SUSTAINABLY DEVELOPING THE OUTBACK

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2014

DIAMANTINA SHIRE COUNCIL

FINANCIAL REPORT
For the Year Ended 30 June 2014

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DIAMANTINA SHIRE COUNCIL

Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
INCOME			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	765,431	736,162
Fees and charges		166,758	190,677
Rental income		392,431	375,249
Interest earned	3(b)	704,846	505,532
Sales - contract and recoverable works		23,957,891	45,575,382
Other recurrent income		255,592	302,918
Grants, subsidies, contributions and donations	4(a)	2,359,446	4,318,128
Total recurrent revenue		28,602,395	52,004,048
Capital Revenue			
Grants, subsidies, contributions and donations	4(b)	7,916,239	7,944,910
		7,916,239	7,944,910
Total Revenue		36,518,634	59,948,958
TOTAL INCOME		36,518,634	59,948,958
EXPENSES			
Recurrent Expenses			
Employee benefits	5	(4,437,992)	(4,140,444)
Materials and services	6	(18,232,957)	(28,398,681)
Finance costs	7	(98,086)	(109,993)
Depreciation	8	(2,998,665)	(3,201,463)
Total recurrent expenses		(25,767,700)	(35,850,581)
Capital Expenses	9	(1,103,354)	(226,617)
TOTAL EXPENSES		(26,871,054)	(36,077,198)
NET RESULT		9,647,580	23,871,759
OTHER COMPHRENSIVE INCOME			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	19(i)	(453,750)	1,063,474
Total Other Comprehensive Income for the Year		(453,750)	1,063,474
TOTAL COMPHRENSIVE INCOME FOR THE YEAR		9,193,830	24,935,233

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

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Statement of Financial Position

As at 30 June 2014

	Note	30 June 2014 $	30 June 2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	10	18,955,194	17,798,877
Trade and other receivables	11	3,680,548	6,176,817
Inventories	12	1,596,774	1,559,064
Other financial assets	13	6,592	6,541
		24,239,108	25,541,299
Total Current Assets		24,239,108	25,541,299
Non-Current Assets			
Other financial assets	13	19,024	25,122
Inventories	12	860,500	-
Property, plant and equipment	14	138,915,913	130,465,990
Total Non-Current Assets		139,795,437	130,491,112
TOTAL ASSETS		164,034,545	156,032,411
LIABILITIES			
Current Liabilities			
Trade and other payables	16	741,637	1,499,786
Borrowings	17	330,251	332,103
Provisions	18	-	112,310
Total Current Liabilities		1,071,888	1,944,199
Non-Current Liabilities			
Trade and other payables	16	39,774	34,495
Borrowings	17	755,301	1,086,323
Provisions	18	164,816	158,458
Total Non-Current Liabilities		959,891	1,279,276
TOTAL LIABILITIES		2,031,779	3,223,475
NET COMMUNITY ASSETS		162,002,766	152,808,936
COMMUNITY EQUITY			
Asset revaluation surplus	19	80,357,503	80,811,253
Retained surplus	20	81,645,263	71,997,683
TOTAL COMMUNITY EQUITY		162,002,766	152,808,936

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

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Statement of Changes in Equity
For the Year Ended 30 June 2014

	Notes	Asset Revaluation Surplus 19 $	Retained Surplus 20 $	Total $
Balance at 1 July 2013		80,811,253	71,997,683	152,808,936
Net result		-	9,647,580	9,647,580
Other comprehensive income for year				
Increase / (decrease) in asset revaluation surplus		(453,750)	-	(453,750)
Total comprehensive income for year		(453,750)	9,647,580	9,193,830
Balance as at 30 June 2014		80,357,503	81,645,263	162,002,766
Balance at 1 July 2012		79,747,779	48,125,924	127,873,703
Net result		-	23,871,759	23,871,759
Other comprehensive income for year				
Increase in asset revaluation surplus		1,063,474	-	1,063,474
Total comprehensive income for year		1,063,474	23,871,759	24,935,233
Balance as at 30 June 2013		80,811,253	71,997,683	152,808,936

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

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Statement of Cash Flows

For the Year Ended 30 June 2014

	Note	30 June 2014	30 June 2013
		$	$
Cash flows from operating activities :			
Receipts from customers		30,013,080	51,219,627
Payments to suppliers and employees		(26,066,073)	(38,399,305)
		3,947,007	12,820,322
Interest received		704,846	505,532
Rental income		392,431	375,249
Non capital grants and contributions		2,359,446	4,318,128
Borrowing costs		(98,086)	(109,993)
Net cash inflow from operating activities	25	7,305,644	17,909,237
Cash flows from investing activities:			
Payments for property, plant and equipment		(14,963,079)	(15,392,612)
Proceeds from sale of property plant and equipment		1,230,387	1,168,573
Grants, subsidies, contributions and donations		7,916,239	7,544,910
Net cash (outflow) from investing activities		(5,816,453)	(6,679,129)
Cash flows from financing activities:			
Repayment of borrowings		(332,874)	(313,649)
Net cash (outflow) from financing activities		(332,874)	(313,649)
Net increase in cash and cash equivalents held		1,156,317	10,916,459
Cash and cash equivalents at beginning of financial year		17,798,877	6,882,417
Cash and cash equivalents at end of financial year	10	18,955,194	17,798,877

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

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1 Significant Accounting Policies

1.A Basis of Preparation

These general purpose financial statements are for the period 1 July 2013 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 Australian Accounting Standards, Australian Accounting Interpretations and other pronouncements issued by the Australian Accounting Standards Board.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain non-current assets.

1.B Statement of Compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (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.C Constitution

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

1.D Date of Authorisation

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

1.E Currency

The Council uses the Australian Dollar as its functional currency and its presentation currency.

1.F Adoption of New and Revised Accounting Standards

In the current year, 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. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosure.

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
AASB 9 Financial Instruments (December 2009)	1 January 2017
2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)	1 January 2015
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	1 January 2015
AASB 2013-9 Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instruments (operative dates: Part A Conceptual Framewok - 20 Dec 2013; Part B Materiality - 1 Jan 2014; Part C Financial Instruments - 1 Jan 2015)	
AASB2014-1 Amendments to Australian Accounting Standards (operative dates: Part A-C 1 July 2014; Part D - I Jan 2016, Part E 1 Jan 2015)	
AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of acceptable methods of depreciation and amortisation (AASB 116 and AASB 138)	1 January 2016

AASB 9 Financial Instruments (effective from 1 January 2015)

AASB 9, which replaces AASB 139 Financial Instruments: Recognition and Measurement, is effective for reporting periods beginning on or after 1 January 2015 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 costs and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

Had this requirement been adopted at 30 June 2014, management estimate there would have been no financial impact on the financial statements.

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1.G 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 and depreciation of property, plant and equipment - Note 1.P and Note 15
Impairment of property, plant and equipment - Note 1.Q and Note 9
Provisions - Note 1.S and Note 18
Contingent Liabilities - Note 22

1.H Revenue

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

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 it is received, otherwise rates are recognised at the commencement of the rating period.

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

Unspent non-reciprocal capital grants are subject to internal restrictions that have been placed on councils's cash and cash equivalents as disclosed in Note 10.

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.

Non-Cash Contributions
Physical assets contributed to Council are recognised as revenue when Council obtains control of the assets and becomes liable for any ongoing maintenance and there is sufficient data to determine the values of such assets. All non-cash contributions are recognised at the fair value of the contribution received on the date of acquisition.

Rental Income
Rental revenue from other property is recognised on an accruals basis as it falls due.

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

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.

The 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.

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

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1.I 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.

Diamantina Shire 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.J)
Receivables - measured at amortised cost (Note 1.K)
Leases - measured at present value of future lease payments (Note 1.M)

Financial Liabilities
Payables - measured at amortised cost (Note 1.R)
Borrowings - measured at amortised cost (Note 1.T)

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

1.J Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at 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.K Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price / 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 2014. 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.L 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. Costs are assigned on the basis of weighted average cost.

Inventories held for distribution 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, adjusted when applicable, for any loss of service potential.

Land acquired by Council with the intention of reselling it (with or without further development) is classified as inventory. This land is valued at the lower of cost or net realisable value. As an inventory item, this land held for resale is treated as a current asset. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

1.M Other Financial Assets

Finance Lease as Lessor
During the years 2001 to 2008 Council entered into finance lease arrangements for the sale of land and houses in Bedourie and Birdsville. Note 13 contains details of lease payments receivable at 30 June 2014

Where Council enters into a finance lease, Council recognises an asset equal to the present value of the minimum lease payments receivable. Lease assets are reduced by repayments of principal received. The interest components of the lease payments received are recognised as finance income.

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1.N Non-Current Assets Held for Resale

Council had previously recognised parcels of land as non-current assets as held for sale when the carrying amount of these assets would be recovered principally through a sales transaction rather than continuing use. These assets have been reclassifed in 2014 and are now disclosed as part of inventory. Comparative figures for 2013 have been restated for comparability.

1.O Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2014 Council did not have any term deposits in excess of three months.

1.P 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. Items of plant and equipment with a total value of less than $5,000, and infrastructure assets, and buildings with a total value of less than $10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

The classes of property, plant and equipment recognised by the Council are:
- Land
- Buildings
- Plant and Equipment
- Roads, Drainage and Bridge Network
- Water Infrastructure
- Sewerage Infrastructure
- Other Structures
- Work in Progress

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, are 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 wouold be received to sell the asset in an orderly transaction between market participants at the measurement date.

Capital and Operating Expenditure
Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. Routine operating maintenance, repair costs and minor renewals to maintain the operational capacity of 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.

Valuation
Land, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 *Property, Plant and Equipment and AASB 13 Fair Value Measurement*. Other plant and equipment 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 comprehensively revaluing these assets at least once every five years. This process involves the valuer physically sighting a representative sample of Council assets across all classes and making their own assessment of the condition of the assets at the date of inspection.

In the intervening years, Council uses external engineers to assess the condition and cost assumptions associated with all infrastructure assets, other structures and buildings, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for buildings, other structures and infrastructure asset classes in each of the intervening years. Council assess thed assumptions taking into account a review of additions, deletions and changes in assumptions such as useful life, residual value and condition rating.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 15.

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Property, Plant and Equipment (continued)

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 that balance, if any, in the revaluation surplus to 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.

Capital Work in Progress
The cost of property, plant and equipment and infrastructure being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

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 so as to write-off the net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and commissioned ready for use.

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.

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, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at depreciated current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown in Note 14.

Land Under Roads
Land under roads acquired before 30 June 2008 is recognised as non-current asset where the Council holds title or a financial lease over the asset. The Diamantina Shire Council currently does not have any such land holdings.

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.

1.Q Impairment of Non-Current Assets

Each non-current physical group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the 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.

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1.R 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.S Liabilities – Employee Benefits

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be taken in the next twelve months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

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 16 as a payable.

Annual Leave
A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 16 as a payable.

Sick Leave
Sick leave taken in the future will be met by future entitlements and hence no recognition of sick leave has been made in these financial statements.

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

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 the Council's employment or other associated employment which would result in the 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. The liability is reported in Note 18 as a provision.

1.T Borrowing 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.

In accordance with the *Local Government Regulation 2012* council adopts an annual debt policy that sets out council's planned borrowings for the next nine years. Council's current policy is to only borrow for capital projects and for a term no longer than the expected life of the asset. Council also aims to comply with the Queensland Treasury Corporation's borrowing guidelines and ensure that sustainability indicators remain within acceptable levels at all times.

All borrowing costs are expensed in the period in which they are incurred. No borrowing costs are capitalised on qualifying assets.

1.U Restoration Provision

No provision for the cost of restoration in respect of the shire refuse dumps has been provided for in the accounts as the monetary value is considered to be insignificant. Any costs associated with restoration are expensed in the year they are incurred.

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1.V 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 this 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 in the surplus in respect of that asset is retained in the asset revaluation surplus.

1.W Retained Surplus

This represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.X National Competition Policy

The Council has reviewed its activities and has identified no activities that are business activities.

1.Y Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest $1. Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.Z 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 the Council. The 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 24.

1.AA Taxation

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

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DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2014

2 **Analysis of Results by Function**

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

Year Ended 30 June 2014

Functions	*Gross Program Income*				*Total Income*	*Gross Program Expenses*		*Total Expenses*	*Net Result From Recurrent Operations*	*Net Result*	*Assets*
	Recurrent		*Capital*			*Recurrent*	*Capital*				
	Grants	*Other*	*Grants*	*Other*							
	2014	*2014*	*2014*	*2014*	*2014*	*2014*	*2014*	*2014*	*2014*	*2014*	*2014*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Governance	1,670,971	1,289,987	1,221,640	-	4,182,598	(3,814,400)	(1,103,354)	(4,917,754)	(853,442)	(735,156)	29,397,095
Community Services	634,449	671,464	-	-	1,305,913	(3,084,139)	-	(3,084,139)	(1,778,226)	(1,778,226)	19,471,418
Works	7,000	23,957,891	6,694,599	-	30,659,490	(15,301,356)	-	(15,301,356)	8,663,535	15,358,134	89,461,832
Environment, Health and Planning	47,026	323,607	-	-	370,633	(3,567,805)	-	(3,567,805)	(3,197,172)	(3,197,172)	25,704,200
Total Council	**2,359,446**	**26,242,949**	**7,916,239**	**-**	**36,518,634**	**(25,767,700)**	**(1,103,354)**	**(26,871,054)**	**2,834,695**	**9,647,580**	**164,034,545**

Year Ended 30 June 2013

Functions	*Gross Program Income*				*Total Income*	*Gross Program Expenses*		*Total Expenses*	*Net Result From Recurrent Operations*	*Net Result*	*Assets*
	Recurrent		*Capital*			*Recurrent*	*Capital*				
	Grants	*Other*	*Grants*	*Other*							
	2013	*2013*	*2013*	*2013*	*2013*	*2013*	*2013*	*2013*	*2013*	*2013*	*2013*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*$*
Governance	3,105,803	1,072,338	-	-	4,178,141	(4,295,035)	(226,617)	(4,521,652)	(116,894)	(343,512)	28,898,796
Community Services	1,047,475	711,121	150,000	400,000	2,308,596	(3,443,568)	-	(3,443,568)	(1,684,972)	(1,134,972)	19,927,118
Works	164,850	45,575,383	6,870,118	-	52,610,351	(25,093,917)	-	(25,093,917)	20,646,316	27,516,434	78,397,726
Environment, Health and Planning	-	327,078	524,792	-	851,870	(3,018,061)	-	(3,018,061)	(2,690,983)	(2,166,191)	28,808,771
Total Council	**4,318,128**	**47,685,920**	**7,544,910**	**400,000**	**59,948,958**	**(35,850,581)**	**(226,617)**	**(36,077,198)**	**16,153,467**	**23,871,759**	**156,032,411**

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2 (b) Components of Council Functions

The activities relating to the Council's components reported on in Note 2. (a) are as follows :

Governance

Includes training, operating costs of councillors and Council meetings, quality assurance and workplace health and safety, as well as general administration, human resources, financial support services, rates collection, investment of surplus cash, stores and housing services.

Community Services

Includes sports and recreation facilities, area promotion, events management and youth affairs, as well as Council and community housing.

Works

Includes road construction and maintenance, depots, plant operation and maintenance, water and sewerage.

Environment, Health and Planning

Includes health and building, animal control, cemeteries, public conveniences, halls, aerodromes, parks and gardens, reserves, stock routes, refuse collections and disposal, caravan parks, television facilities, radio, and street lighting.

	Note	30 June 2014 $	30 June 2013 $
3 Revenue Analysis			
(a) Rates, Levies and Charges			
General rates		639,088	636,740
Water		112,994	109,854
Sewerage		40,386	39,752
Garbage charges		42,385	41,968
Total rates and utility charge revenue		834,853	828,314
Less: discounts		(69,422)	(92,152)
Net rates, levies and charges		765,431	736,162
(b) Interest Earned			
Interest from rates and charges		18,428	15,591
Interest earned from cash deposits		683,569	485,804
Interest finance lease assets		2,849	4,137
		704,846	505,532
4 Grants, Subsidies, Contributions and Donations			
(a) Recurrent			
State Government grants		2,045,822	3,667,134
Commonwealth Government grants		313,624	650,989
Donations & Contributions		-	5
Total recurrent revenue		2,359,446	4,318,128
(b) Capital			
State Government subsidies and grants		7,603,909	7,124,573
Commonwealth Government grants		312,330	420,337
Donations & Contributions		-	400,000
Total capital revenue		7,916,239	7,944,910

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.

	30 June 2014 $	30 June 2013 $
Non-reciprocal grants for expenditure on services	-	89,614
	-	89,614

Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:

	30 June 2014 $	30 June 2013 $
Non-reciprocal grants for expenditure on services	89,614	3,288,232
	89,614	3,288,232

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	Note	30 June 2014 $	30 June 2013 $
5 Employee Benefits			
Total staff wages and salaries		4,584,226	4,498,025
Councillors' remuneration		218,493	212,922
Annual, sick and long service leave entitlements		355,545	266,616
Superannuation	23	398,245	423,544
		5,556,509	5,401,107
Other employee related expenses		217,002	170,293
		5,773,511	5,571,400
Less: capitalised employee expenses		(1,335,519)	(1,430,956)
		4,437,992	4,140,444

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

Total Council employees at the reporting date:	*2014*	*2013*
Elected members	5	5
Administration staff	27	18
Depot and outdoors staff	37	37
Total full time equivalent employees	69	60

	30 June 2014 $	30 June 2013 $
6 Materials and Services		
Administration supplies and consumables	1,537,999	1,994,496
Area promotion and events	951,262	935,968
Audit services	45,379	57,325
CED scheme	245,805	27,768
Community and Council housing expenses	482,901	588,425
Council depots	636,825	431,966
Donations paid	29,818	45,576
Environmental health, pest and animal management	115,696	174,014
Halls and public conveniences	219,478	60,579
Health service expenses	994,282	1,172,202
Other community services	104,418	123,499
Parks, gardens and reserves	717,323	416,200
Planning and development	35,855	67,396
Plant operation	2,116,639	2,005,944
Racecourses, swimming pools, aerodromes, caravan parks	262,366	686,798
Recoverable works	1,763,098	366,188
Repairs and maintenance	100,307	23,917
Shire road and street network	327,200	192,757
Subsidised works	6,914,886	18,755,968
Waste management	156,072	193,359
Water supply	475,348	78,335
	18,232,957	28,398,681

	Note	30 June 2014 $	30 June 2013 $
7 Finance Costs			
Finance costs charged by the Queensland Treasury Corporation		73,608	92,834
Bank charges		24,478	17,159
		98,086	109,993
8 Depreciation			
Depreciation of non-current assets			
Buildings		548,660	521,044
Other structures		476,301	417,261
Plant and equipment		1,148,608	1,585,522
Road, drainage and bridge network		674,814	544,536
Water		99,210	82,724
Sewerage		51,072	50,376
Total depreciation of non-current assets		2,998,665	3,201,463
9 Capital Expenses			
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale or write down of plant and equipment		1,203,941	917,589
Less: book value of plant and equipment disposed of		(1,035,634)	(1,151,830)
		168,307	(234,241)
Proceeds from the sale or write down of land, buildings and other structures		26,446	48,003
Less: book value of land, buildings and other structures disposed		(1,298,107)	(38,360)
		(1,271,661)	9,643
Proceeds from the sale of non current assets held for resale		-	202,981
Less: book value of non current assets held for resale		-	(205,000)
		-	(2,019)
		(1,103,354)	(226,617)

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	Note	30 June 2014	30 June 2013
		$	$
10 Cash and Cash Equivalents			
Cash at bank and on hand		1,027,157	34,029
Deposits at call		17,928,037	17,764,848
Balance per Statement of Cash Flows		18,955,194	17,798,877
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		-	89,614
Internally imposed expenditure restrictions at reporting date (previously disclosed as reserves):			
Elections		10,000	2,500
Employee entitlements		247,023	147,023
Asset revaluation		20,500	13,000
Building Maintenance		100,000	
Housing maintenance		251,730	61,730
Birdsville Airport		100,000	-
Bedourie Airport		100,000	-
Road Construction		60,000	40,000
Recreational facilities		765,000	750,000
House Purchase		10,000	-
Plant replacement		1,067,884	792,824
Water infrastructure		172,735	122,735
CED infrastructure		66,966	36,966
Waste Management		54,036	14,036
Other capital projects		60,000	50,000
Diamantina Health Service Reserve		50,000	-
Total internally imposed restrictions		3,135,874	2,030,814
Total unspent restricted cash for capital and recurrent projects		3,135,874	2,120,428

		30 June 2014	30 June 2013
11 Trade and Other Receivables			
Current			
Rateable revenue and utility charges		158,194	133,719
Other debtors		2,838,539	2,034,487
Less provision for impairment		(10,000)	(10,000)
Prepayments		174,444	105,121
Accrued revenue		519,371	3,913,490
		3,680,548	6,176,817

Interest is charged on outstanding rates at a rate of 11% per annum. No interest is charged on other debtors. There is no concentration of credit risk for rates and utility charges, fees and other debtors.

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

		30 June 2014	30 June 2013
Opening balance 1 July 2013		10,000	10,000
Closing balance 30th June 2014		10,000	10,000

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	Note	30 June 2014 $	30 June 2013 $
12 Inventories			
Current			
Inventories held for distribution:			
Stores and raw materials		1,394,274	1,223,064
Land held for resale		202,500	336,000
		1,596,774	1,559,064
Non Current			
Inventories held for distribution:			
Land held for resale		860,500	-
		860,500	-
13 Other Financial Assets			
Current			
asset receivable		6,592	6,541
		6,592	6,541
Non-Current			
Finance lease		19,024	25,122
		19,024	25,122

A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:

Not later than one year	8,897	8,897
Later then one year but not later than five years	22,358	31,255
	31,255	40,152
Less: Present value adjustment	(5,639)	(8,489)
	25,616	31,663

The fair value of lease payments are receivable as follows:

Within one year	6,592	6,047
After one year but not more than five years	19,024	25,616
Total minimum lease payments	25,616	31,663

Movement in finance leases were as follows:

Opening Balance	25,616	45,963
Less: Lease Receipts	(6,047)	(14,300)
Closing Balance	19,569	31,663

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14 Property, Plant and Equipment

30 June 2014

	NOTE	Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
Basis of Measurement		*Fair Value*	*Fair Value*	*Cost*	*Fair Value*	*Fair Value*	*Fair Value*	*Fair Value*	*Cost*	
Asset Values		$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2013		2,455,432	38,007,326	14,675,711	77,858,317	5,908,040	3,499,491	14,260,865	1,166,739	157,831,921
Additions at cost		10,000	10,000	3,432,118	7,943,164	-	-	1,534,734	2,033,047	14,963,063
Disposals	9	(14,362)	(82,346)	(2,929,095)	-	(969,500)	(489,601)	-	-	(4,484,904)
Revaluation adjustment to the Asset Revaluation Surplus	19	488,830	(301,082)	-	135,221	738,157	282,544	-	-	1,343,670
Reclassify as / Transfer to inventory		(727,000)	-	-	-	-	-	-	-	(727,000)
Transfer between classes		-	271,874	-	973,600	-	-	326,170	(1,571,644)	-
Closing gross value as at 30 June 2014		2,212,900	37,905,772	15,178,734	86,910,302	5,676,697	3,292,434	16,121,769	1,628,142	168,926,750
Accumulated Depreciation and Impairment										
Opening balance as at 1 July 2013		-	6,537,639	6,717,869	10,153,648	1,070,833	650,975	2,234,968	-	27,365,932
Depreciation provided in period	8	-	548,660	1,148,608	674,814	99,210	51,072	476,301	-	2,998,665
Depreciation on disposals	9	-	(72,346)	(1,893,461)	-	(172,026)	(13,330)	-	-	(2,151,163)
Revaluation adjustment to the Asset Revaluation Surplus	19	-	(46,463)	-	248	430,334	56,120	-	-	440,239
Impairment adjustment to asset revaluation surplus		-	-	-	-	862,665	494,500	-	-	1,357,165
Accumulated depreciation as at 30 June 2014		-	6,967,490	5,973,016	10,828,710	2,291,016	1,239,337	2,711,269	-	30,010,838
Written down value 30 June 2014		2,212,900	30,938,282	9,205,718	76,081,592	3,385,681	2,053,097	13,410,500	1,628,142	138,915,913
Range of estimated useful life in years		Not Depreciated	10 - 140 yrs	1 - 50 yrs	2 - unlimted yrs	25 - 65 yrs	35 - 90 yrs	6 - 60 yrs		
Residual Value		-	3,685,286	5,260,171	59,552,579	-	-	4,988,835		
Additions comprise:		$	$	$	$	$	$	$	$	$
Renewals		-	-	2,942,982	7,943,164	-	-	-	412,372	11,298,518
Other additions		10,000	10,000	489,136	-	-	-	1,534,734	1,620,675	3,664,545
Total additions		10,000	10,000	3,432,118	7,943,164	-	-	1,534,734	2,033,047	14,963,063

14 Property, Plant and Equipment (continued)

30 June 2013	NOTE	Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
Basis of Measurement		*Fair Value*	*Fair Value*	*Cost*	*Fair Value*	*Fair Value*	*Fair Value*	*Fair Value*	*Cost*	
Asset Values		$	$	$	$	$	$	$	$	$
Opening gross value as at 1 July 2012		2,197,739	35,497,284	13,557,570	67,694,852	5,322,293	2,993,168	13,341,612	2,771,436	143,375,954
Additions at cost		62,701	896,772	2,094,130	9,537,645	-	-	702,662	2,950,614	16,244,524
Disposals	9	(38,360)	-	(2,936,967)	-	-	-	-	-	(2,975,327)
Revaluation adjustment to the Asset Revaluation Surplus	19	-	-	632,978	320,440	-	-	-	-	953,418
Assets classified as held for sale		233,352	-	-	-	-	-	-	-	233,352
Transfer between classes		-	1,613,270	1,328,000	305,380	585,747	506,323	216,591	(4,555,311)	-
Closing gross value as at 30 June 2013		2,455,432	38,007,326	14,675,711	77,858,317	5,908,040	3,499,491	14,260,865	1,166,739	157,831,921
Accumulated Depreciation and Impairment										
Opening balance as at 1 July 2012		-	6,016,595	7,061,988	9,574,665	988,109	600,599	1,817,707	-	26,059,663
Depreciation provided in period	8	-	521,044	1,585,522	544,536	82,724	50,376	417,261	-	3,201,463
Depreciation on disposals	9	-	-	(1,785,137)	-	-	-	-	-	(1,785,137)
Revaluation adjustment to the Asset Revaluation Surplus	19	-	-	(144,504)	34,447	-	-	-	-	(110,057)
Accumulated depreciation as at 30 June 2013		-	6,537,639	6,717,869	10,153,648	1,070,833	650,975	2,234,968	-	27,365,932
Written down value 30 June 2013		2,455,432	31,469,687	7,957,842	67,704,669	4,837,207	2,848,516	12,025,897	1,166,739	130,465,990
Written down value 30 June 2012		1,518,235	22,805,718	7,422,040	14,444,811	3,046,428	2,236,539	13,332,895	5,776,946	70,583,611
Range of estimated useful life in years			15 - 75	2 - 50	2 - unlimited	10 - 65	35 - 90	6 - unlimited		
Residual Value			3,715,394	5,471,371	59,450,618	100,000	-	3,821,852		

15 Fair Value Measurement

(i) Recognised fair value measurement
Council measures and recognises the following assets at fair value on a recurring basis:

Property Plant & Equipment
- Land
- Buildings
- Road, drainage and bridge network
- Water infrastructure
- Sewerage infrastructure
- Other infrastructure assets

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 and loss when incurred. The fair value of borrowings in Note 17 is provided by 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 indentical 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 liabillity (Level 3)

The following table categorises fair value measurements as either level 2 or 3 in accordance with AASB 13. Coucil 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 vale of 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 indentical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information has not been provided as allowed by the transitional provisions of *AASB 13 Fair Value Measurement*.

	Note	Level 3 (Significant unobservable inputs)	Total
Recurring fair value measurements			
Land	15(ii)	2,212,900	2,212,900
Buildings	15(ii)	30,938,282	30,938,282
Road, drainage & bridge network	15(ii)	76,081,592	76,081,592
Water infrastructure	15(ii)	3,385,681	3,385,681
Sewerage infrastructure	15(ii)	2,053,097	2,053,097
Other	15(ii)	13,410,500	13,410,500
		128,082,052	128,082,052

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15 Fair Value Measurement (continued)

There are 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 hierachy levels as a the end of the reporting period.

(ii) Valuation techniques used to derive fair values for level 2 and level 3 valuations
Council adopted AASB 13 Fair Value Measurement for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets comprise:

Land (level 3)

Land fair values were determined by independent valuers AssetVal effective 30th June 2014. Level 2 & 3 valuation inputs were used to value land in freehold title as well as land used for special purposes, which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Buildings (level 3)

Current replacement cost

Where Council buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a new asset having similar service potential including allowances for preliminaries and professsional fees. The gross current values have been derived with refererence to market data for recent projects and costing guides issued by the Australian Institute of Quantity Surveyors, Rawlinson's (Australian Construction Handbook). Where a depth in market can be identified, the net current value of a building asset is the difference between the market value of the asset as a whole (including land) and the market value of the land component. Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

There is no market for most Council's buildings as these are held to provide essential services to the community. Accordingly, the fair value of all such buildings is measured at written down current replacement costs. The fair value of council and community housing has also been measured at written down current replacement cost.

The fair value of buildings as at 30th June 2012 was independently determined by Opus International Consultants (PCA) Pty Ltd, using a "desktop" approach. This approach determined that "Rawlinsons" base rates increased to reflect the "Area Factor" of 150% was appropriate in determining fair value. The Area Factor is the cost of undertaking construction in more remote areas.

Accumulated Depreciation

In determining the level of accumulated depreciation allowance has been made for the typical asset life cycle and renewals treatment of each asset, residual value at the time the asset is considered to be no longer available for use and the condition of the asset.

Condition was assessed using the following table:

Rating	Description
1	Very good condition. Only cyclic maintenance required.
2	Good Condition. Minor maintenance required plus cyclic maintenance.
3	Moderate condition. Significant maintenance required.
4	Poor condition. Significant renewal / rehabilitation required.
5	Very poor condition. Unserviceable.

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15 Fair Value Measurement (continued)

There following key assumptions were used to calculate fair value:

			Average Life				Average Life
Admin	$ 3,294.75	m2	70 years	House small	$ 2,147.63	m2	70 years
Town hall	$ 3,113.63	m2	70 years	House medium	$ 2,095.88	m2	70 years
Library	$ 3,294.75	m2	50 years	House individual	$ 2,492.63	m2	70 years
Recreational	$ 2,009.63	m2	70 years	COA	$ 948.75	m2	70 years
Amenities	$ 2,859.19	m2	60 years	Unit	$ 2,147.63	m2	70 years
Toilet / change	$ 3,708.75	m2	50 years	Garage	$ 1,104.00	m2	70 years
Residential				Workshop	$ 2,078.63	m2	25 years
Donga	$ 1,486.95	m2	15 years	Lower grade workshop	$ 1,449.00	m2	70 years
Single unit	$ 1,923.38	m2	70 years	Shed	$ 819.38	m2	50 years
Extensions	$ 2,259.75	m2	50 years	Lower grade shed	$ 448.50	m2	30 years
Bathroom fit out	$43,987.50	ea	50 years	Clinic	$ 3,148.13	m2	70 years
Kitchen fit out	$37,087.50	ea	50 years	Tennis courts	$96,945.00	ea	50 years
Sml Ind Kitchen fit out	$29,325.00	ea	50 years	Shelter	$ 215.63	m2	50 years
Lrg Ind Kitchen fit out	$55,200.00	ea	50 years	Stalls	$ 120.75	m2	30 years
				Demountable	$25,000.00	ea	25 years

The fair value of the buildings as at 30th June 2014 was determined usining a "desktop" approach. This approach determined an increase in index of 2.7% (2013 6.51%) for residential buildings and 2.10% (2013 1.29% decrease) increase for commercial premises. Given the mininal effect on the 2012 valuations, no revaluation has been processed for 30th June 2014.

While the unit rates based on square metres can be supported by market evidence (level 2), the estimates of residual value, useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3. The valuation's sensitivity to these inputs is summarised below:

Significant unobservable input	Range of inputs	Relationship of unobservable inputs to fair value
Condition rating (useful life)	1 - 5	The higher the condition rating, the higher the fair value.
Remaining useful life	15 - 75 years	The longer the remaining life, the higher the fair value.
Residual value	$0 - $405,394	The higher the residual value, the higher the fair value.

Infrastructure assets (level 3)

All Council infrastructure assets were fair valued using written down current replacement cost. The valuation comprises the asset's current replacement cost (CRC) 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.

CRC 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 required level of service output within the Council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the CRC of an asset or asset component were based on a "Greenfield" assumption meaning that the CRC was determined as the full cost of replacement with a new asset including components that may not need to be replaced such as earthworks. The DRC was determined using methods relevant to the asset class as described under individual asset categories below.

1(a) Road, drainage and bridge network - calculation of current replacement cost

Roads

Current replacement cost

Council categorises its road infrastructure in roads and street networks. All roads and streets are then componentised into formation, pavement and seal (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each road or street. Council also assumes a road is designed and constructed to the same standards and uses a consistent amount of labour and materials.

15 Fair Value Measurement (continued)

CRC was calculated by reference to asset linear area specifications, estimated labour and material inputs, service costs, and overhead allocations. Council also assumes that all raw materials can be sourced locally. For internal construction estimates, materials and services prices were based on existing supplier contract rates or supplier price lists.

The last full valuation of road infrastructure was undertaken effective 30th June 2012 by Opus International Consultants (PCA) Pty Ltd using the following key assumptions :

Average $/m2 for each of the key components were

Formation	$3 35 sqm
Pavement	$11 30 sqm
Seal	$9 00 sqm

CRC at 30 June 2014 was reviewed by Council engineer using the ABS Producers' Price Index "Roads and Bridges Construction - Queensland (3101) which was 2.5% (2013 1.95%). Given the minimal effect on the 2012 valuations, no revaluation has been processed for 30th June 2014. A full revaluation of roads and associated infrastructure is planned in 2017.

Accumulated Depreciation

In determining the level of accumulated depreciation, roads were disaggregated into significant components which exhibit different lives. Straight line depreciation method has been used to calculate accumulated depreciation based on the age of each road.

Estimated useful lives and residual values are dislosed in Note 14. Condition was assessed using the same table as identified for buildings.

1(b) Road, drainage and bridge network - Sensitivity of valuation to unobservable inputs

As detailed above, Council's roads, drainage and bridge network has been valued using written down current replacement cost. This method utilitises a number of inputs that requirement 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
Standard material useage quantities	Varies depending on type of material	The higher the usage quantities, the higher the fair value.
Condition rating (useful life)	1 - 5	The higher the condition rating, the higher the fair value.
Remaining useful life	2 - unlimited years	The longer the remianing life, the higher the fair value.
Residual value	$0 - $5,264,699	The higher the residual value, the higher the fair value.

2(a) Water, Sewerage and Other Infrastructure - Calculation of current replacement cost

Current replacement cost

There is no market for Council's infrastructure assets as these are held to provide essential services to the community. Accordingly the fair value of all infrastructure is measured at written down current replacement cost.

Water, sewerage and other infrastructure fair values were determined by independent valuers Opus International Consultants (PCA) Ltd effective 30 June 2012. CRC 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.

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15 Fair Value Measurement (continued)

Water, Sewerage and Other Infrastructure
Current replacement cost

Water, sewerage and other infrastructure fair values were determined by independent valuers, Opus International Consultants (PCA) Pty Ltd effective 30th June 2012. CRC was calculated based on expected replacement costs. In all cases assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

Opus International Consultants (PCA) Pty Ltd cost models were dervied from the following sources:
- Building Price Index tables
- Rawlinson's Rates for building and construction
- Queensland Treasury asset revaluation index
- Comparison with industry rates
- Opus International Consultants cost databases
- International Infrastructure Management Manual

CRC at 30 June 2014 was reviewed by Council engineer using the ABS Producers' Price Index "Building Construction Qld" which was 2.10% (2013 1.70%). Given the minimal effect on the 2012 valuations, no revaluation has been processed for 30th June 2014. A full revaluation of roads and associated infrastructure is planned in 2017.

Accumulated Depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were not conducted (ie for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

2(b) Water, Sewerage and Other Infrastructure - Sensitivity of valuation to unobservable inputs

The method used to value councils' water, sewerage and other infrastructure assets utilises a number of inputs that require judgement and are therefore classes 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
Standard material useage quantities	Varies depending on type of material	The higher the usage quantities, the higher the fair value
Remaining useful life	6 - 78 years	The longer the remaining life, the higher the fair value.
Residual value	$0 - $1,185,450	The higher the residual value, the higher the fair value.

(iii) Changes in Fair Value Measurements using significant unobservable inputs (level 3)

The changes in level 3 assets with recurring fair value fair measurement are detailed in Note 14 Property Plant and Equipment. There have been no transfers between Level 1, 2 or 3 measurements during the year.

(iv) Valuation processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer, Deputy Chief Executive Officer and Works Manager. They 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 (recurring fair value measurements) is set out in note 1P and 1Q respectively. Non-recurring fair value measurements are made a the point of reclassification by a registered valuer.

	Note	30 June 2014	30 June 2013
		$	$
16 Trade and Other Payables			
Current			
Creditors and accruals		514,738	1,119,777
Time off in lieu		-	3,593
Annual leave		226,899	376,416
		741,637	1,499,786
Non-Current			
Annual leave		39,774	34,495
		39,774	34,495
17 Borrowings			
Current			
Loans Queensland Treasury Corporation		330,251	332,103
		330,251	332,103
Non-Current			
Loans Queensland Treasury Corporation		755,301	1,086,323
		755,301	1,086,323
Queensland Treasury Corporation			
Opening balance		1,418,426	1,732,075
Principal repayments		(332,874)	(313,649)
Book value at period end		1,085,552	1,418,426
Classified as :			
Current		330,251	332,103
Non-current		755,301	1,086,323
		1,085,552	1,418,426

The QTC loan market value at the reporting date was $1,155,654. This represents the value of the debt if the Council repaid it at that date. As it is the intention of the 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 costs, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary from 2016 to 2023. There have been no defaults or breaches of the loan agreement during the period.

Principal and interest repayments are made quarterly in arrears.

18 Provisions			
Current			
Long service leave		-	112,310
Non-Current			
Long service leave		164,816	158,458
Details of movements in provisions:			
Long Service Leave			
Opening balance		270,768	238,862
Long service leave entitlement arising		16,515	31,906
Long Service entitlement paid		(122,467)	-
Balance at year end		164,816	270,768

	Note	30 June 2014	30 June 2013
		$	$
19 Asset Revaluation Surplus			
(i) Movements in the asset revaluation surplus were as follows:			
Balance at beginning of period		80,811,253	79,747,779
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Land		488,830	-
Buildings		(254,619)	
Plant and Equipment		-	777,482
Road, drainage and bridge network		134,957	285,992
Water		(554,842)	
Sewerage		(268,076)	
Balance at end of the year		80,357,503	80,811,253
(ii) Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories:			
Land		488,830	-
Buildings		12,386,636	12,641,255
Plant and Equipment		777,482	777,482
Other structures		3,927,932	3,927,932
Road, drainage and bridge network		60,404,373	60,269,416
Water		1,612,653	2,167,495
Sewerage		759,597	1,027,673
		80,357,503	80,811,253
20 Retained Surplus			
Movements in the retained surplus were as follows:			
Retained surplus/(deficit) at the beginning of financial year		71,997,683	48,125,924
Net result attributable to council		9,647,580	23,871,759
Retained surplus at the end of the financial year		81,645,263	71,997,683

21 Commitments For Expenditure

Contractual commitments

At 30 June 2014 Council had not entered into contractual arrangments.

22 Contingent Liabilities

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

Local Government Mutual

The Diamantina Shire 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 it is 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 is to the total pool contributions in respect to any year that a deficit arises.

As at 30 June 2014 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Local Government Workcare:

The Diamantina Shire Council is a member of the Queensland local government worker's compensation self-insurance scheme, Local Government Workcare. Under this scheme the Council has provided an indemnity towards a bank guarantee to cover bad debts which may remain should the self insurance licence be cancelled and there was insufficient funds available to cover outstanding liabilities. Only the Queensland Government's workers compensation authority may call on any part of the guarantee should the above circumstances arise. The Council's maximum exposure to the bank guarantee is $178,518.

Department Housing and Public Works

Diamantina Shire Council has a Capital Funding Agreement with the Department of Housing and Public Works under the Social Housing Programs for 12 properties in Bedourie and Birdsville. Under the Agreement, Council acquires a portion of equity in each property each year. Council then has the option of either paying out the Contingent Liability amount or pooling equity on a particular property to acquire full ownership.

23 Superannuation

The Diamantina Shire Council contributes to the Local Government Superannuation Scheme (Qld) (the scheme). The scheme is a Multi-employer Plan as defined in the Australian Accounting Standard AASB 119 *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. The Council is not able to account for the Regional DBF as a defined benefit plan in accordance with AASB119 because the scheme is unable to account to the 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 the prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

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

Any amount by which either 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 the 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 councils contributing to the Regional DBF plan and any changes in contribution rates would apply to all 72 councils. Diamantina Shire Council made less then 4% of the total contributions to the plan in the 2013-14 financial year.

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

	Note	30 June 2014	30 June 2013
		$	$
The amount of superannuation contributions paid by Diamantina Shire Council to the superannuation scheme in this period for the benefit of employees was:	5	398,245	348,361

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	Note	30 June 2014	30 June 2013
		$	$

24 Trust Funds

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities:

Security deposits	216,520	322,160
	216,520	322,160

The Diamantina Shire Council performs only a custodial role in respect of these monies. These funds cannot be used by the Council.

25 Reconciliation of Net Result for the Year to Net Cash Inflow (Outflow) From Operating Activities

	30 June 2014	30 June 2013
Net result	9,647,580	23,871,759
Non-cash items:		
Depreciation	2,998,665	3,201,463
Investing and development activities :		
Net (profit) loss on disposal of plant and equipment	(168,307)	234,241
Net loss (profit) on disposal of land, buildings and other structures	1,271,661	(9,643)
Net loss (profit) on disposal of land and buildings held for resale	-	2,019
Capital grants and contributions	(7,916,239)	(7,944,910)
	(6,812,885)	(7,718,293)
Changes in operating assets and liabilities :		
Decrease (Increase) in receivables	2,496,269	36,952
(Increase) decrease in inventory	(171,210)	(363,329)
Decrease (Increase) in other financial assets	6,047	14,300
(Decrease) Increase in payables	(752,870)	(1,165,521)
(Decrease) Increase in provisions	(105,952)	31,906
	1,472,284	(1,445,692)
Net cash inflow from operating activities	7,305,644	17,909,237

26 Events After the Reporting Period

There were no material adjusting events after reporting date.

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27 Financial Instruments

Diamantina Shire 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 to evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

Diamantina Shire 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.
The 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. The Council aims to manage volatility to minimise potential adverse effects on the financial performance of the Council.
Diamantina Shire 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.

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

No collateral is held as security relating to the financial assets held by Diamantina Shire 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:

		30 June 2014	30 June 2013
Financial Assets	**Note**	**$**	**$**
Cash and Cash Equivalents - Deposits at call	10	17,928,037	17,764,848
Cash and Cash Equivalents - Bank	10	1,027,157	34,029
Receivables - Rates	11	158,194	133,719
Receivables - Other	11	2,838,539	2,034,487
Other Credit Exposures			
Guarantee	24	178,518	190,507
Total		**22,130,445**	**20,157,590**

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund and QTC Working Capital Facility. The QTC Cash Fund is an asset management portfolio that invests with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund are capital guaranteed. Working Capital Facility deposits have a duration of one day and all investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

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27 Financial Instruments (continued)

Trade and other receivables

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

In other cases, the 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 the Councils operations, there is a geographical concentration of risk in the Council's area.

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

	30 June 2014	30 June 2013
Financial Assets	**$**	**$**
Not past due	2,475,045	1,783,680
Past due 31-60 days	172,659	120,637
Past due 61-90 days	5,519	591
More then 90 Days	185,316	129,579
Total	**2,838,539**	**2,034,487**

Impaired Assets
Council has considered factors including past history and likelihood of recovery when imparing assets.

Liquidity Risk

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

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

The following table sets out the liquidity risk in relation to financial liabilities held by the 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	514,738	-	-	514,738	514,738
Loans QTC	330,251	603,293	152,008	1,085,552	1,085,552
	844,989	603,293	152,008	1,600,290	1,600,290
2013					
Trade and Other Payables	1,119,777	-	-	1,119,777	1,119,777
Loans QTC	332,103	933,725	152,599	1,418,427	1,418,427
	1,451,880	933,725	152,599	2,538,204	2,538,204

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

27 Financial Instruments (continued)

Market risk

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

Interest Rate Risk

Diamantina Shire Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation.

The 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					
QTC Cash Fund	17,928,037	179,280	(179,280)	179,280	(179,280)
Other Investments	1,027,157	10,272	(10,272)	10,272	(10,272)
Loans - QTC	(1,085,552)	(10,856)	10,856	(10,856)	10,856
Net	**17,869,642**	**178,696**	**(178,696)**	**178,696**	**(178,696)**

	Net carrying amount	Effect on net result		Effect on equity	
		1% increase	1% decrease	1% increase	1% decrease
	$	$	$	$	$
2013					
QTC Cash Fund	17,764,848	177,648	(177,648)	177,648	(177,648)
Other Investments	34,029	340	(340)	340	(340)
Loans - QTC	(1,418,427)	(14,184)	14,184	(14,184)	14,184
Net	**16,380,450**	**163,805**	**(163,805)**	**163,805**	**(163,805)**

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.

Fair value

The fair value of trade and other receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

The fair value of borrowings with QTC is based on the market value of debt outstanding. The market value of a debt obligation is the discounted value of future cash flows based on prevailing market rates and represents the amount required to be repaid if this was to occur at balance date. The market value of debt is provided by QTC and is *disclosed in Note 17.*

QTC applies a book rate approach in the management of debt and interest rate risk, to limit the impact of market value movements to clients' cost of funding. The book value represents the carrying value based on amortised cost using the effective interest method.

28 National Competition Policy

The code of competitive conduct (CCC) must be applied to the following business activities:

a) A buildng certifying activity that:

(i) involves performing building certifying functions within the meaning of the Building Act, section 8, and;

(ii) is prescribed under a regulation.

(b) A roads activity, other than a roads activity for which business is conducted tthrough a sole supplier arrangement, that involves;

(i) construction or maintenance of State controlled roads for which the local government submits an offer to carry out work in response to a tender invitation;

(ii) construction or road maintenance on another local government's road which the local government has put out to tender. which the local government has put out to tender, or called for by another local government.

Local government may elect to apply a Code of Competitive Conduct (CCC) to their identified business activities. This requires the application of full cost pricing, identifying the cost of community service obligations (CSO) and eliminating the advantages and disadvantages of public ownership within that activity. The application of the CCC to the roads business activity is compulsory.

The CSO value is determined by Council, and represents an activities cost(s) which would not be incurred if the activities primary objective was to make a profit. The Council provides funding from general revenue to the business activity to cover the cost of providing non-commercial community services or costs deemed to be CSO's by the Council.

The Diamantina Shire Council has reviewed its activities and has not identified any that are 'business activities'. Accordingly, the Code of Competitive Conduct has not been applied to any activity of the Council.

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MANAGEMENT CERTIFICATE

For the Year Ended 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) an 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, as set out on pages 1 to 34, present a true and fair view, in accordance with the Australian Accounting Standards, of the Council's transaction for the financial year and financial position at the end of the year.

Mayor	**Chief Executive Officer**
Geoff Morton	**Leon Love**
Date: 15 / 09 / 2014	Date: 15 / 09 / 2014

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INDEPENDENT AUDITOR'S REPORT

To the Mayor of Diamantina Shire Council

Report on the Financial Report

I have audited the accompanying financial report of Diamantina 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 year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and 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 Diamantina Shire Council for the financial year 1 July 2013 to 30 June 2014 and of the financial position as at the end of that year.

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.

D. Stolz

QUEENSLAND
29 OCT 2014
AUDIT OFFICE

D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

DIAMANTINA SHIRE COUNCIL

Current Year Financial Sustainability Statement

For the Year Ended 30 June 2014

Measures of Financial Sustainability	How the Measure is Calculated	Actual	Target
Council's Performance at 30 June 2014 against any key financial ratio's and targets:			
Operating Surplus Ratio	Net Result (excluding capital items) divided by total operating revenue (excluding capital items)	9.91%	Between 0% and 10%
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	376.78%	Greater than 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	-77.64%	Not Greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2014.

CERTIFICATE OF ACCURACY
For the year ended 30th June 2014

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

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

Mayor	**Chief Executive Officer**
Geoff Morton	**Leon Love**
Date: 15 / 10 / 14	**Date:** 15 / 10 / 14

QAO certified statements

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Diamantina 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 Diamantina Shire Council for the year ended 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 Diamantina Shire Council, for the year ended 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.

QUEENSLAND
29 OCT 2014
AUDIT OFFICE

D. Stolz

D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

DIAMANTINA SHIRE COUNCIL

Long Term Financial Sustainability Statement
For the Year Ended 30 June 2014

				Projected for the years ended								
Measures of Financial Sustainability	**How the Measure is Calculated**	**Target**	**Actual 30 June 2014**	**30 June 2015**	**30 June 2016**	**30 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 (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	**9.9%**	**(15.7)%**	**(15.6)%**	**(15.2)%**	**(14.7)%**	**(14.3)%**	**(14.0)%**	**(13.6)%**	**(13.3)%**	**(13.0)%**
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	Greater than 90%	**376.8%**	**198.7%**	**71.6%**	**153.3%**	**59.1%**	**158.1%**	**114.0%**	**89.5%**	**72.4%**	**132.6%**
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	Not Greater than 60%	**(77.6)%**	**(68.6)%**	**(67.4)%**	**(61.1)%**	**(68.5)%**	**(69.0)%**	**(64.6)%**	**(62.5)%**	**(61.7)%**	**(60.1)%**

Diamantina Shire Council's Financial Management Strategy

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

CERTIFICATE OF ACCURACY

For the long-term financial sustainability statement prepared as at 30 June 2014

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

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

Mayor
Geoff Morton

Date: 15/10/14

Chief Executive Officer
Leon Love

Date: 15/10/14

Australian Government
Department of Infrastructure
and Regional Development

NATION BUILDING PROGRAM (NATIONAL LAND TRANSPORT) ACT 2009, PART 8

PART 1 - CHIEF EXECUTIVE OFFICER'S FINANCIAL STATEMENT AND AUDITOR'S REPORT

Chief Executive Officer's financial statement
(see subclause 6.2(a) of the funding conditions)

The following financial statement is a true statement of the receipts and expenditure of the Roads to Recovery payments received by Diamantina Shire Council under Part 8 of the *Nation Building Program (National Land Transport) Act 2009* in the financial year 2013-14.

[1]	[2]	[3]	[4]	[5]
Amount brought forward from previous financial year $	Amount received in report year $	Total amount available for expenditure in report year $	Amount expended in report year $	Amount carried forward to next financial year $
		[1]+[2]		[3]-[4]
0	312,330	312,330	312,330	0

The own source expenditure on roads for Diamantina Shire Council in 2013-14 was: $241,004

.... (signature of Chief Executive Officer/General Manager)

22/ 7 / 2014

Leon Love (name of Chief Executive Officer/General Manager)

QAO
certified statements

Australian Government

Department of Infrastructure and Regional Development

Auditor's report

(Conditions cl.6.2(b))

In my opinion:

(i) the financial statement above is based on proper accounts and records; and

(ii) the financial statement above is in agreement with proper accounts and records; and

(iii) the amount reported as expended during the year was used solely for expenditure on the maintenance and/or construction of roads; and

(iv) the amount certified by the Chief Executive Officer in the Chief Executive Officer's financial statement above as the funding recipient's own source expenditure on roads during the year is based on, and in agreement with proper accounts and records.

I am an "appropriate auditor" as defined in section 4 of the *Nation Building Program (National Land Transport) Act 2009.*

.... (signature of auditor)

.... / .... / 2014

.... (name of auditor)

.... (name of auditor's company)

Note: Under s.4 of the Act, "appropriate auditor" means:

(a) in relation to a funding recipient whose accounts are required by law to be audited by the Auditor-General of a State — the Auditor-General of the State; or

(b) in relation to a person or body whose accounts are required by law to be audited by the Auditor-General of the Commonwealth — the Auditor-General of the Commonwealth; or

(c) in relation to any other funding recipient — a person (other than an officer or employee of the person or body) who is:

  (i) registered as a company auditor or a public accountant under a law in force in a State; or

  (ii) a member of the Institute of Chartered Accountants in Australia or of the Australian Society of Accountants.

PART 2 - STATEMENT OF ACCOUNTABILITY BY CHIEF EXECUTIVE OFFICER

(see subclauses 6.3(a), (c) and (d) of the funding conditions)

I, Leon Love, Chief Executive Officer or General Manager, of Diamantina Shire Council, hereby certify, in accordance with the funding conditions determined under section 90 of the *Nation Building Program (National Land Transport) Act 2009* (the Act), that:

☑ (a) Roads to Recovery funds received by Diamantina Shire Council during the year 2013-14 which have been spent, have been spent on the construction and/or maintenance of roads;

☑ (b) Diamantina Shire Council complied with the signage and other public information requirements as set out in Part 3 of the funding conditions; and

☑ (c) during the financial year Diamantina Shire Council complied with other conditions of the grant as set out in clause 6.3(d) of the funding conditions.

.... (signature of Chief Executive Officer/General Manager)

22 / 7 / 2014

PART 3 – STATEMENT ON EXPENDITURE MAINTENANCE BY CHIEF EXECUTIVE OFFICER

(see subclause 6.3(b) of the funding conditions)

I, Leon Love, Chief Executive Officer/General Manager, of Diamantina Shire Council, state that, in accordance with the funding conditions determined under section 90 of the *Nation Building Program (National Land Transport) Act 2009* :

1(a) expenditure on the construction and/or maintenance of roads by Diamantina Shire Council using its own sources funds in the year to which this report refers was $241,004.

1(b) the reference amount for Diamantina Shire Council is $146,989.

Note: the figure at 1(b) should be taken from Part 5 of the report.

The following information need only be provided if the expenditure shown in 1(a) is less than the reference amount as shown in 1(b) above:

2(a) expenditure on the construction and/or maintenance of roads by Diamantina Shire Council using its own sources funds for the year prior to the year to which this report refers was $.

2(b) the average of expenditure on the construction and/or maintenance of roads by Diamantina Shire Council using its own source funds for the year to which this report refers and the previous year was $.

The following information need only be provided if the expenditure shown in 1(a) is less than the reference amount as shown in 1(b) above:

3(a) expenditure on the construction and/or maintenance of roads by Diamantina Shire Council using its own sources funds in the year two years before the year to which this report refers was $.

3(b) the average of expenditure on the construction and/or maintenance of roads by Diamantina Shire Council using its own source funds for the year to which this report refers and the previous two years was $.

The following information need only be provided if the expenditure shown at 3(b) is less than the reference amount as shown in 1(b) above:

4(a) the funding recipient's average own source revenue (See Notes below) during the reference period was $.

4(b) the funding recipient's own source revenue during the year to which this report refers was $.

4(c) please express the amount at 4(b) as a percentage of 4(a) %.

4(d) please calculate the adjusted reference amount by multiplying the reference amount (from 1(b)) by the percentage at 4(c) $.

Note 1: The average own source revenue for the reference period is either the average of the own source revenue for each of the years during the reference period (see clause 1.(1)) or the average of three of those five years except for the years where the revenue was highest and lowest.

Note 2: The definition of 'own source revenue' corresponds to the definition of 'own source funds' in clause 1.(1).

.... (signature of Chief Executive Officer/General Manager)

22/ 7 / 2014

PART 4 - STATEMENT OF OUTCOMES BY CHIEF EXECUTIVE OFFICER

(see subclause 6.3(e) of the funding conditions)

Diamantina Shire Council has achieved the following outcomes under the Roads to Recovery Program in 2013-14:

Gravel Resheeting - Diamantina Lakes to Springvale Road 5kms $121,558
Replace Grids - Griffiths Tank to Coorabulka Road $190,772

Key outcomes

Outcome	**Estimated % of Roads to Recovery Expenditure (all projects)**
1. Road Safety	15
2. Regional economic development	0
3. Achievement of asset maintenance strategy	10
4. Improved access for heavy vehicles	10
5. Promotion of tourism	10
6. Improvements of school bus routes	0
7. Access to remote communities	25
8. Access to intermodal facilities	0
9. Traffic management	0
10. Improved recreational opportunities	0
11. Amenity of nearby residents	5
12. Equity of access (remote areas)	25
13. Other	0
TOTAL	**100**

.... (signature of Chief Executive Officer/General Manager)

22/ 7/ 2014

INDEPENDENT AUDITOR'S REPORT

To the Chief Executive Officer of Diamantina Shire Council

Report on the Financial Report

I have audited the accompanying Chief Executive Officer's Financial Statement, being a special purpose financial report, of Diamantina Shire Council for the delivery of the Roads to Recovery Program within the requirements of the *Nation Building Program (National Land Transport) Act 2009* (the Act) and the *Determination of Conditions Applying to Payments under Part 8 of the Act* (the Funding Conditions). This financial report comprises the financial statement of receipts and expenditure of the Roads to Recovery payments received under the Funding Conditions of the Act, own source expenditure on roads for the Council for the year ended 30 June 2014 and the certificate given by the Chief Executive Officer of the Diamantina Shire Council in relation to this financial statement. The financial report has been prepared using the cash basis of accounting as prescribed within sub-clause 6.2(a) of the Funding Conditions.

The Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer of the Diamantina Shire Council is responsible for the preparation and fair presentation of the financial report in accordance with the basis of preparation described in the Funding Conditions and for such internal control as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial report that 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. These auditing 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 risks of material misstatement in 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 and fair presentation of the financial report 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. An audit also includes evaluating the application of accounting policies and the reasonableness of accounting estimates made by the Chief Executive Officer, as well as evaluating the overall presentation of the financial report.

My opinion does not provide assurance in relation to any of the following elements:

- Part 2 - Statement of Accountability by the Chief Executive Officer
- Part 3 - Statement on Expenditure Maintenance by Chief Executive Officer
- Part 4 - Statement of Outcomes by Chief Executive Officer
- Part 5 - Reference Amount.

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 sub-clause 6.2(b) of the Funding Conditions which identifies the requirements of Diamantina Shire Council in relation to Roads to Recovery Program funding received under Part 8 of the *Nation Building Program (National Land Transport) Act 2009*, in my opinion, in all material respects:

(a) the financial report for the year ended 30 June 2014 is based on proper accounts and records;

(b) the financial report for the year ended 30 June 2014 is in agreement with proper accounts and records;

(c) the amount reported as expended during the year ended 30 June 2014 was used solely for expenditure on the maintenance and/or construction of roads; and

(d) the amount certified by the Chief Executive Officer in the financial report as the funding recipient's own source expenditure on roads during the year ended 30 June 2014 is based on, and in agreement with, proper accounts and records.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to the reference to sub-clause 6.2(a) of the Funding Conditions, in the financial statement which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Chief Executive Officer's financial reporting responsibilities to the Commonwealth Department of Infrastructure and Regional Development under the Act. As a result, the financial report may not be suitable for another purpose.

QUEENSLAND
29 OCT 2014
AUDIT OFFICE

D. Stolz

D A STOLZ FCPA
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane