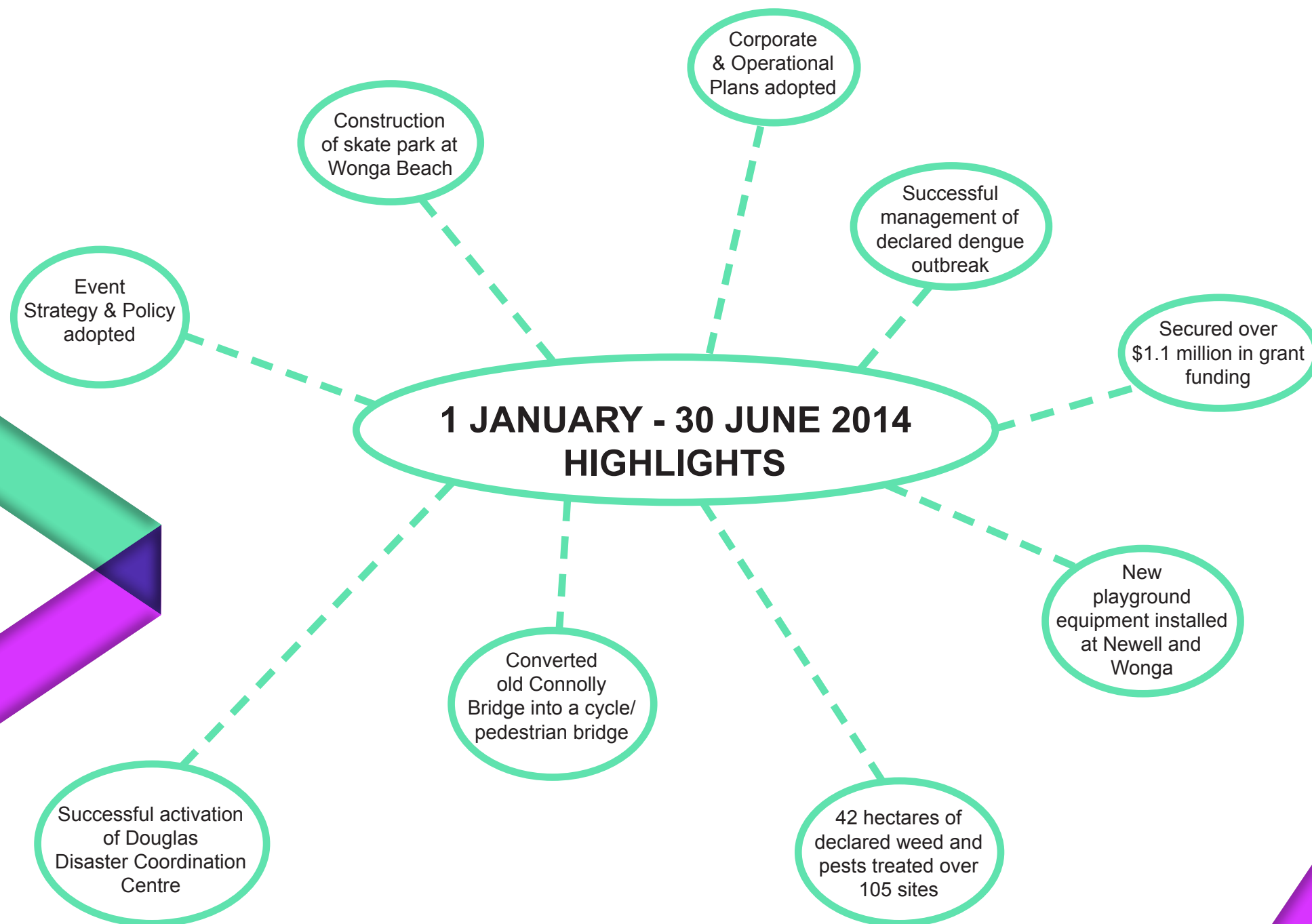
The Corporate Plan is a blueprint for the future of the Douglas region and identifies key themes, goals and strategies to guide Council's operations over the following five years. The document provides a focused and strategic framework for Council to guide Council in the planning and delivery of its business and services, having regard to the many community needs identified during the community engagement process.

## OUR COUNCIL

Douglas is a new and contemporary Council that:

- is enthusiastic, capable, innovative and productive
- is building a solid governance platform demonstrating transparency, compliance, efficiency in service delivery and sound risk management
- is earning the trust of our diverse communities through genuine engagement and proactive management practices
- enjoys strong and valued partnerships with external organisations, institutions and all levels of Government





# ACHIEVEMENTS AND HIGHLIGHTS

As a newly formed Council, in our first six months of operation we developed a number of strategic documents to guide our operations. This included our strategic directions document which informed the 2013 – 2014 Operational Plan and Budget. From the strategic directions document we created themes that were the foundation of the adopted Corporate Plan 2014 - 2014.

Developing the content of the Corporate Plan was a whole of Council and Community project. Extensive consultation took place to ensure all communities in the Shire had the opportunity to provide ideas and feedback.

We have also established ourselves as an inclusive Council through the identification of goals and activities that empower and support our vulnerable, disadvantaged or those that form the minorities of our communities.

## Theme One – Celebrating our Communities

*With a diverse range of communities throughout the region, we will value cultural identity, heritage and inclusiveness. We will embrace opportunities to work in collaboration with our communities to celebrate our successes, talents and uniqueness.*

- Construction of Skate Park at Wonga Beach
- Installation of new playground equipment at Newell and Wonga Beaches
- Re-establishment of the “Local History” photo touchscreen at Douglas Libraries
- Adoption and launch of the Community Support funding program and Policy
- Launch of the Regional Arts Development Fund
- Development and adoption the Community Engagement Framework and Policy on 11 March 2014

## Theme Two - Building a Sustainable Economic Base

*Council recognises that its decisions regarding the services it delivers can have a positive impact on the region's economy. The maintenance of infrastructure and the building of new infrastructure support the region's workforce and provides employment opportunities. By adopting a practical approach to decision-making and by working collaboratively with the business community, new initiatives can be introduced to make the Shire more attractive to investors. Council's support for economic growth in a role as advocate, facilitator or part funder, will assist others to achieve complementary or common economic development goals.*

In its first six months of operations Council:





- was awarded grant funding of \$860,575.00 from the Queensland State Government under the Natural Disaster Resilience Program for the following flood mitigation projects:
  - Degarra Public Access causeway Flood Immunity Upgrade
  - Daintree Flood Gauge Automation
  - Mowbray Valley and Whyanbeel Causeway Upgrades
- was awarded grant funding of \$98800.00 from the Queensland State Government under the Infrastructure Subsidies program for the development of the first stage of the Daintree Gateway
- developed a variety of business tools including the Film Locations Base, the Douglas Shire Economy and Industry Profile, the Event Calendar,
- adopted the Event Strategy and Policy on 1 April 2014, to provide guidance regarding the support and attraction of major events in the Shire.
- was awarded the Department of Transport and Main Roads (TMR), Road Maintenance Performance Contracts (RMPC) for the period 1 January - 30 June 2014 and successfully delivered the works.
- prepared Council's Conceptual Asset Management Framework endorsed by Council on 26 June 2014.
- converted the old dilapidated Connolly Bridge into a cycle/ pedestrian bridge
- upgraded the Rutherford water main at Miallo.

### **Theme Three - Improve Environmental Performance**

*Council has the opportunity to demonstrate leadership by local government in our diverse communities by implementing responsible environmental practices. With eighty-two percent of the Shire included in the Wet Tropics World Heritage Area, the preservation of the natural environment will be supported by the implementation of location-specific management plans. Council will also adopt measures to reduce consumption, more effectively managing waste, and will achieve a reduction in energy and fuel consumption through greater efficiencies in service delivery.*

In its first six months:

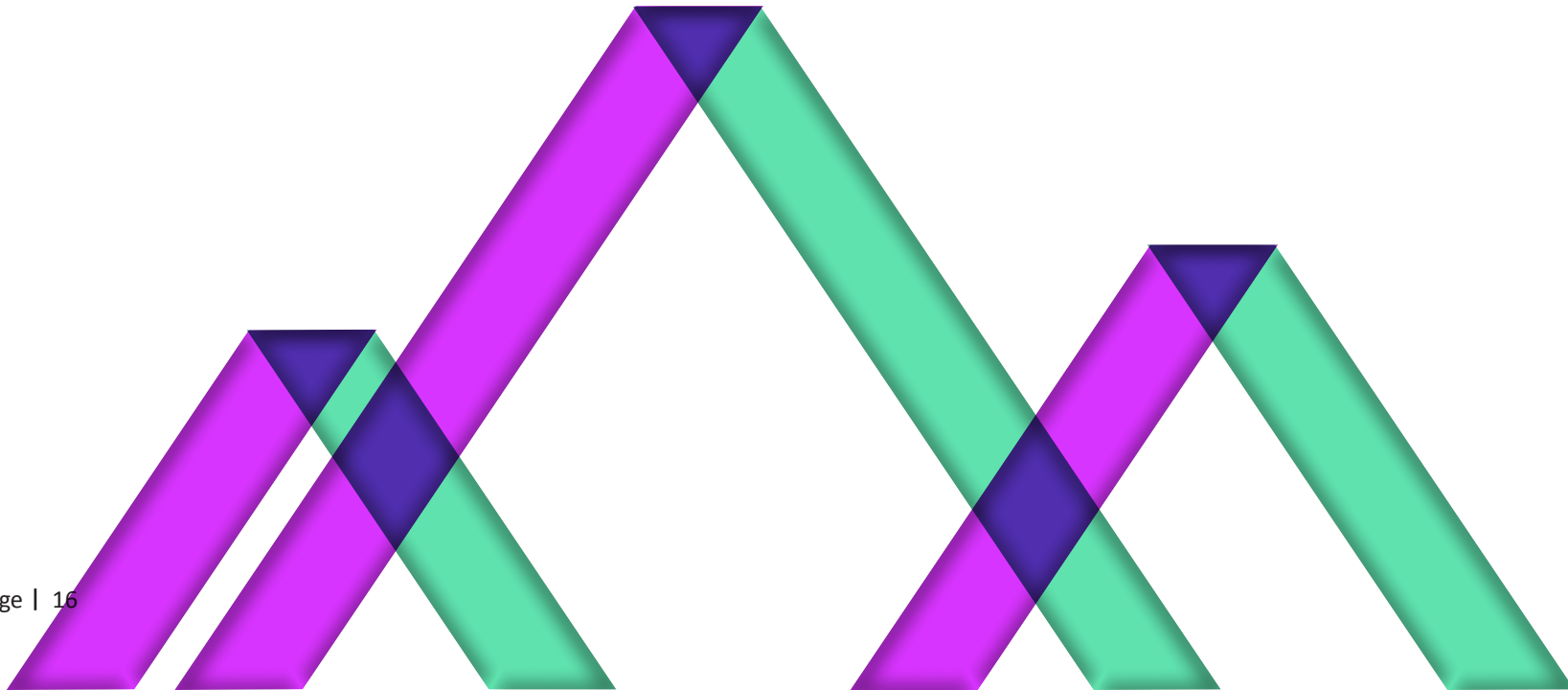
- commenced its review of the Douglas Shire Planning Scheme
- commenced the Green Buildings Facility Program Year 1 with the installation of UV emitters in the ducted air-conditioning system at the Mossman Administration Building, Mossman Library & Port Douglas Community Hall
- established Council's microbiology laboratory for the in-house analysis of potable water samples, thereby reducing external laboratory costs
- inspected and re-lined selected sewer networks ensuring an extended asset lifecycle of infrastructure. This in turn has reduced and will continue to reduce water infiltration into sewer network, subsequently improving environmental performance and reducing costs
- staff treated forty-two hectares of declared pests (weeds) on one hundred and five sites
- installed automatic change over generator systems were at the Mossman wastewater plant and a new mobile generator was acquired to enhance wastewater operations during severe weather conditions



## Theme Four - Engage, Plan, Partner

*Council will engage with the diverse communities of Douglas in accordance with clear policies, plans and techniques to ensure needs, issues and concern are appropriately considered in all decision-making. Strategic planning and partnerships with regional, state, national and international stakeholders will be strengthened through focus goals, opportunities and positive outcomes.*

- Council adopted the Douglas Shire Corporate Plan 2014 - 2019 on 3 June 2014.
- commenced Global Positioning System (GPS) data collection for the development of the draft Coconut Palm Management Strategy.
- completed an education awareness project about responsible dog ownership in Wonga Beach.
- established the Queensland Reconstruction Authority (QRA) arrangements for Douglas following two declared disaster events experienced in the first 14 weeks of the new Council's operations: the "North East Qld Monsoonal Rainfall & Flooding, 7-9 February 2014"; and "Tropical Cyclone Ita & Associated Rainfall & Flooding, 11 April 2014". Activities undertaken include Emergent Works and Reconstruction damage assessments.
- successfully activated the Douglas Disaster Co-ordination Centre for the Cyclone Ita event and provided support to State agencies
- successfully managed a declared dengue outbreak in Douglas region.
- was awarded grant funding of \$12,000 under the State Library of Queensland's "Technology Trendsetters" grants for wi-fi installation at the Mossman Library.





## Theme 5 - Governance

*The new Douglas Shire provides an opportunity to build and deliver a solid platform for excellence and transparency in governance, service delivery, compliance and risk management. The organisational culture will be one of enthusiasm, collaboration and innovation to confidently and productively support Council's direction.*

- The Audit Committee General Policy and Charter was adopted by Council at its Ordinary Meeting of 13 February 2014. The External Audit Committee Member was engaged and the Audit Committee established.
- The Internal Auditor was engaged and interim audit plan developed for 2013 - 14 financial year
- The review of all Policies transferred to Douglas through the de-amalgamation process was commenced.



# STATUTORY INFORMATION

## Remuneration Packages

Under Section 201 of the *Local Government Act 2009* Council is required to report the total number of remuneration packages that are payable to the senior management.

Number of Senior Management Staff	Band of Remuneration
3	\$100,000 - \$200,000

## Administrative Action Complaints

Under Section 187 of the *Local Government Regulation 2012*, Council is committed to dealing fairly with administrative action complaints and has adopted a centralised complaints management register.

ITEM	RESULT
<b>1.(a)</b> A statement about the local government's commitment to dealing fairly with administrative action complaints	Douglas Shire Council is committed to handling all administrative complaints to ensure that they are dealt with fairly and professionally and in a manner that is respectful to the complainant.
<b>1.(b)</b> A statement about how the local government has implemented its complaints management process, including an assessment of the local government's performance in resolving complaints	Council has adopted a centralised complaints management register as a tool to record and track all administrative complaints. As there were no administrative action complaints made between 01/01/2014 – 30/06/2014 no reports have been necessary to date. Ref: Complaints Management Process General Policy adopted by Council at its Ordinary Meeting of 24 June 2014.
<b>2.(a)(i)</b> Administrative action complaints made to the local government	14
<b>2.(a)(ii)</b> Administrative action complaints resolved by the local government under the complaints management process	14
<b>2.(a)(iii)</b> Administrative action complaints not resolved by the	Nil



local government under the complaints management process	
<b>2.(b)</b> The number of administrative action complaints under paragraph (a)(iii) that were made in a previous year	N/A

## Expenditure on Grants to Community Organisations

As a new Council we were able to support our communities by granting financial assistance. Under Section 189 of the *Local Government Regulation 2012*, Council is required to report upon such contributions. During 2013 - 2014, Douglas Shire Council provided financial assistance to the following organisations.

Name of Organisation	Amount	Purpose
Tourism Port Douglas Daintree	\$215,000.00	Provision of destination marketing and tourism for the Shire
Port Douglas Chamber of Commerce	\$50,000.00	Delivery of Carnivale, 10 days of events that promote the Shire and offer the community exciting opportunities for inclusion
Cairns Regional Council	\$42,120.00	Funding towards Ironman Event as agreed prior to de-amalgamation
Regional Arts Development Fund (RADF)	\$5,000.00	Funding provided for various community arts and cultural projects in the Douglas Shire that engaged a professional or emerging artist.
<b>TOTAL</b>	<b>\$312,120.00</b>	

Council also provided \$21,431.39 of in-kind assistance towards community events and activities.



## OTHER CONTENTS

Further to Section 190 of the *Local Government Regulation 2012*, Council is required to provide an operations report for each business unit; details of special rates and charges; invitations to change tenders under Section 228(7); a list of registers; concession for rates and charges; an internal audit; a statement regarding the implementation of our plan for equal opportunity employment and notices and response towards Queensland Competition Authority (QCA) recommendation on any competitive neutrality under Section 52(3).

### Special Rates and Charges

Council has entered into an agreement with Cook Shire Council for the provision of waste disposal services for the ratepayers residing at Degarra and China Camp in the far north of the Douglas region.

It was agreed that these residents may dispose of their household waste at Ayton Transfer Station and on this basis Council provides a financial contribution towards the expenses associated with the operation of the transfer station. The contribution for the period 1 January – 30 June 2014 was \$11,388.84.

#### Rural Fire Brigade

A special charge will be levied on all rateable land within the Wonga Beach, Thornton Peak, Daintree, Mowbray Valley and Bloomfield River Rural Fire Brigades areas (identified by the Rural Fire Service of Queensland).

Each parcel of rateable land will benefit to the same extent from the purchase and maintenance of equipment by each Rural Fire Brigade in the current or future financial years because each such parcel is within the area for which the brigade is in charge of fire fighting and fire prevention under the Fire and Rescue Service Act 1990.

The levy will form part of the half yearly rates levy issued twice yearly. The entire budgeted revenue shall be remitted back to the relevant Rural Fire Brigade to be expended in accordance with their budget.

#### Refuse Disposal

A special charge is be levied on each rateable assessment with improvements north of Ellis Beach that does not receive the Council kerbside waste and recyclables collection service. In those instances the occupier may obtain an identification card to use the Cow Bay, Daintree, Killaloe and Ayton Transfer Stations free of charge for waste.

The special charge represents a contribution towards the costs associated with funding the provision; operation and maintenance of landfill



refuse disposal sites including transfer stations available for general public use.

Each occupier of rateable land will specially benefit from the use of landfill and transfer stations that are available.

The levy will form part of the half yearly rates levy issued twice yearly.

## Tenders & Registers

Under subsection (4) or (6)(b) of the *Local Government Regulation 2012*, local government may invite all tenderers to change their tenders to take account of a change in the tender specifications

There were no invitations to change tenders under Section 228(7) under the *Local Government Regulation 2012* during the financial year.

The following registers are held by Council:

- Asbestos Register
- Asset Register
- Conflict of Interest / Material Personal Interest Declarations Register
- Corporate Risk Register (being established)
- Local Laws Register
- Vulnerable Resident Evacuation & Recovery Register
- Register of Cost Recovery Fees
- Register of Council Meetings Minutes
- Register of Interests Senior Contract Employees Related Persons
- Register of Delegations (including financial)
- Register of Council's approved procurement arrangements
- Register of Interests Chief Executive Officer
- Register of Interests Chief Executive Officers' Related Persons
- Register of Interests Councillors
- Register of Interests Senior Contract Employees
- Register of Resource and Agreements for Funding
- Road Register





## Concessions for Rates and Charges

Further to Section 190(1)(g) of the *Local Government Regulation 2012*, Council is required to include a summary of all concessions for rates and charges granted by the local government.

### Pensioner Remission

Pension remission applications must be in writing on the prescribed form and contain a declaration as to the accuracy of the information contained therein. Once an application for remission is approved it shall remain in force from year to year without further renewal whilst the applicant remains owner/occupier of the property in question. The Council pension remission rebate will be up to 40% of the General Rate to a maximum of \$1,350 per annum.

Pensioners may also be entitled to a State Government pension remission (currently up to 20% of the General Rate to a maximum of \$200 per annum)

The following guidelines apply in respect of persons applying for pensioner remission:

- the applicant(s) must be the sole owner(s) of the property in respect of which remission is sought or be life tenant(s) under a Will with responsibility to pay all rates and charges
- such property must be their principal place of residence
- the applicant(s) MUST be the holder(s) of one of the following Queensland cards:
  - Centrelink, Pension Concession Card
  - Department of Veterans' Affairs, Pension Concession Card
  - Department of Veterans' Affairs, Repatriation Health Card (full Conditions only)
- if a pensioner becomes the owner of a new property, they must make application for remission in respect of that property.

### Rates Based Financial Assistance

This policy allows Council to consider applications for remission of general rates and sewerage charges from "Not for Profit Recreation, Sporting and Community Groups".

To qualify for assistance, the constitution of these organisations must clearly state prohibitions on any member of the organisation making a private profit or gain, either from ongoing operations of the organisation or as a result of distribution of assets if the organisation is wound up. This rebate is not available for vacant land.



Those not for profit organisations that are not already receiving Rates Based Financial Assistance and believe that they may be eligible should contact Council. New applications must be received prior to 31 May each year.

### **Rates Incentive for Conservation Policy**

The owner enters into an agreement preserving/conserving flora and fauna on a rateable property within the boundaries of the Shire. This agreement must be bound to the property title, in perpetuity, by a Conservation Agreement for a Nature Refuge under the *Nature Conservation Act 1992*.

The rates incentive is proportionately attributed to that area of land included in an agreement and the rates incentive will be credited to the recipient's rates notice prior to being issued.

The following refund rules apply;

- Properties where more than 50% of the total area of the property is covered by a Nature Refuge Agreement under the *Nature Conservation Act 1992* are entitled to 50% of the general rate.
- Properties where less than 50% of the total area of the property is covered by a Nature Refuge Agreement under the *Nature Conservation Act 1992* are entitled to 35% of the general rate.

Any benefit provided to a landholder through the Rates Incentive for Conservation Program must be repaid to Council if the declaration of the Nature Refuge to which it relates is revoked in accordance with Section 50 of the *Nature Conservation Act 1992*. If rates are not paid in full prior to the end of a financial year, future rates incentives will not apply until all outstanding rates are paid.

## **Internal Audit Report**

Council's Internal Audit function provides independent, objective assurance that Council activities are undertaken in accordance with an approved strategic, risk-based internal audit plan. The role, scope and purpose of the Internal Audit function is understood and supported by the organisation. The Internal Audit function works collaboratively with management to implement recommended improvements to systems, processes, work practices, compliance and business effectiveness.

The Internal Audit activities are performed by an appropriately qualified internal audit consultant on a wholly outsourced basis. For the year ended 30 June 2014, Council's outsourced internal audit consultant was Pacifica Chartered Accountants. The independence and objectivity of the consultant is continuously monitored by the General Manager Corporate Services. The Internal Audit Plan is reviewed by management to ensure it remains relevant to the organisation's needs. Council's 2014 Internal Audit Plan included reviews of payroll processes, accounts payable and receivable, purchasing and the implementation of Council de-amalgamation policies.





## Equal Employment Opportunity

Council is required to have an Equal Employment Opportunity (EEO) Management Plan. The EEO is to detail the purpose, the role of the EEO and how it is to be achieved. As a new Council a number of current Policies are as implemented by Cairns Regional Council. The EEO will be reviewed as part of an overall Policy review.



# LEGISLATIVE REQUIREMENTS NOT APPLICABLE

The following list provides legislative requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* that do not apply to Douglas Shire Council for this period of reporting;

- Identifying beneficial enterprises (s41)
- Identifying significant business activities (s45)
- Particular resolutions (s185)
  - (b) a list of any resolutions made during the financial year under section 206(s) – refers to amount set for when assets treated as an expense
- Overseas travel (s188)
- Community financial report (s179)
  - (c) include the relevant measures of financial sustainability for the financial year
- Community financial report (s344)
  - Section 179(2)(c) does not apply to a new local government for the 2013 – 14 financial year
- Other contents (s190) –
  - (c) an annual operations report for each commercial business unit
  - (j) a summary of investigation notices given in the financial year under section 49 for competitive neutrality complaints
  - (k) the local government's responses in the financial year on the QCA's recommendations on any competitive neutrality complaints under section 52(3)
  - (2) in this section – annual operations report for commercial business units



# COMMUNITY FINANCIAL REPORT

Council's general purpose financial statements are for the period 1 January 2014 to 30 June 2014 and were prepared in accordance with the requirements of the Local Government Act 2009, the Local Government Regulation 2012 and Australian Accounting Standards and Interpretations. They have also been audited by the Queensland Audit Office.

This community financial report provides a summary of the financial statements in plain English for the benefit of all members of the Douglas community.

The financial statements include the following:

- **Statement of Comprehensive Income** - includes Council's operating and capital revenue, operating expenses, gain on restructure (as a result of de-amalgamation), capital income and capital expenses for the period.
- **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 period and excludes all non-cash items such as depreciation.
- **Notes to the Financial Statements** - provide details of significant accounting policies and supporting information relating to the major statements, including a detailed breakdown of property, plant and equipment.
- **Measures of Financial Sustainability** - provide three sustainability indicators designed to help monitor the current and long-term sustainability of Council.

## FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY TO 30 JUNE 2014 AT A GLANCE:

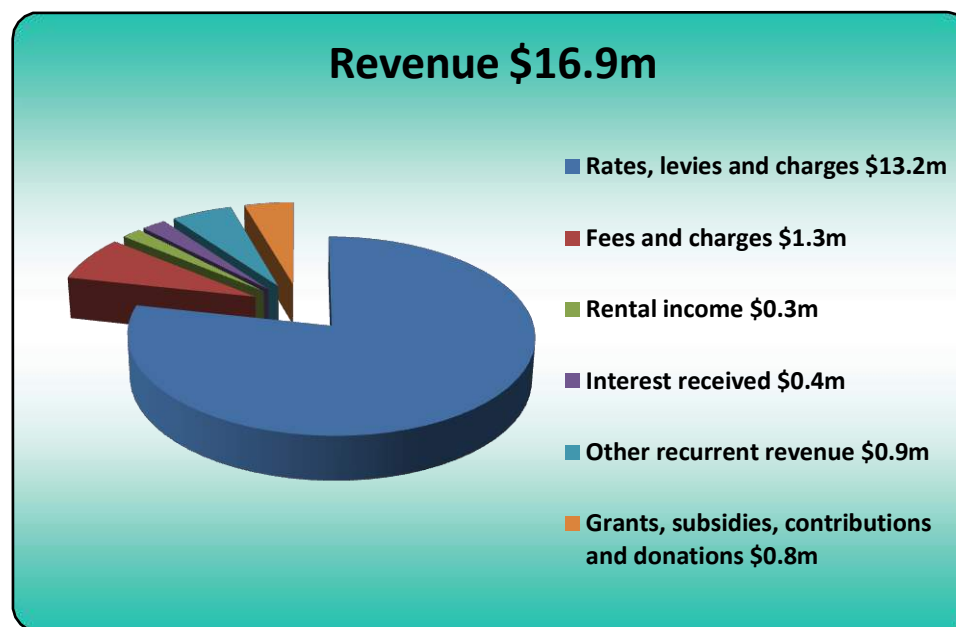
Operating Revenue	\$16,341,383
Operating Expenses	(\$21,542,496)
<b>Operating Position</b>	<b>\$5,201,113</b>
Capital Revenue	\$510,441
Capital Income	\$22,876
Capital Expenses	(\$13,749,606)
Gain on De-amalgamation	\$339,632,547
<b>Net Result</b>	<b>\$321,215,145</b>
Current Assets	\$25,055,287
Non-Current Assets	\$312,100,771
<b>Total Assets</b>	<b>\$337,156,058</b>
Current Liabilities	\$6,743,643
Non-Current Liabilities	\$9,197,269
<b>Total Liabilities</b>	<b>\$15,940,913</b>
<b>Net Community Assets (Equity)</b>	



# STATEMENT OF COMPREHENSIVE INCOME

## REVENUE

The following graph and table show the composition of Council's revenue for the reporting period.



Rates, levies and charges	78.40%
Fees and charges	7.56%
Rental income	1.80%
Interest received	2.21%
Other recurrent revenue	5.55%
Grants, subsidies, contributions and donations	4.48%
	<hr/>
	100.00%

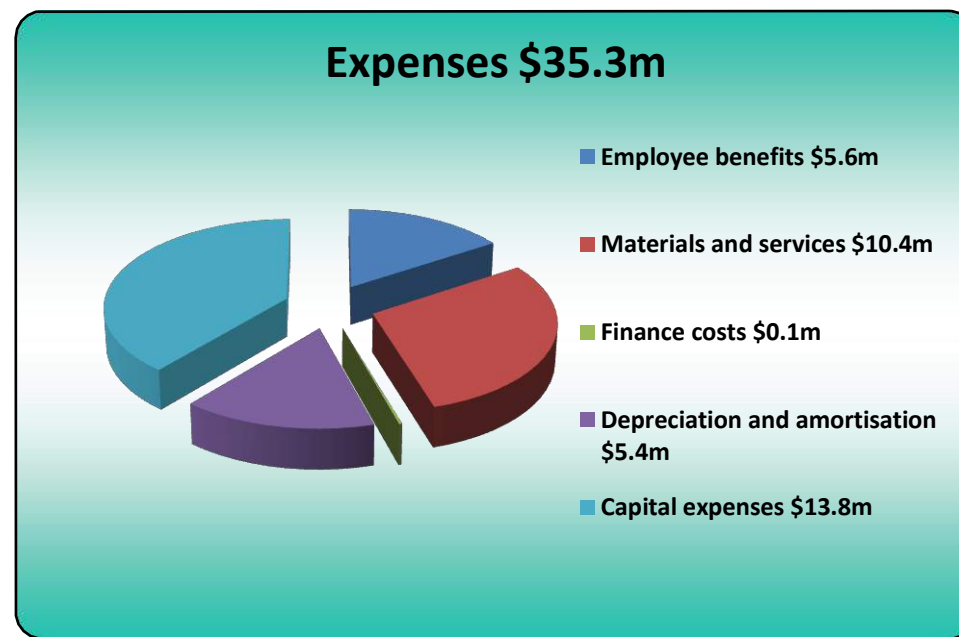
Further details can be found in notes 3 and 4 of the notes to the Financial Statements.





## EXPENSES

The following graph and table show the composition of Council's expenses for the reporting period.



Employee benefits	15.80%
Materials and services	29.57%
Finance costs	0.25%
Depreciation and amortisation	15.42%
Capital expenses	38.96%
	<hr/>
	100.00%

Further details can be found in notes 6 to 10 of the notes to the Financial Statements.



## **OPERATING POSITION**

Council's operating position reflects its ability to meet day-to-day operating costs from its operating revenue. This includes its ability to fund the depreciation of assets.

It is determined by deducting operating expenditure from operating revenue and shows an operating deficit of \$5.2million, compared to a budgeted operating deficit of \$3million.

This variance of \$2.2million is primarily due to accounting treatments that require:

- the inclusion of expenditure from the prior period relating to de-amalgamation operating costs incurred by Cairns Regional Council on behalf of Douglas Shire Council (\$1.6million). This expenditure has already been deducted from the cash balance transferred to Douglas as part of de-amalgamation
- the inclusion of expenditure incurred during the current period on Counter Disaster Operations and Emergent Works as a result of a monsoonal event and Cyclone Ita in early 2014 (\$515,000). An amount of \$510,000 was subsequently funded (after 30 June 2014) by the Natural Disaster Relief and Recovery Arrangements (NDRRA).

## **NET RESULT**

Council's net result is determined by deducting operating expenditure and capital expenses from total revenue and capital income. For this reporting period it also includes gain on de-amalgamation.

The overall net result is a positive \$321million.

This result does not necessarily represent surplus funds available for general use as it includes the net value of all assets and liabilities transferred to Council as at 1 January 2014 as a result of de-amalgamation. It also includes some significant items of revenue which are restricted as follows:

- Non-monetary revenue – infrastructure assets contributed by developers such as roads, drains, sewerage mains and water mains represent non-cash revenue which is not available for Council operations or future capital expenditure.
- Developer contributions – cash contributions made by developers to fund future infrastructure assets have restrictions placed on their use and are constrained.
- Other constrained revenue – raised from other sources, for example grant funds.



## GAIN ON DE-AMALGAMATION

This represents the net value of assets and liabilities transferred to Council as part of the de-amalgamation process, adjusted for any changes in fair value at the beginning of the reporting period.

### ASSETS

Cash and Cash Equivalents	\$19,731,222
Receivables	\$4,595,450
Inventories	\$59,484
Property Plant & Equipment	\$328,155,592
Intangible assets	\$327,839

<b>Total assets</b>	<b>\$352,869,587</b>
---------------------	----------------------

### LIABILITIES

Trade and other payables	\$1,810,378
Provisions	\$9,052,218
Borrowings	\$2,282,493
Other	\$91,951

<b>Total liabilities</b>	<b>\$13,237,040</b>
--------------------------	---------------------

Further details can be found in note 15 of the notes to the Financial Statements.



## **COSTS RELATING TO DE-AMALGAMATION**

The following provides a summary of costs incurred by Council in relation to De-amalgamation.

<b>Operating Expenses</b>	
Governance, planning and implementation	\$894,637
Accounting and financial due diligence	\$481,668
Information technology transition costs	\$257,179
Establishment and other costs	\$123,646
Salaries and Redundancy payments	\$856,353
	<b>\$2,613,483</b>
<b>Capital Expenses</b>	
Plant and equipment	\$495,869
Intangibles	\$971,143
	<b>\$1,467,012</b>
<b>Total De-amalgamation Costs</b>	<b>\$4,080,495</b>

Further details can be found in note 15 of the notes to the Financial Statements.



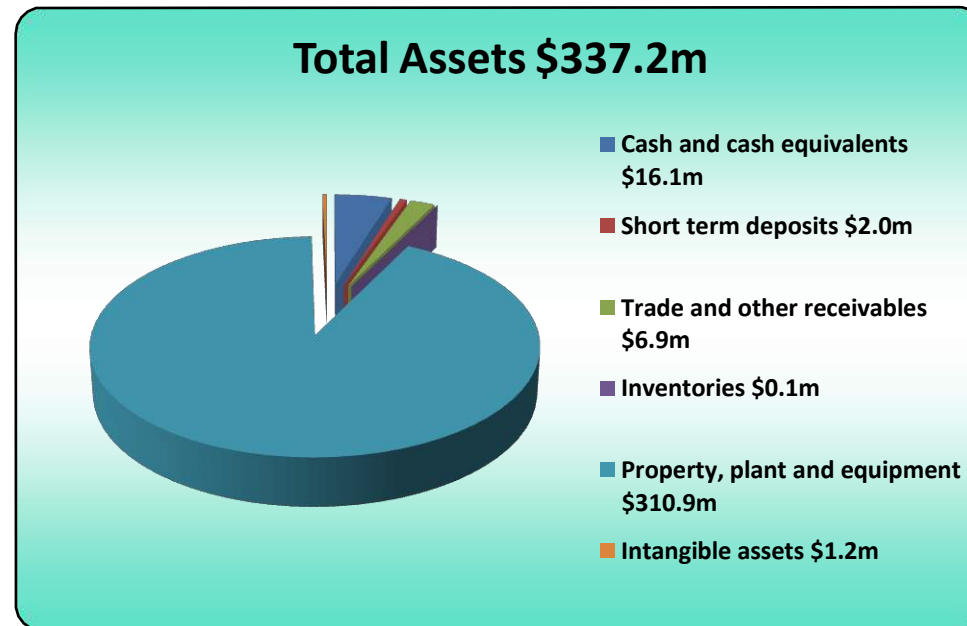
# STATEMENT OF FINANCIAL POSITION

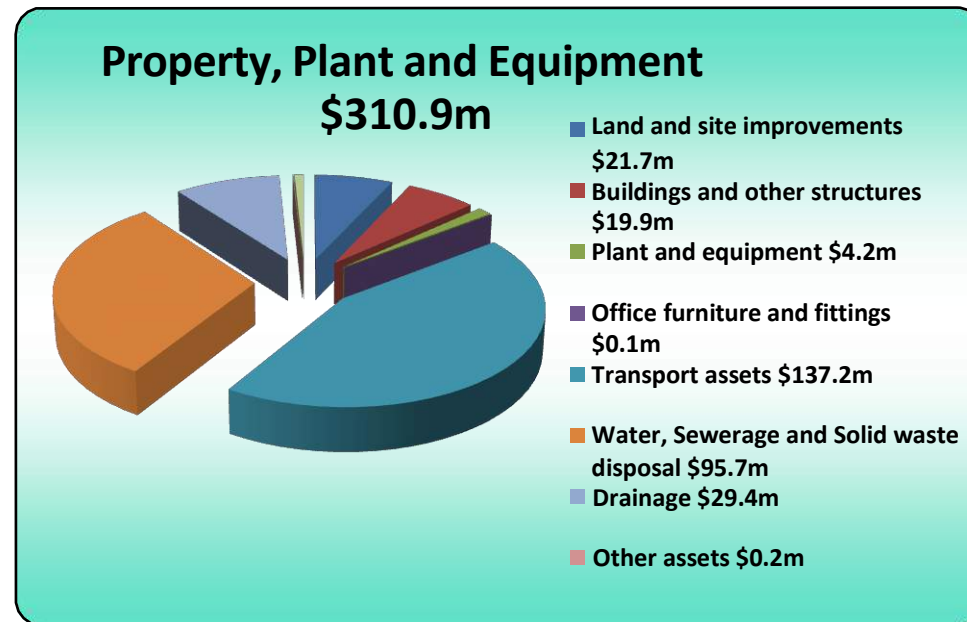
## ASSETS

The value of Council assets as at 30 June 2014 is \$337million. This includes current assets of \$25million of (cash and other assets that are expected to be converted to cash or consumed within a year) and non-current assets of \$312million. The value of property, plant and equipment equates to 92% of total assets.

Current assets consist of cash and cash equivalents, short term deposits, trade and other receivables and inventories. Non-current assets consist of long term assets such as property, plant and equipment and capital works in progress.

The following graphs show the composition of Council's assets.



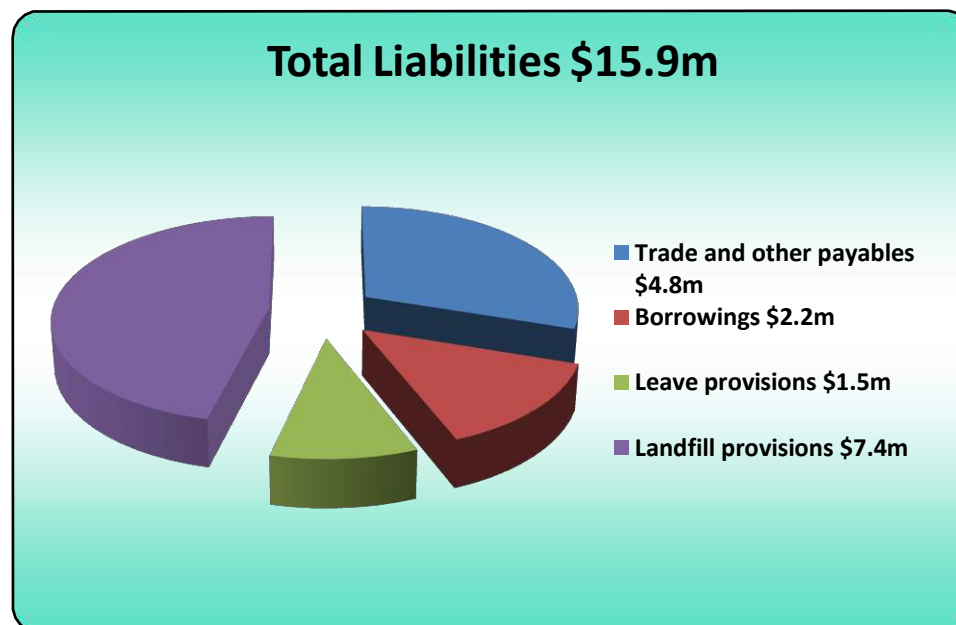


Further details can be found in notes 11 to 14 and notes 16 and 18 of the notes to the Financial Statements.



## LIABILITIES

Total liabilities as at 30 June 2014 are \$15.9million. This includes \$6.7million of current liabilities (due to be settled within twelve months) and \$9.2million of non-current liabilities. Liabilities largely consist of loans, amounts owing to suppliers, amounts owing to employees for leave entitlements and provision for the future cost of restoring landfills.



Further details can be found in notes 19 to 21 of the notes to the Financial Statements.

## COMMUNITY EQUITY

Council's total community equity as at 30 June 2014 is \$321million and represents Council's retained surplus, which is determined by deducting the value of total liabilities from the value of total assets.

Further details can be found in note 22 of the notes to the financial statements.





## **BORROWINGS AND REPAYMENTS**

During the period 1 January – 30 June 2014 Council did not apply for any new loans, however made principal repayments of \$51,706 and interest payments of \$72,086 in accordance with the terms and conditions set by Queensland Treasury Corporation.

The loans balance as at 30 June 2014 is \$2,230,787 and Council's debt per rateable property is \$240.

## **FURTHER INFORMATION**

Further detail can be found in Council's financial statements which are included at the end of this annual report.



*FINANCIAL STATEMENTS*



**DOUGLAS SHIRE COUNCIL  
FINANCIAL STATEMENTS**

for the period  
1 January 2014 to 30 June 2014

# Douglas Shire Council

## Financial statements

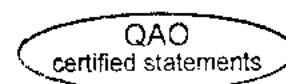
### For the period 1 January 2014 to 30 June 2014

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Douglas Shire Council  
Statement of Comprehensive Income  
For the period 1 January 2014 to 30 June 2014

	Note	2014 \$
Income		
Revenue		
Recurrent revenue		
Rates, levies and charges	3(a)	13,212,121
Fees and charges	3(b)	1,273,165
Rental income	3(c)	302,543
Interest received	3(d)	372,939
Other recurrent revenue	3(e)	935,684
Grants, subsidies, contributions and donations	4(a)	244,932
		<u>16,341,383</u>
Capital revenue		
Grants, subsidies, contributions and donations	4(b)	510,441
Total revenue		<u>16,851,824</u>
Gain on restructure of local government	15	339,632,547
Capital income	5	22,876
Total income		<u>356,507,247</u>
Expenses		
Recurrent expenses		
Employee benefits	6	(5,574,636)
Materials and services	7	(10,437,177)
Finance costs	8	(87,369)
Depreciation and amortisation	9	(5,443,314)
		<u>(21,542,496)</u>
Capital expenses	10	(13,749,606)
Total expenses		<u>(35,292,102)</u>
Net result		<u>321,215,145</u>
Total comprehensive income for the period		<u>321,215,145</u>

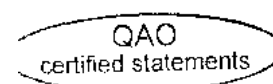
*The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.*



Douglas Shire Council  
Statement of Financial Position  
as at 30 June 2014

	Note	2014 \$
Current assets		
Cash and cash equivalents	11	16,062,186
Short term deposits	12	2,000,000
Trade and other receivables	13	6,927,845
Inventories	14	65,255
Total current assets		<u>25,055,287</u>
Non-current assets		
Property, plant and equipment	16	310,936,001
Intangible assets	18	1,164,770
Total non-current assets		<u>312,100,771</u>
Total assets		<u><u>337,156,058</u></u>
Current liabilities		
Trade and other payables	19	4,784,560
Borrowings	20	112,375
Provisions	21	1,846,708
Total current liabilities		<u>6,743,643</u>
Non-current liabilities		
Borrowings	20	2,118,413
Provisions	21	7,078,857
Total non-current liabilities		<u>9,197,269</u>
Total liabilities		<u><u>15,940,913</u></u>
Net community assets		<u><u>321,215,145</u></u>
Community equity		
Retained surplus/(deficiency)	22	321,215,145
Total community equity		<u><u>321,215,145</u></u>

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



Douglas Shire Council  
Statement of Changes in Equity  
For the period 1 January 2014 to 30 June 2014

	Retained Surplus	Total
Note	22	
	\$	\$
Balance as at 1 January 2014		
Net operating result	321,215,145	321,215,145
Other comprehensive income for the year		
Increase in asset revaluation surplus		
Total comprehensive income for the period	321,215,145	321,215,145
Balance as at 30 June 2014		

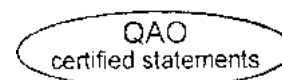
*The above statement should be read in conjunction with the accompanying notes and Summary of Significant Accounting Policies.*



Douglas Shire Council  
Statement of Cash Flows  
For the period 1 January 2014 to 30 June 2014

	Note	2014 \$
Cash flows from operating activities		
Receipts from customers		13,088,575
Payments to suppliers and employees		(13,262,007)
		(173,432)
Interest received		372,939
Rental income		302,543
Non capital grants and contributions		244,932
Borrowing costs		(87,369)
Net cash inflow (outflow) from operating activities	27	659,612
Cash flows from investing activities		
Payments for property, plant and equipment		(1,807,057)
Payments for intangible assets		(971,144)
Proceeds from sale of property plant and equipment		50,251
Net movement in short term investments		(2,000,000)
Grants, subsidies, contributions and donations		451,006
Net cash inflow (outflow) from investing activities		(4,276,944)
Cash flows from financing activities		
Repayment of borrowings		(51,706)
Net cash inflow (outflow) from financing activities		(51,706)
Net increase (decrease) in cash and cash equivalent held		
Cash and cash equivalents arising from de-amalgamation	15	19,731,222
Cash and cash equivalents at end of the financial year	11	16,062,185

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



Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

Significant accounting policies

1.1 Basis of preparation

As a result of the Local Government (De-amalgamation Implementation) Regulation 2013 (LGDIR) the Douglas Shire Council was re-established on 1 January 2014, based on the boundaries as they existed immediately prior to the 2008 amalgamations. The de-amalgamation was conducted in accordance with the LGDIR and De-amalgamation Transfer Methodology. A Transfer Committee, comprising the Transfer Manager and Cairns Regional Council's Chief Executive Officer, was responsible for making decisions on matters such as the transfer of assets and liabilities to Douglas Shire Council, establishment of joint agreements to ensure continuity of business and deciding on de-amalgamation costs. From 1 January 2014 until final agreement on the transfer of assets and liabilities Douglas Shire Council's Chief Executive Officer and Cairns Regional Council's Chief Executive Officer comprised the membership of the Transfer Committee.

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

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

1.2 Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the AASB that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.3 Constitution

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

1.4 Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.5 Currency

Council uses the Australian dollar as its functional currency and its presentation currency.

1.6 Adoption of new and revised Accounting Standards

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

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

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2009)	1 January 2018
AASB 1055 <i>Budgetary Reporting</i>	1 July 2014
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2015
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015
AASB 2013-1 <i>Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements</i>	1 July 2014

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the period 1 January 2014 to 30 June 2014**

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

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

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

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

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

- Valuation of property, plant and equipment - Note 1.15(c), Note 1.15(e), Note 9 and Note 17
- Impairment of property, plant and equipment - Note 1.18 and Note 16(a)
- Restoration provision - Note 1.22(a) and Note 21
- Annual leave - Note 1.20(b) and Note 19
- Long service leave - Note 1.20(e) and Note 21
- Contingent liabilities - Note 24

**1.8 Revenue Recognition**

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

**a) Rates and levies**

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

**b) Grants and subsidies**

Grants, subsidies and contributions are recognised as revenue in the year in which Council obtains control over them. Council only receives grants, subsidies and contributions that are non-reciprocal in nature. Where control is obtained over a grant, subsidy or contribution and payment has not been received, this revenue is accrued and is reported in Note 13 as a receivable.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.

**c) Non-cash contributions**

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

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

Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

d) Cash Contributions

Council receives cash contributions from property developers to construct assets such as roads and footpaths and to connect new property developments to water and sewerage networks in the local government area. Where agreements between Council and the developers relating to these contributions are determined to fall within the scope of AASB Interpretation 18 Transfers of Assets from Customers these contributions are recognised as revenue when the related service obligations are fulfilled.

Developers also 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 because there is no performance obligation associated with them. Consequently, the infrastructure charges are recognised as income when received.

e) Rental income

Rental revenue from property is recognised as income on a straight line basis over the lease term.

f) Interest

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

g) Fees and Charges

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

h) Sales revenue

Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.

Council generates revenues from a number of services including contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. 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.

i) Other revenue

Other revenue is recognised as a receivable when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt.

19 Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents - Note 1.10

Receivables - measured at amortised cost - Note 1.11

Financial liabilities

Payables - measured at amortised cost - Note 1.19

Borrowings - measured at amortised cost - Note 1.21

Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

The fair value of financial instruments is determined as follows:

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximate their carrying amounts and are not disclosed separately.

The fair value of borrowings, as disclosed in Note 21 to the accounts, is determined by reference to published price quotations in an active market and/or by reference to pricing models and valuation techniques. It reflects the value of the debt if Council repaid it in full at balance date. As it is the intention of Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

The fair value of trade receivables approximates the amortised cost less any impairment. The fair value of payables approximates the amortised cost.

Council does not recognise financial assets or financial liabilities at fair value in the Statement of Financial Position.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 29.

1.10 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.

1.11 Receivables

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

The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. If an amount is recovered in a subsequent period it is recognised as revenue.

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

1.12 Inventories

Stores and raw materials are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Cost is determined using average price for stores and cost price for other items.

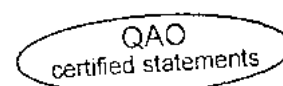
Inventories held for distribution (internal consumption) are:

- goods to be supplied at no or nominal charge, and
- goods to be used for the provision of services at no or nominal charge.

These goods are valued at cost and adjusted where applicable for any loss of service potential.

1.13 Other financial assets

Other financial assets are recognised at cost.





Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

1.14 Investments

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

1.15 Property, plant and equipment

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

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

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

The classes of property, plant and equipment recognised by Council are:

- Land and land improvements
- Buildings and other structures
- Plant and equipment
- Office furniture and fittings
- Transport assets
- Water, Sewerage and Solid waste disposal
- Drainage
- Other assets
- Work in progress

a) Acquisition of assets

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

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

b) Capital and operating expenditure

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

c) Valuation

Land and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 Property, Plant & Equipment and AASB 13 Fair Value Measurement. Other plant and equipment, office furniture and fittings, other assets and work in progress are measured at cost.

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

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

Douglas Shire Council  
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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 change in the estimate of remaining useful life.

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

d) Capital work in progress

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

e) Depreciation

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

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

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

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence. The condition assessments and subsequent estimation of remaining useful lives performed as part of the comprehensive revaluation process for assets measured at depreciated current replacement cost are used to estimate the characteristic and remaining useful lives of these assets at each reporting date. Generally all above ground assets are individually inspected at a comprehensive revaluation and a statistically significant sample of below ground assets are inspected in accordance with industry standards. Details of the range of estimated characteristic useful lives for each class of asset are shown in Note 16.

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

f) Land under roads

Land under the road network within the Council area that has been dedicated and opened for public use under the Land Act 1994 or the Land Title Act 1994 is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

Douglas Shire Council  
Notes to the financial statements  
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1.16 Intangible assets

Expenditure on internally generated assets, up to the decision to generate the asset in a particular form, is research expenditure and is not capitalised. It is recognised as an expense in the period in which it is incurred.

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 18.

At the reporting date intangible assets consist of software only.

1.17 Impairment of non-current assets

Each non-current physical and intangible asset and group of assets 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. The recoverable amount of an asset is the higher of its *fair* value less costs to sell and its value in use.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.18 Leases

Leases of plant and equipment under which Council, as lessee, assumes substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases. Council does not currently have any finance leases.

Operating leases

Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.19 Payables

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

1.20 Liabilities - employee benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in relation to services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date.

a) Salaries and wages

A liability for salaries and wages is recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date. This liability represents an accrued expense and is reported in Note 19 as a payable.

Douglas Shire Council  
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b) Annual leave

A liability for annual leave is recognised and is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. This liability represents an accrued expense and is reported in Note 19 as a payable.

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

c) Sick leave

Council has an obligation to pay sick leave on termination to certain employees and therefore a liability has been recognised for this obligation. This liability represents an accrued expense and is reported in Note 19 as a payable.

d) Superannuation

The superannuation expense for the reporting period is the amount of the contribution Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 25.

e) Long service leave

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in Council's employment or other associated employment which would result in Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 21 as a provision.

f) RDO liability

A liability for rostered days off (RDO) is recognised, and measured as the amount unpaid at reporting date, at current pay rates in respect of employees' services up to that date.

1.21 Borrowings and borrowing costs

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost. All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

Borrowing costs, which include interest calculated using the effective interest rate method and administration fees, are expensed in the period in which they arise. Costs that are not settled in the period in which they arise are included in payables.

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

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

1.22 Other provisions

a) 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 21.

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

Douglas Shire Council  
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Restoration on land not controlled by Council

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

Restoration on land controlled by Council

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

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

1.23 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.

The asset revaluation surplus applicable to assets transferred was not transferred from Cairns Regional Council as this is not allowed under the Accounting Standards.

1.24 Rounding

Amounts included in the financial statements have been rounded to the nearest dollar.

1.25 Trust funds held for 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 custodian 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 the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 26.

1.26 Taxation

Income of local authorities and public authorities is exempt from Commonwealth taxation. 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 period 1 January 2014 to 30 June 2014**

**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**

Corporate and Community is responsible for the provision of 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**

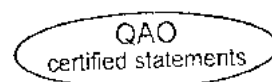
Infrastructure includes the provision of essential transport, drainage and parks infrastructure, maintenance, construction and operational services to Council's communities.

**Development and Environment**

Development and Environment includes Development Assessment, Environmental Assessment, Planning Strategies and Local Laws administration.

**Water and Waste**

Water and Waste is responsible for 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**

**2 Analysis of results by function**

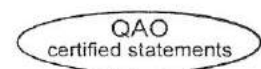
**(b) Income and expenses defined between recurring and capital are attributed to the following functions:**

Period ended 30 June 2014

## Functions

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	Total	Grants	Other	Total							
							2014			2014	2014	2014	2014
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Corporate and Community Infrastructure	145,640	6,601,292	12,000	339,632,547	22,876	346,391,479	(4,502,378)	(2,210,064)	(6,712,442)	2,244,554	339,679,036	51,257,446	
Development and Environment	98,292	1,893,872	463,677			2,478,717	(10,698,186)	(8,406,153)	(19,104,339)	(8,706,022)	(16,625,622)	189,021,661	
Water and Waste	1,000	380,872				381,872	(784,798)	-	(784,798)	(402,526)	(402,926)	-	
		7,220,414	34,764	-		7,255,178	(5,557,134)	(3,193,389)	(8,690,523)	1,963,281	(1,435,345)	96,876,960	
<b>Total Council</b>	244,932	16,096,450	510,441	339,655,423		366,507,246	(21,542,496)	(13,749,607)	(35,292,102)	(5,201,113)	321,215,144	337,156,057	

\*The Net result from recurrent operations includes de-amalgamation expenses of \$2,613,483 (refer Note 15(ii))



Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

	Note	2014 \$
3 Revenue analysis		
(a) Rates, levies and charges		
Rates		6,201,838
Water		2,678,521
Sewerage		2,753,125
Waste		1,729,155
Less: Pensioner remissions		(150,518)
Net rates and utility charges		<u>13,212,121</u>
(b) Fees and charges		
Building and property fees		196,774
Ferry		822,178
Other fees and charges		254,212
		<u>1,273,165</u>
(c) Rental income		
Rental income		302,543
		<u>302,543</u>
(d) Interest received		
Investments		207,216
Overdue rates and utility charges		165,723
		<u>372,939</u>
(e) Other recurrent revenue		
Reimbursements and cost recoveries		747,712
Sundry and other recurrent revenue		187,973
		<u>935,684</u>
Total revenue		<u>16,096,451</u>

4 Grants, subsidies, contributions and donations

(a) Recurrent - grants, subsidies, contributions and donations are analysed as follows:		
General purpose grants		143,800
State government subsidies and grants		101,132
		<u>244,932</u>
(b) Capital - grants, subsidies, contributions and donations are analysed as follows:		
(i) Monetary revenue designated for capital funding purposes:		
Government subsidies and grants		414,342
Contributions		36,664
		<u>451,006</u>
(ii) Non-monetary revenue received:		
Developer assets contributed by developers at fair value		59,435
		<u>510,441</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	238,818
	<u>238,818</u>

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Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

	Note	2014 \$
5 Capital income		
Gain on disposal of non-current assets		
Proceeds from the sale of property, plant and equipment		50,251
Less: Book value of property, plant and equipment disposed of		(27,375)
Total capital income		<u>22,876</u>

6 Employee benefits		
Total staff wages and salaries		4,106,861
Councillors' remuneration		102,878
Annual, sick and long service leave entitlements		889,890
Superannuation	25	485,249
		<u>5,584,878</u>
Other employee related expenses		6,969
		<u>5,591,848</u>
Less: Capitalised employee expenses		(17,212)
		<u>5,574,636</u>

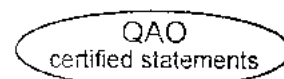
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.

Total Council employees at the reporting date:

	No. employees
Elected members	5
Administration staff	66
Depot and outdoors staff	78
Total full time equivalent employees	<u>149</u>

7 Materials and services	
Advertising and marketing	35,841
Audit services	44,545
Accounting services	20,000
Consultancy	457,858
Contractors	2,110,948
Communications and IT	149,869
Donations	306,695
Electricity	404,985
Insurances	262,554
Legal	152,446
Motor vehicles	236,211
Other materials and services	747,440
Postage	19,411
Repairs and maintenance	2,834,211
Subscriptions and registration fees	31,084
Travel expenses	9,596
De-amalgamation costs	2,613,483
	<u>10,437,177</u>

8 Finance costs	
Bank charges	13,866
Finance costs charged by the Queensland Treasury Corporation	73,503
	<u>87,369</u>



Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

	Note	2014 \$
9 Depreciation and amortisation		
Depreciation of non-current assets		
Land improvements		78,261
Buildings		758,260
Major plant		354,167
Office furniture and fitting		7,676
Transport assets		1,733,903
Water, sewerage and solid waste disposal		2,149,076
Drainage		201,571
Other assets		21,253
	16	<u>5,304,167</u>
Amortisation of intangible assets		
Software	18	139,147
Total depreciation and amortisation		<u>5,443,314</u>

10 Capital expenses

Revaluation decrement		
Revaluation down of property, plant and equipment	16	5,343,454
Loss on write-off		
Loss on write-off of assets damaged by natural disaster	16	8,406,153
Total capital expenses		<u>13,749,606</u>

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

11 Cash and cash equivalents

Cash at bank and on hand	562,186
Deposits at call	15,500,000
Balance per Statement of Cash Flows	<u>16,062,186</u>

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

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

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

Future capital works	3,002,704
Future constrained works	6,160,551
Future recurrent expenditure	41,945
Total unspent restricted cash	<u>9,444,018</u>

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Douglas Shire Council  
Notes to the financial statements  
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	Note	2014 \$
12 Short term deposits		
Current fixed short term investments		
Unrestricted		2,000,000
		<u>2,000,000</u>

All cash investments are in Australian dollars. Investments are held with Bendigo and Adelaide Bank Ltd and are considered to be low risk investments

13 Trade and other receivables

Current	
Rateable revenue and utility charges	3,888,466
Other debtors	1,649,707
Less impairment	(161,431)
Lease receivables	75,950
Accrued interest on investments	91,630
Grants receivable	91,520
Other accrued revenue	1,164,620
GST recoverable	127,383
	<u>6,927,845</u>

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

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

Opening balance at 1 January 2014	161,431
Closing Balance at 30 June	<u>161,431</u>

14 Inventories

Stores	65,255
Total inventories	<u>65,255</u>

15 (i) Gain on restructure of local government

As a result of the Local Government (De-amalgamation Implementation) Regulation 2013 (LGDIR) the Douglas Shire Council was re-established on 1 January 2014, based on the boundaries as they existed immediately prior to the 2008 amalgamations. The de-amalgamation was conducted in accordance with the LGDIR and De-amalgamation Transfer Methodology. A Transfer Committee, comprising the Transfer Manager and Cairns Regional Council's Chief Executive Officer, was responsible for making decisions on matters such as the transfer of assets and liabilities to Douglas Shire Council, establishment of joint agreements to ensure continuity of business and deciding on de-amalgamation costs. From 1 January 2014 until final agreement on the transfer of assets and liabilities Douglas Shire Council's Chief Executive Officer and Cairns Regional Council's Chief Executive Officer comprised the membership of the Transfer Committee.

The assets and liabilities of Douglas Shire Council have been recognised at the amounts at which they were recognised by the Transfer Committee as at the changeover day. Douglas Shire Council adopted consistent accounting policies from its commencement date of 1 January 2014. In some cases, this resulted in adjustments to the measurement of assets and liabilities transferred from Cairns Regional Council as at 1 January 2014.

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the period 1 January 2014 to 30 June 2014**

	<b>Note</b>	<b>2014</b> <b>\$</b>	
Details are as follows:			
	<b>Original</b>	<b>Adjustments</b>	<b>Final</b>
<b>ASSETS</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and Cash Equivalents	19,731,222		19,731,222
Receivables	4,738,589	(143,139)	4,595,450
Inventories	59,484		59,484
Property Plant & Equipment	331,307,521	(3,151,929)	328,155,592
Intangible assets	377,962	(50,123)	327,839
<b>Total assets</b>	<b>356,214,778</b>	<b>(3,345,191)</b>	<b>352,869,587</b>
<b>LIABILITIES</b>			
Trade and other payables	1,810,378		1,810,378
Provisions	11,911,834	(2,859,616)	9,052,218
Borrowings	2,282,493		2,282,493
Other	91,951		91,951
<b>Total liabilities</b>	<b>16,096,656</b>	<b>(2,859,616)</b>	<b>13,237,040</b>
<b>Net community assets</b>	<b>340,118,122</b>	<b>(485,575)</b>	<b>339,632,547</b>

The adjustments reflected above are as follows:

a) Receivables

A fair value adjustment of \$143,139 was made to Receivables for amounts deemed to not be recoverable. This includes an amount of \$136,805 for NDRRA funding.

b) Property Plant and Equipment

A fair value adjustment of \$5,117,272 was processed to Property, Plant and Equipment to adjust the transferred assets to fair value as at 31 December 2013. This included a reclassification from intangible assets to physical property, plant and equipment totalling \$8,447 at 31 December 2013.

Council also undertook a review of the assets transferred from Cairns Regional Council at 31 December 2013 and identified several items that required subsequent write down from their carrying value as the future use of those assets is uncertain within the new Council. This resulted in a valuation decrement of \$8,269,201.

c) Intangible assets

Intangible assets were adjusted for fair value to 31 December 2013, resulting in a net reduction of \$50,123. This included a reclassification from intangible assets to physical property, plant and equipment totalling \$8,447 at 31 December 2013.

d) Provisions

A fair value adjustment of \$2,859,616 was made to Provisions to reflect a decrease in the value for the landfill restoration provision as at 31 December 2013. The decrease is due to a recalculation of the estimated costs and forecasted years to present values for both of Council's landfill sites.

Douglas Shire Council  
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	Note	2014 \$
(ii) De-amalgamation costs		
The expenses incurred as a result of the De-amalgamation are as follows:		
Governance, planning and implementation		894,637
Accounting and financial due diligence		481,668
Information technology transition costs		257,179
Establishment and other costs		123,646
Salaries and Redundancy payments		856,353
		<u>2,613,483</u>

(iii) De-amalgamation capital expenses

The capital expenses incurred as a result of the De-amalgamation are as follows:

Plant and equipment	495,869
Intangibles	971,143
	<u>1,467,012</u>

**Douglas Shire Council**  
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16 Property, plant and equipment

30 June 2014

Basis of measurement  
Asset values

Opening gross value as at 1 January 2014  
Transfer on de-amalgamation from Cairns Regional Council  
Additions  
Disposals  
Revaluation adjustment to expense (capital expense)  
Write-off assets damaged by natural disaster  
Transfers between classes  
Transfer to intangible assets  
Contributed assets  
Internal transfers from work in progress  
Closing gross value as at 30 June 2014

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	Other assets	Work in Progress	Total
	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
							-			
	21,767,195	19,074,499	3,539,373	50,969	139,945,332	100,088,681	31,684,994	158,659	11,845,889	328,155,592
5			470,963		112,397	24,907		-	1,198,791	1,807,057
10			(375)							(2)
						5,876,456	1,959,911			7,836,367
					(8,472,861)					(8,472,861)
			(328,959)	-		328,959				
									(4,934)	(4,934)
		-		-			59,434			59,434
	25,777	1,614,125	862,600		7,322,106	579,896	61,643	26,133	(10,492,280)	
	21,792,972	20,688,624	4,516,602	50,969	138,906,974	106,898,899	33,765,982	184,792	2,547,466	329,353,280

Accumulated depreciation and impairment

Opening balance as at 1 January 2014  
Depreciation provided in period  
Depreciation on disposals  
Revaluation adjustment to expense (capital expense)  
Write-off assets damaged by natural disaster  
Transfers between classes  
Accumulated depreciation as at 30 June 2014

9	78,261	758,260	354,167	7,676	1,733,903	2,149,076	201,571	21,253		5,304,167
5							-			
10						9,009,843	4,169,977			13,179,820
					(66,708)					(66,708)
					-					
	78,261	758,260	354,167	7,676	1,667,195	11,158,919	4,371,548	21,253		18,417,279

Total written down value as at 30 June 2014

Residual value  
Range of estimated useful life in years

21,714,711	19,930,364	4,162,435	43,293	137,239,780	95,739,980	29,394,434	163,539	2,547,466	310,936,001
20,068,400		237,201		1,119,579					
3 - 100	5 - 60	3 - 10	5 - 10	10 - 100	9 - 100	40 - 80	7		

Additions comprise:

Renewals  
Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	-	470,962		112,397	24,907	-		879,694	1,487,960
	-							319,097	319,097
		470,962		112,397	24,907			1,198,791	1,807,057

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Douglas Shire Council  
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17 Fair Value Measurements

(i) Recognised fair value measurements

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

Property, plant and equipment

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

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

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

Council borrowings are measured at amortised cost with interest recognised in profit or loss when incurred. The fair value of borrowings disclosed in note 20 is provided by the Queensland Treasury Corporation and represents the contractual undiscounted cash flows at balance date (level 2).

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

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

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

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

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

The table presents Council's assets and liabilities measured and recognised at fair value at 30 June 2014.

At 30 June 2014	Note	Level 2 (Significant other observable inputs) \$	Level 3 (Significant unobservable inputs) \$	Total \$
Recurring fair value measurements				
Land	16	20,068,400		20,068,400
Land improvements	16		1,646,310	1,646,310
Residential buildings	16	35,893		35,893
Other buildings and other structures	16		19,894,471	19,894,471
Transport assets	16		137,239,780	137,239,780
Water, Sewerage and Solid waste disposal	16		95,739,980	95,739,980
Drainage	16		29,394,434	29,394,434
		<u>20,104,293</u>	<u>283,914,975</u>	<u>304,019,268</u>

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

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

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

**Specific valuation techniques used to value Council assets comprise:**

**Land and land improvements (level 2 and 3)**

*Current replacement cost*

Land fair values were determined by independent valuer, Knight Frank effective 30 June 2013. Fair value was derived by reference to market based evidence including observable historical sales data for properties of similar nature and specification within the Douglas region.

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

A review was undertaken as at 30 June 2014 based on the Non-Residential Building Construction Index. This index increased by 0.90% since 30 June 2013. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2014.

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

*Current replacement cost*

The fair value of buildings was also determined by independent valuer, Knight Frank effective 30 June 2013. Where there is a market for Council building assets, fair value has been derived from the sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach were price per square metre.

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

A review was undertaken as at 30 June 2014, based on the Non-Residential Building Construction Index. The index increased by 0.90% since 30 June 2013. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2014.

*Accumulated depreciation*

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

Estimated useful lives and residual values are disclosed in note 16.

**Transport assets (level 3)**

*Current replacement cost*

All Council road and bridge networks were fair valued using the depreciated current replacement cost methodology. This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

Current replacement cost was measured by reference to the lowest cost at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within Council's planning horizon.

An internal comprehensive review of road assets was undertaken as at 30 June 2011 and an internal comprehensive review of bridge network assets was undertaken as at 30 June 2012. Both reviews were based on a stocktake and condition assessment. The stocktake was undertaken by Puredata Pty Ltd to provide an independently assessed condition of Council's roadway assets. In subsequent years a desktop review of the values for these assets was undertaken.

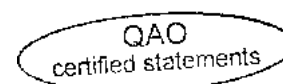
A review was undertaken as at 30 June 2014, based on the Road and Bridge Construction Queensland Index. The index increased by 0.85% since 30 June 2013. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2014.

*Accumulated depreciation*

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

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

Estimated useful lives and residual values are disclosed in note 16.





Douglas Shire Council  
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*Sensitivity of valuation to unobservable inputs*

Council's road and bridge network has been valued using depreciated replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation.

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5-100hrs/linear metre or sqm	The higher the labour hours, the higher the fair value.
Standard material and plant usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	4-5 (lowest) to 1-2 (highest)	The higher the condition rating, the higher the fair value.
Remaining useful life	10-100 years	The longer the remaining useful life, the higher the fair value.
Residual value (road pavement)	0% to 100%	The higher the residual value the higher the fair value.

Water

*Current replacement cost*

Water pump stations and treatment plants, water reservoirs and water intake structures were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 Jun 2013. Water mains pipe networks (including manholes, meter, valves and hydrants) were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2012. In the following year a desktop review of the values for these assets was undertaken. The fair value of water assets is measured using the depreciated replacement cost method.

A review was undertaken as at 30 June 2014 based on the Road and Bridge Construction Queensland Index. This index increased by 0.85% since 30 June 2013. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2014.

*Accumulated depreciation*

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

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

Estimated useful lives and residual values are disclosed in note 16.

*Sensitivity of valuation to unobservable inputs*

The method used to value Council's water assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon years of experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Number of labour hours	5-100hrs/linear metre or sqm	The higher the labour hours, the higher the fair value.
Standard material and plant usage quantities	Varies depending upon the type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	4-5 (lowest) to 1-2 (highest)	The higher the condition rating, the higher the fair value.
Remaining useful life	9-100 years	The longer the remaining useful life, the higher the fair value.
Residual value (sewer pipes)	0% to 50%	The higher the residual value the higher the fair value.

Sewerage and Other Infrastructure

*Current replacement cost*

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

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

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

A site inspection was conducted by Cardno on all assets. The purpose of the inspection was to:

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

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

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

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

*Accumulated depreciation*

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

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

Asset Category	Useful Life
Civil	80
Civil - Steel	50
Mechanical	20
Earthworks	100
Electrical	15
Pipework	80
Valves	30
Buildings	60
Buildings - metal	30
Roads	20
Sheds	20
Telemetry	10
Signage, Landscaping & Fencing	20
Odour	20
Metalworks	40
Tanks	30
Scada and Controls	10
Bores	60
Generators	20

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

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

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

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Where site inspections were not conducted (i.e. assets not comprehensively valued in 2014), the remaining useful life was calculated on an age basis. This assessment was made on the basis that maintenance schedules for the assets were adhered to and defect notifications were inspected and actioned in a timely manner throughout the period.

The 2014 comprehensive revaluation of wastewater treatment plants resulted in an increase in accumulated depreciation. This movement is mostly attributable to a reassessment of remaining useful lives.

Estimated useful lives and residual values are disclosed in note 16.

*Other sewerage assets*

Sewerage pump stations were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2011. Sewerage mains pipe networks were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2012. Telemetry assets were comprehensively reviewed by Cardno (QLD) Pty Ltd as at 30 June 2010. In subsequent years a desktop review of the values for these assets was undertaken.

A review was undertaken as at 30 June 2014 based on the Road and Bridge Construction Queensland Index. This index increased by 0.85% since 30 June 2013. As the movement was not material, no revaluation adjustments have been provided for as at 30 June 2014.

*Solid waste disposal*

*Current replacement cost*

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

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

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

A site inspection was conducted by Cardno on all assets. The purpose of the inspection was to:

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

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

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

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

*Accumulated depreciation*

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

Asset Category	Useful Life
Building	60
Civil	60
Earthworks	150
Electrical	15
Mechanical	20
Metalwork	40
Pipework	60
Roads & Drainage	20
Shed	25
Signage, Fencing and Landscaping	20
Tanks	15
Telemetry	10

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

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

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

The 2014 comprehensive revaluation of solid waste disposal assets resulted in an increase in accumulated depreciation. This movement is mostly attributable to a reassessment of remaining useful lives.

Estimated useful lives and residual values are disclosed in note 16.

#### **Drainage infrastructure**

##### *Current replacement cost*

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

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

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

A site inspection was conducted by Cardno on a statistically representative sample of the asset class based on diameter, location and age. Visual inspections were undertaken on the structures and inspections via CCTV were undertaken on a sample of pipes.

The purpose of the inspection was to:

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

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

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

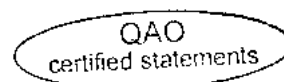
Construction costs for passive assets vary significantly depending on the level of surrounding development and the local ground conditions. It is far easier to construct a pipeline in open country rather than in an urban environment which requires much greater service location, restoration works and traffic control. Similarly, construction in rock is much slower, and therefore more expensive than in good soil. The list of factors taken into consideration is as follows:

##### Development factors

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

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

CBD - This category is used for the central business district of a town. This area would have large amounts of footpaths, road pavement and associated infrastructure as well as congested services. Construction would involve disruption to traffic.



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Soil factors

Sand - Areas where soil is sandy and difficult to excavate and would require shoring.

Good Soil - Areas where the soil is generally free of rock and presents no great difficulty for excavation.

Poor Soil - Areas where the water table is relatively high and dewatering is required.

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

*Accumulated depreciation*

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

Residual values are used to reflect the value of excavation works associated with the development of unlined open drains.

In determining the level of accumulated depreciation, drainage assets were disaggregated into significant components which exhibited different useful lives. Assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted, the assets were allocated a condition assessment, which was used to estimate remaining useful life as tabled below

Condition scoring explanations and effect on the remaining useful lives are as follows:

Score	Description	Remaining Useful Life %
1 - 2	As New to Good	100% - 85%
2 - 3	Good to Fair	85% - 65%
3 - 4	Fair to Poor	65% - 40%
4 - 5	Poor to Very Poor	40% - 5%

The remaining useful life of assets was calculated as follows:

- Condition based - This was applied to the inspected assets as per the condition scoring table above.
- Condition based (extrapolated) - This was applied to the majority of the non-inspected assets, as per the remaining useful life calculation method table below.
- Age based - This was applied to the assets that were not inspected.

Remaining useful life Calculation Method:

Asset Class	Inspected	Useful Life (years)	Age (years)	Adopted
Concrete Pipes and culverts	Yes			Inspection score
Concrete Pipes and culverts	No	100	<=25	Condition 1
Concrete Pipes and culverts	No	100	>20, <=50	Condition 2
Concrete Pipes and culverts	No	100	>100	Condition 3
Concrete Pipes and culverts	No	100	>50	Age based
Steel culverts	No	40		Age based
Steel pipes	No	40		Condition 2
All other pipes	No			Age based
Open drains	Yes			Inspection score
Open drains	No			Condition 2

The 2014 comprehensive revaluation of solid waste disposal assets resulted in an increase in accumulated depreciation. This movement is mostly attributable to a reassessment of remaining useful lives.

Estimated useful lives and residual values are disclosed in note 16.

(iii) Valuation processes

Council's valuation policies and procedures are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information. Council's current policy for the valuation of property, plant and equipment is outlined in Note 1.15.

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	2014 \$
<b>18 Intangible assets</b>	
<b>Software</b>	
Opening gross carrying value	
Transfer on de-amalgamation from Cairns Regional Council	327,839
Transfer from work in progress	4,934
Additions	<u>971,144</u>
Closing gross carrying value	<u>1,303,917</u>
<b>Accumulated amortisation</b>	
Opening balance	
Amortisation in the period	<u>139,147</u>
Closing balance	<u>139,147</u>
Net carrying value at end of financial year	<u>1,164,770</u>
Software has a finite life estimated at 5 years. Straight line amortisation has been used with no residual value.	
Total intangible assets	<u>1,164,770</u>

**19 Trade and other payables**

<b>Current</b>	
Creditors and accruals	3,053,968
Annual leave	1,500,059
Sick leave	202,319
Other entitlements	<u>28,213</u>
	<u>4,784,560</u>

**20 Borrowings**

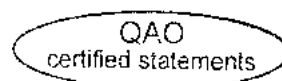
<b>Current</b>	
Loans - Queensland Treasury Corporation	<u>112,375</u>
	<u>112,375</u>
<b>Non-current</b>	
Loans - Queensland Treasury Corporation	<u>2,118,413</u>
	<u>2,118,413</u>
<b>Loans - Queensland Treasury Corporation</b>	
Opening balance	
Transfer in from Cairns Regional Council	2,282,493
Loans raised	
Principal repayments	<u>(51,706)</u>
Book value at end of financial year	<u>2,230,787</u>

The QTC loan market value at the reporting date was \$2,616,582. This represents the value of the debt if Council repaid it at that date. As it is the intention of Council to hold the debt for its term, no provision is required to be made in these accounts.

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

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

Principal and interest repayments are made monthly in arrears.



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**Notes to the financial statements**  
**For the period 1 January 2014 to 30 June 2014**

	<b>2014</b>
	<b>\$</b>
<b>21 Provisions</b>	
<b>Current</b>	
Landfill restoration	540,000
Long service leave	1,306,708
	<u>1,846,708</u>
<b>Non-current</b>	
Landfill restoration	6,838,064
Long service leave	240,793
	<u>7,078,857</u>
Details of movements in provisions:	
<b>Property restoration: Landfill sites</b>	
Transfer from Cairns Regional Council	7,378,064
Balance at end of financial year	<u>7,378,064</u>
Council has two landfill sites located at Newell Beach and Killaloe. The provision is stated at the present value of the estimated cost of restoring the landfill site: to a standard required under licensing conditions.	
<b>Long service leave</b>	
Transfer from Cairns Regional Council	1,674,154
Long service leave entitlement arising	166,802
Long Service entitlement paid	(293,455)
Balance at end of financial year	<u>1,547,501</u>
<b>22 Retained surplus/(deficiency)</b>	
Movements in the retained surplus were as follows:	
Retained surplus at beginning of period	
Net result attributable to Council	321,215,145
Retained surplus at end of financial year	<u>321,215,145</u>
<b>23 Commitments for expenditure</b>	
<b>Contractual commitments</b>	
Contractual commitments at the reporting date but not recognised in the financial statements are as follows:	
<b>Operating expenditure</b>	
Not later than 1 year	4,314,168
Later than 1 year but not later than 5 years	7,142,580
Later than 5 years	5,541,593
	<u>16,998,341</u>
<b>Capital expenditure</b>	
Not later than 1 year	1,463,725
Later than 1 year but not later than 5 years	
Later than 5 years	<u>1,463,725</u>

Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

24 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 2013 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare

Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. Council has received advice that as a newly de-amalgamated Council it will not have an indemnity liability towards the LGW bank guarantee until the establishment of the 2014/15 guarantee.

25 Superannuation

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

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

The scheme has three elements referred to as:

The City Defined Benefits Fund (CDBF) which covers former members of the City Super Defined Benefits Fund

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

The Accumulation Benefits Fund (ABF)

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

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

The Regional DBF is a defined benefit plan as defined in AASB119. Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to Council for its proportionate share of the defined benefit obligation, plan assets and costs. The funding policy adopted in respect of the Regional DBF is directed at ensuring that the benefits accruing to members and beneficiaries are fully funded as they fall due.

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

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

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

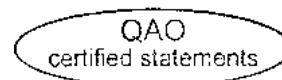
The most recent actuarial assessment of the scheme was undertaken as at 1 July 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

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

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

There are currently 72 entities contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 entities. Douglas Shire Council made less than 4% of the total contributions to the plan in the 2013-14 financial year.

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





**Douglas Shire Council**  
**Notes to the financial statements**  
**For the period 1 January 2014 to 30 June 2014**

	<b>Note</b>	<b>2014</b> \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	6	485,249
<b>26 Trust funds</b>		
<b>Trust funds held for outside parties</b>		
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		529,719
		529,719
Council performs only a custodial role in respect of these monies. As these funds cannot be used by the Council they are not brought to account in these financial statements.		
After the reporting date a further \$21,513 of trust funds was transferred to Council from Cairns Regional Council.		
<b>27 Reconciliation of net result for the period to net cash inflow (outflow) from operating activities</b>		
Net result		321,215,145
Non-cash items:		
Depreciation and amortisation		5,443,314
Revaluation adjustments		5,343,454
Loss on asset Write-off		8,406,153
Gain on de-amalgamation		(339,632,547)
		(320,439,627)
Investing and development activities:		
Net (profit) on disposal of non-current assets		(22,876)
Capital grants and contributions		(510,441)
		(533,317)
Changes in operating assets and liabilities:		
(Increase)/ decrease in receivables		(2,332,395)
(Increase)/decrease in inventory		(5,771)
Increase/(decrease) in payables		2,974,182
Increase/(decrease) in liabilities		(91,951)
		417,411
Net cash inflow from operating activities		

**28 Events after the reporting period**

There were no material adjusting events after the balance date

**Douglas Shire Council**  
**Notes to the financial statements**  
**For the period 1 January 2014 to 30 June 2014**

**29 Financial instruments**

Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on Council's financial position and financial performance, including the nature and extent of risks and how Council manages these exposures.

**Financial risk management**

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

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

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

Council does not enter into derivatives.

**Credit risk**

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

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

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

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

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

	Note	2014 \$
<b>Financial assets</b>		
Cash and cash equivalents	11	16,062,186
Receivables - rates	13	3,888,466
Receivables - other	13	3,039,379
Other financial assets	12	2,000,000
<b>Total financial assets</b>		<b>24,990,031</b>

*Cash and cash equivalents*

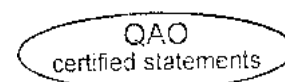
Council may be exposed to credit risk through its investments held with financial institutions. All cash and cash equivalents are held in financial institutions which are rated AAA to AA- based on rating agency ratings, and whilst not capital guaranteed, the likelihood of a credit failure is assessed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

*Other financial assets*

Other investments are term deposits held with Bendigo Bank, which are rated A-- and whilst not capital guaranteed, the likelihood of a credit failure is assessed as remote.

*Trade and other receivables*

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



Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

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

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

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

	2014
	\$
Not past due	2,859,352
Past due 31-60 days	22,598
Past due 61-90 days	27,140
More than 90 days	4,180,186
Impaired	(161,431)
Total	6,927,845

#### Liquidity risk

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

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

Council manages its exposure to liquidity risk by maintaining sufficient cash deposits and undrawn facilities to cater for unexpected volatility in cash flows. These facilities are disclosed in note 20. The following line of credit was available at the end of the reporting period:

	2014
	\$
Overdraft - OTC working capital facility	4,000,000
Available at 30 June	4,000,000

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

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2014					
Trade and other payables	3,053,968			3,053,968	3,053,968
Loans - OTC	254,944	1,019,777	2,068,776	3,343,497	2,373,357
	3,308,912	1,019,777	2,068,776	6,397,465	5,427,325

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

#### Market risk

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

Douglas Shire Council  
Notes to the financial statements  
For the period 1 January 2014 to 30 June 2014

*Interest rate risk*

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

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

*Sensitivity*

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
2014					
Deposits at call	15,500,000	155,000	(155,000)	155,000	(155,000)
Short term deposits	2,000,000	20,000	(20,000)	20,000	(20,000)
Loans - QTC*	(2,230,787)	(22,308)	22,308	(22,308)	22,308
Net total	15,269,213	152,692	(152,692)	152,692	(152,692)

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

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

**Douglas Shire Council**  
**Financial statements**  
**For the period 1 January 2014 to 30 June 2014**

**Management Certificate**  
**For the period 1 January 2014 to 30 June 2014**

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 period and financial position at the end of the period.

  
\_\_\_\_\_  
Mayor  
Julia Leu

Date: 22/10/14

  
\_\_\_\_\_  
Chief Executive Officer  
Linda Cardew

Date: 22/10/14

QAO  
certified statements

## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Douglas Shire Council

### Report on the Financial Report

I have audited the accompanying financial report of Douglas Shire Council, which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 1 January 2014 to 30 June 2014, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and the Chief Executive Officer.

#### *The Council's Responsibility for the Financial Report*

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

### *Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of Douglas Shire Council for the period 1 January 2014 to 30 June 2014 and of the financial position as at the end of that period.

### **Other Matters - Electronic Presentation of the Audited Financial Report**

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B MACRAE FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

Douglas Shire Council  
Current-year Financial Sustainability Statement  
For the period 1 January 2014 to 30 June 2014  
Measures of Financial Sustainability

Council's performance at 30 June 2014 against key financial ratios and targets:

	How the measure is calculated	Actual - Council	Target
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-32%	between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	28%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-56%	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 period ended 30 June 2014.

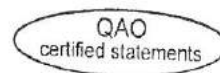
**Certificate of Accuracy**  
For the period ended 30 June 2014

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

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

  
Mayor  
Julia Leu  
Date: 22.10.14

  
Chief Executive Officer  
Linda Cardew  
Date: 22.10.14





## INDEPENDENT AUDITOR'S REPORT

To the Mayor of Douglas Shire Council

### Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Douglas Shire Council for the period 1 January 2014 to 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and Chief Executive Officer.

#### *The Council's Responsibility for the Current-Year Financial Sustainability Statement*

The Council is responsible for the preparation and fair presentation of the current-year financial sustainability statement in accordance with the *Local Government Regulation 2012*. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of the statement that is accurately calculated and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the current-year financial sustainability statement based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

## *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

## *Opinion*

In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Douglas Shire Council, for the period 1 January 2014 to 30 June 2014, has been accurately calculated.

## *Emphasis of Matter - Basis of Accounting*

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

## Other Matters .. Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



B MACRAE FCPA  
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office  
Brisbane

Douglas Shire Council  
Long-Term Financial Sustainability Statement  
Prepared as at 30 June 2014

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2014	Council									
				30 June 2015	30 June 2016	31 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	
Operating surplus ratio	Net result divided by total operating revenue	between 0% and 10%	-32%	-15%	-11%	-8%	-4%	-1%	2%	5%	8%	11%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	greater than 90%	28%	40%	26%	31%	36%	42%	46%	46%	46%	46%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-56%	-3%	-5%	-7%	-9%	-10%	-13%	-18%	-27%	-38%	


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

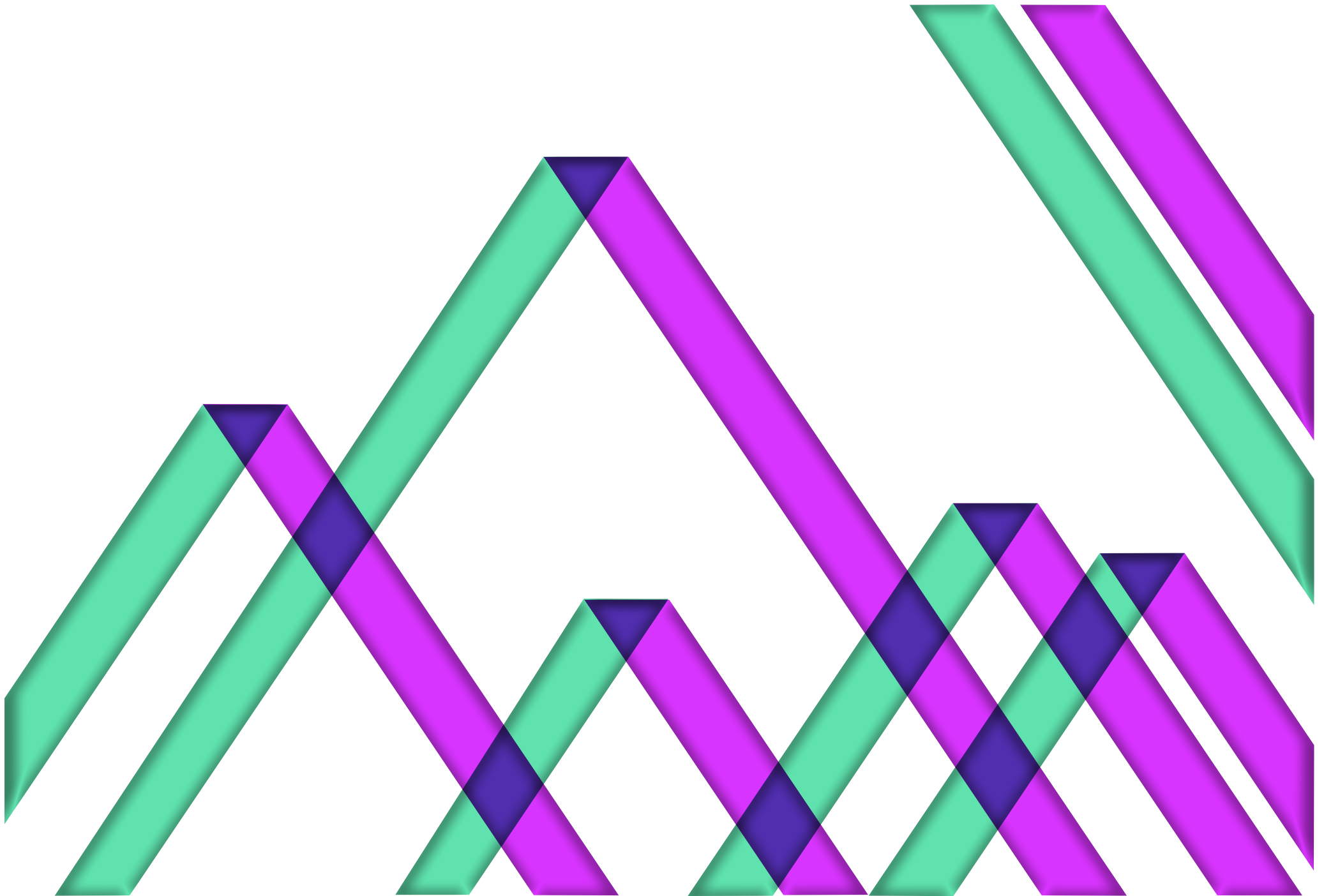
This long-term financial sustainability statement has been prepared pursuant to Section 178 of the Local Government Regulation 2012 (the regulation).

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

  
Major  
Julia Leu  
Date: 22/10/14

  
Chief Executive Officer  
Linda Gardew  
Date: 22/10/14





**DOUGLAS** SHIRE  
COUNCIL