



SUSTAINABLY DEVELOPING THE OUTBACK

DIAMANTINA SHIRE COUNCIL
ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2010

FINANCIAL REPORT

For the year ended 30 June 2010

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DIAMANTINA SHIRE COUNCIL

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
Income			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	548,774	543,983
Fees and charges	3(b)	95,526	94,519
Rental income	3(c)	335,146	268,773
Interest earned	3(d)	318,395	268,946
Sales - Contract and recoverable works	3(e)	30,877,658	16,530,293
Other income	3(f)	206,549	255,773
Grants, subsidies, contributions and donations	4(a)	5,477,202	6,368,427
Total recurrent revenue		<u>37,859,249</u>	<u>24,330,714</u>
Capital revenue			
Grants, subsidies, contributions and donations	4(b)	403,551	1,996,068
		<u>403,551</u>	<u>1,996,068</u>
Total revenue		<u>38,262,800</u>	<u>26,326,783</u>
Total income		<u>38,262,800</u>	<u>26,326,783</u>
Expenses			
Recurrent expenses			
Employee benefits	5	(4,192,323)	(4,166,986)
Materials and services	6	(27,955,716)	(16,628,055)
Finance costs	7	(132,469)	(84,718)
Depreciation	8	(2,000,300)	(2,889,022)
Total recurrent expenses		<u>(34,280,808)</u>	<u>(23,768,781)</u>
Capital Expenses			
Gain / (Loss) on disposal of non-current assets	9	(25,461)	(194,309)
Total expenses		<u>(34,306,269)</u>	<u>(23,963,090)</u>
Net operating surplus		<u>3,956,531</u>	<u>2,363,693</u>
Other comprehensive income			
Increase / (decrease) in asset revaluation surplus		(12,428,422)	8,009,671
Total other comprehensive income		<u>(12,428,422)</u>	<u>8,009,671</u>
Total comprehensive income for the year		<u>(8,471,891)</u>	<u>10,373,364</u>

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

DIAMANTINA SHIRE COUNCIL

Statement of Financial Position

as at 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
ASSETS			
Current Assets			
Cash and cash equivalents	10	12,424,096	7,679,820
Trade and other receivables	11	2,369,955	5,237,342
Inventories	12	918,204	702,323
Other financial assets	13	38,261	82,516
		<u>15,750,516</u>	<u>13,702,001</u>
Non-current assets classified as held for sale	14	1,154,864	-
Total current assets		<u>16,905,380</u>	<u>13,702,001</u>
Non-current Assets			
Property, plant and equipment	15	67,090,899	80,130,489
Total non-current assets		<u>67,090,899</u>	<u>80,130,489</u>
TOTAL ASSETS		<u>83,996,279</u>	<u>93,832,490</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	16	1,678,963	2,930,467
Borrowings	17	224,758	217,969
Provisions	18	21,698	10,438
Total current liabilities		<u>1,925,419</u>	<u>3,158,874</u>
Non-current Liabilities			
Trade and other payables	16	94,868	48,406
Borrowings	17	1,531,928	1,752,897
Provisions	18	150,837	107,195
Total non-current liabilities		<u>1,777,633</u>	<u>1,908,498</u>
TOTAL LIABILITIES		<u>3,703,052</u>	<u>5,067,372</u>
NET COMMUNITY ASSETS		<u>80,293,227</u>	<u>88,765,118</u>
Community Equity			
Shire capital	19	32,201,338	32,213,084
Asset revaluation surplus	20	37,893,793	50,322,215
Retained surplus/(deficiency)	21	8,230,124	3,919,046
Other reserves	22	1,967,972	2,310,774
TOTAL COMMUNITY EQUITY		<u>80,293,227</u>	<u>88,765,118</u>

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

DIAMANTINA SHIRE COUNCIL

Statement of Changes in Equity
For the year ended 30 June 2010

	Shire Capital	Asset Revaluation Surplus	Retained Surplus	Other Reserves	Total
Notes	19	20	21	22	
		\$	\$	\$	\$
Year Ended 30th June 2010					
Balance at 1 July 2009	32,213,084	50,322,215	3,919,045	2,310,774	88,765,118
Net operating surplus	-	-	3,956,531	-	3,956,531
Other comprehensive income for year					
Increase / (decrease) in asset revaluation surplus	-	(12,428,422)	-	-	(12,428,422)
Total comprehensive income for year	-	(12,428,422)	3,956,531	-	(8,471,891)
Transfers to and from reserves					
Transfers to/from capital	(11,746)	-	11,746	-	-
Transfers to/from general reserves	-	-	342,802	(342,802)	-
Total transfers to and from reserves	(11,746)	-	354,548	(342,802)	-
Balance at 30 June 2010	32,201,338	37,893,793	8,230,123	1,967,972	80,293,227
Year Ended 30th June 2009					
Balance at 1 July 2008	28,141,467	42,312,544	5,671,579	2,263,532	78,389,122
Net operating surplus	-	-	2,363,693	-	2,363,693
Other comprehensive income for year					
Increase / (decrease) in asset revaluation surplus	-	8,009,671	-	-	8,009,671
Total comprehensive income for year	-	8,009,671	2,363,693	-	10,373,364
Transfers to and from reserves					
Transfers to/from capital	4,071,617	-	(4,071,617)	-	-
Transfers to/from general reserves	-	-	(44,610)	47,242	2,632
Total transfers to and from reserves	4,071,617	-	(4,116,227)	47,242	2,632
Balance at 30 June 2009	32,213,084	50,322,215	3,919,045	2,310,774	88,765,118

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

DIAMANTINA SHIRE COUNCIL

Statement of Cash Flows

For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
Cash flows from operating activities :			
Receipts from customers		37,035,128	15,092,418
Payments to suppliers and employees		(35,909,038)	(20,147,879)
		1,126,091	(5,055,461)
Interest received		318,395	268,946
Rental Income		335,146	268,773
Non Capital Grants and Contributions		5,477,202	6,368,427
Borrowing costs		(132,469)	(67,263)
Net cash inflow (outflow) from operating activities	27	7,124,364	1,783,422
Cash flows from investing activities:			
Payments for property, plant and equipment		(3,165,566)	(4,863,058)
Proceeds from sale of property plant and equipment		596,107	1,360,674
Grants, Subsidies, Contributions and donations		403,551	1,996,068
Net cash inflow (outflow) from investing activities		(2,165,908)	(1,506,316)
Cash flows from financing activities:			
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		(214,180)	(88,833)
Net cash inflow (outflow) from financing activities		(214,180)	911,167
Net increase (decrease) in cash held		4,744,276	1,188,273
Cash at beginning of reporting period		7,679,820	6,491,548
Cash at end of reporting period	10	12,424,096	7,679,820

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

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

1 Significant accounting policies

1.A Basis of Preparation

These general purpose financial statements for the period 1 July 2009 to 30 June 2010 have been prepared in accordance with Australian Accounting Standards and complies with the requirements of the Local Government Act 1993 and the Local Government Finance Standard 2005.

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 1993 and is domiciled in Australia.

1.D Date of Authorisation

The financial report was authorised for issue on the date it was submitted to the Auditors 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 new and revised Standards and Interpretations has resulted in the following changes to the Council's accounting policies:

Presentation of Financial Statements (AASB 101 Presentation of Financial Statements, AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101)

The revised Standard and Amending Pronouncements do not affect any of the amounts presented in the financial statements, but have changed the disclosures made in the financial statements. The change in terminology in the revised AASB 101 has resulted in the Balance Sheet being renamed the Statement of Financial Position, and the Cash Flow Statement being renamed the Statement of Cash Flows. The former Income Statement has been replaced with a single Statement of Comprehensive Income. In line with the new concept of "comprehensive income" the bottom of the Statement contains other Comprehensive Income that was previously included in the Statement of Changes in Equity.

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

	Effective for annual report periods beginning on or after
<i>AASB 9 Financial Instruments (December 2009)</i>	1 January 2013
<i>AASB 124 Related Party Disclosures (December 2009)</i>	1 January 2011
<i>2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (May 2009)</i>	1 January 2010
<i>2009-8 Group Cash-settled Share-based Payment Transactions (July 2009)</i>	1 January 2010
<i>2009-9 Additional Exemptions for First-time Adopters (September 2009)</i>	1 January 2010
<i>2009-10 Classification of Rights Issues (October 2009)</i>	1 January 2010
<i>2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (December 2009)</i>	1 January 2013
<i>2009-12 Amendments to Australian Accounting Standards in relation to AASB 8 Operating Segments (December 2009)</i>	1 January 2011
<i>2009-13 Amendments to AAS arising from Interpretation 19 (December 2009)</i>	1 July 2010
<i>2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (Interpretation 14) (Dec 2009)</i>	1 January 2011
<i>Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (December 2009)</i>	1 July 2010

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

Management have yet to assess the impact that AASB 9 Financial Instruments and 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 is likely to have on the financial statements of Council as it is anticipated that further amendments will occur. Council does not expect to implement the amendments prior to adoption date of 1 January 2013.

Initial application of the other Standards / Interpretations in issue but not effect is not expected to have any material impact on Council's financial statements.

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 assessments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

Valuation of property, plant and equipment - Note 1.Q and Note 15
Impairment of property, plant and equipment - Note 1.R and Note 10
Provisions - Note 1.T and Note 18
Contingencies - Note 24

1.H Changes to Accounting Policies

Unless otherwise stated, accounting policies are the same as for the previous year.

1.I Rates, Grants and Other 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.

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. An equivalent amount is placed in a reserve until the funds are expended. Unspent non-reciprocal capital grants are placed in the Unspent capital grants reserve. Council spends all recurrent grants in the year received and therefore council has not established a reserve for this purpose.

Where grants are received that are reciprocal in nature, revenue is recognised over the term of the funding arrangements. Council does not currently have any reciprocal grants.

Non-Cash Contributions

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

Rental Income

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

Interest

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

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.J Financial assets and financial liabilities

Financial assets

Cash and cash equivalents (Note 1.K)

Receivables - measured at amortised cost (Note 1.L)

Financial liabilities

Payables - measured at amortised cost (Note 1.S)

Borrowings - measured at amortised cost (Note 1.U)

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

The fair value of financial instruments is determined as follows:

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

The fair value of borrowings, as disclosed in Note 17 to the accounts, is determined by reference to published price quotations in an active market and / or by reference to pricing models and valuation techniques. It reflects the value of the debt if council repaid it in full at balance date. As it is the intention of the Council to hold its borrowings for their full term, no adjustment provision is made in these accounts.

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

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

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

1.K 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, and bank overdrafts.

1.L Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery ie 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 with provision being made for impairment. The loss is recognised in finance costs. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

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

Because Council has the power to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

1.M Inventories

Stores, raw materials and water held for resale 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.

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.N Other Financial Assets

Other financial assets are recognised at cost.

1.O Land Held for Resale

Land acquired with the intention of reselling it (with or without further development) is classified as inventory. As inventory, this land is valued at the lower of cost or net realisable value. Inventory items are always treated as current assets.

Profit arising upon sale of land is recognised in the Statement of Comprehensive Income on the signing of a valid unconditional contract of sale.

1.P 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 2010 Council did not have any term deposits in excess of three months.

1.Q 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 and improvements
- Buildings
- Plant & 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 means the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 and improvements, buildings and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB116 Property, Plant and Equipment and the Local Government Finance Standard 2005. Other plant and equipment is 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 with interim valuations, using a suitable index, being performed on an annual basis where there has been a material variation in the index.

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.Q 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 reserve 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.

Details of valuers and methods of valuations are disclosed in Note 15.

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 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.

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.

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

The estimated useful lives of the property, plant and equipment are reviewed annually. Details of the range of useful lives for each class of asset are shown in Note 15.

Land Under Roads

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

1.R Impairment of Non Current Assets

Each non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. 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 asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately 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 increase.

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.S 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.T 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. The current portion (based on the expected payment date) is calculated on current wage and salary levels and includes related employee on-costs. The non current portion is based on projected future wage and salary levels and related employee on-costs, 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 25.

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 interest rates attaching as at the reporting date, to Commonwealth Government guaranteed securities are used to discount the estimated future cash outflows to their present value. The value of the liability was calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The liability is reported in Note 18 as a provision.

1.U Borrowing Costs

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

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.

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.X Reserves

The following reserves are cash backed reserves and represent funds that are accumulated within the Council to meet anticipated future needs. In each case the amount relates to a perceived future requirement which is not currently a liability.

House Purchase Reserve

The reserve was created to contribute to future funding for new housing infrastructure.

Recreational Facilities Reserve

This reserve was created to provide for unexpected capital expenditure in relation to new infrastructure or other facilities within the shire.

Roads Construction Reserve

This reserve was created to provide for unexpected capital expenditure in relation to Council's road networks within the Shire.

Community Housing Reserve

This reserve was created to meet the final principal redemption repayment under a loan agreement.

Plant Replacement Reserve

This reserve was created to provide for unexpected capital expenditure in relation to Council's Plant Fleet.

Water Infrastructure Reserve

The reserve was created to contribute to future funding for new housing infrastructure and provide a contingency amount to offset any major unforeseen works which are required.

Other Capital Projects Reserve

The reserve was created to contribute to future funding for other new capital projects.

CED Infrastructure Reserve

The reserve was created to contribute to future funding for new CED infrastructure and provide a contingency amount to offset any major unforeseen works which are required.

Employee Entitlements Reserve

The reserve was created to contribute to future funding for employee entitlements.

Asset Revaluation Reserve

The reserve was created to contribute towards costs of revaluing assets.

Bedourie Airport Reserve

The reserve was created to contribute to future funding for improvements to the airport.

Birdsville Airport Reserve

The reserve was created to contribute to future funding for improvements to the airport.

Information Technology and Communications Reserve

This reserve was created to contribute to future funding of Information Technology and Communications Infrastructure.

1.Y National Competition Policy

The Council has reviewed its activities and has identified no activities that are business activities. Refer to Note 30.

1.Z 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.

Notes to the Financial Statements

For the year ended 30 June 2010

Significant accounting policies (continued)

1.AA 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 26.

1.AB 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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

2 Analysis of results by function

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

<i>Functions</i>	<i>Income</i>				<i>Total</i>		<i>Total</i>		<i>Net result</i>		<i>Assets</i>	
	<i>Grants</i>		<i>Other</i>		<i>Income</i>		<i>Expenses</i>		<i>attributable to Council</i>			
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance	4,996,330	6,482,626	759,555	801,754	5,755,885	7,284,380	(2,663,333)	(1,967,778)	3,092,552	5,316,602	19,762,637	16,814,682
Community Services	851,362	944,539	530,202	441,908	1,381,564	1,386,447	(3,698,243)	(3,108,726)	(2,316,679)	(1,722,279)	16,179,515	16,486,811
Works	33,060	937,330	30,842,293	16,530,293	30,875,353	17,467,623	(25,306,342)	(16,572,349)	5,569,011	895,274	22,630,093	34,713,258
Environment, Health & Planning	-	-	249,998	188,333	249,998	188,333	(2,638,351)	(2,314,237)	(2,388,353)	(2,125,904)	25,424,034	25,817,739
Total Council	5,880,752	8,364,495	32,382,048	17,962,288	38,262,800	26,326,783	(34,306,269)	(23,963,090)	3,956,531	2,363,693	83,996,279	93,832,490

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
<i>Notes on the Income Statement</i>			
3 Revenue analysis			
(a) Rates, Levies and charges			
General rates		461,538	458,260
Water		91,482	83,553
Sewerage		32,676	29,604
Garbage charges		34,487	30,992
Total rates and utility charge revenue		620,183	602,409
Less: Discounts		(71,409)	(58,426)
Net rates and utility charges		548,774	543,983
(b) Fees and charges			
Fees and charges		95,526	94,519
		95,526	94,519
(c) Rental income			
Housing rentals		335,146	268,773
		335,146	268,773
(d) Interest earned			
Interest from rates and charges		5,152	4,429
Interest earned from cash deposits		313,243	264,517
		318,395	268,946
(e) Sales - Contract and recoverable works			
Sales - Contract and recoverable works		30,877,658	16,530,293
		30,877,658	16,530,293
(f) Other recurrent income			
Other income		206,549	255,773
		206,549	255,773
4 Grants, subsidies, contributions and donations			
(a) Recurrent			
General purpose grants			
State Government grants		4,975,534	5,772,042
Commonwealth Government grants		499,930	596,255
Donations		1,738	130
Total recurrent revenue		5,477,202	6,368,427
(b) Capital			
State Government subsidies & grants		363,551	908,738
Commonwealth Government grants		40,000	1,087,330
Total capital revenue		403,551	1,996,068

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements
For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
Conditions over contributions			
Contributions and grants which were recognised as revenues 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.			
Grants for expenditure on infrastructure		-	249,528
Other Grants		18,000	
		<u>-</u>	<u>249,528</u>

5 Employee benefits

Total staff wages and salaries		3,418,592	3,376,128
Councillors' remuneration		140,175	170,138
Annual, sick and long service leave entitlements		213,360	203,762
Superannuation	25	304,732	291,435
		<u>4,076,859</u>	<u>4,041,463</u>
Other Employee related expenses		214,814	190,736
		<u>4,291,673</u>	<u>4,232,199</u>
Less: Capitalised employee expenses		(99,350)	(65,213)
		<u>4,192,323</u>	<u>4,166,986</u>

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

Total Council employees at the reporting date:	2010	2009
Elected members	5	5
Administration staff	21	22
Depot and outdoors staff	38	38
Total full time equivalent employees	<u>64</u>	<u>65</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
6 Materials and services			
Administration supplies and consumables		1,790,526	1,007,319
Area promotion & events		762,289	473,817
Audit services		31,119	27,100
CED scheme		126,532	67,018
Community & Council housing expenses		238,234	284,996
Council depots		1,000,493	593,029
Donations paid		38,054	15,312
Environmental health, pest & animal management		74,653	65,392
Halls & public conveniences		67,004	59,255
Health service expenses		1,148,509	835,928
Other community services		158,922	301,614
Parks, gardens & reserves		456,881	281,627
Planning and development		37,350	40,704
Plant operation		3,480,765	2,885,831
Racecourses, swimming pools, aerodromes, caravan parks		419,983	348,964
Recoverable works		249,619	321,302
Repairs & maintenance		37,453	85,916
Shire road & street network		56,449	43,081
Subsidised works		17,618,335	8,726,432
Waste management		46,308	84,673
Water supply		116,237	78,745
		<u>27,955,716</u>	<u>16,628,055</u>
7 Finance costs			
Finance costs charged by the Queensland Treasury Corporation		106,634	58,112
Interest charged ATO		10,031	17,455
Bank charges		10,638	9,151
Impairment of Debts		5,166	-
		<u>132,469</u>	<u>84,718</u>
8 Depreciation			
(a) Depreciation of non-current assets			
Buildings		390,037	753,219
Other structures		624,279	601,642
Plant and equipment		599,989	1,139,125
Road, drainage and bridge network		261,229	292,416
Water		82,731	66,390
Sewerage		42,035	36,230
Total depreciation of non current assets		<u>2,000,300</u>	<u>2,889,022</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
9 Capital expenses			
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale of plant & equipment		311,087	977,378
Less: Book value of property, plant & equipment disposed of		(213,866)	(1,050,299)
		<u>97,221</u>	<u>(72,921)</u>
Proceeds from the sale of land, improvements, buildings and other structures		285,020	383,296
Less: Book value of land, improvements, buildings and other structures sold		(407,702)	(504,684)
		<u>(122,682)</u>	<u>(121,388)</u>
		<u>(25,461)</u>	<u>(194,309)</u>

Notes on the Balance Sheet

10 Cash and cash equivalents			
Cash at bank and on hand		2,230,376	4,218,089
Deposits at call		10,193,720	3,461,731
Balance per cash flow statement		<u>12,424,096</u>	<u>7,679,820</u>
Externally imposed expenditure restrictions at the reporting date relate to the following cash assets:			
Unspent government grants and subsidies		1,137,995	1,275,572
Total unspent restricted cash for capital and recurrent projects		<u>1,137,995</u>	<u>1,275,572</u>

Cash and deposits at call are held in the Westpac Bank in normal term deposits and business cheque accounts. The Bank currently has a short term credit rating of A1+ and long term rating of AA-.

11 Trade and other receivables			
Current			
Rateable revenue and utility charges		153,337	87,644
Other debtors		339,913	325,078
Less provision for impairment		(10,000)	(21,658)
Accrued revenue		1,886,705	4,846,278
		<u>2,369,955</u>	<u>5,237,342</u>

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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

	Note	2010 Actual \$	2009 Actual \$
12 Inventories			
Current			
Inventories held for distribution:			
Stores and raw materials		918,204	702,323
Total inventories for distribution		918,204	702,323
13 Other financial assets			
Current			
Prepayments		38,261	82,516
		38,261	82,516
14 Non-current assets classified as held for sale			
Council has decided to sell specified houses to generate further private ownership within the shire. Houses will be listed for auction and then available for sale. It is expected that these houses are to be sold within one year.		1,154,864	-
		1,154,864	-

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

15 (a) Property, plant and equipment

30th June 2010

Basis of Measurement

Asset Values

NOTE	Land and improvements	Buildings	Plant and equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
	<i>Revaluation</i>	<i>Revaluation</i>	<i>Cost</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Cost</i>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2009	1,986,354	30,833,135	13,611,898	45,733,140	4,514,014	2,789,387	17,502,372	1,609,633	118,579,933
Additions at cost	163,311	1,402,555	762,012	87,447	-	-	27,807	722,435	3,165,567
Disposals	9 (27,000)	(589,200)	(983,440)	-	-	-	-		(1,599,640)
Assets classified as held for sale	14 (314,222)	(1,540,009)							(1,854,231)
Closing gross value as at 30 June 2010	1,808,443	30,106,481	13,390,470	45,820,587	4,514,014	2,789,387	17,530,179	2,332,068	118,291,629

Accumulated Depreciation and Impairment

Opening balance as at 1 July 2009
 Depreciation provided in period
 Depreciation on disposals
 Impairment adjustment to asset revaluation surplus
 Assets classified as held for sale
 Accumulated depreciation as at 30 June 2010

	-	6,643,906	6,808,688	19,807,999	1,302,124	468,779	3,417,951	-	38,449,447
8		390,037	599,989	261,229	82,731	42,035	624,279		2,000,300
9		(208,498)	(769,574)						(978,072)
20		488,443		11,939,979					12,428,422
14		(699,367)							(699,367)
	-	6,614,521	6,639,103	32,009,206	1,384,855	510,814	4,042,231	-	51,200,730

Written down value 30th June 2010

Written down value 30th June 2009

	1,808,443	23,491,960	6,751,367	13,811,381	3,129,159	2,278,573	13,487,948	2,332,068	67,090,899
	1,986,354	24,189,229	6,803,210	25,925,142	3,211,890	2,320,609	14,084,420	1,609,633	80,130,488

Range of estimated useful life in years

40 - 100	2 - 20	5 - 100	20 - 80	20 - 60	1 - 50
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Residual Value

-	2,902,307	3,246,300	17,560,077	-	-	1,269,509
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DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

15 (a) Property, plant and equipment

	Land and improvements	Buildings	Plant and equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
30th June 2009									
<i>Basis of Measurement</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Cost</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Revaluation</i>	<i>Cost</i>	
Asset Values	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2008	2,014,954	26,536,485	14,207,455	28,017,586	4,013,484	2,592,814	13,686,138	4,407,563	95,476,480
Additions at cost		2,850,760	2,119,131	480,558		26,329	2,186,842	(2,797,930)	4,865,691
Disposals	9 (28,600)	(482,083)	(2,410,810)				(100,125)		(3,021,608)
Revaluation adjustment to Asset Revaluation Surplus	20	1,894,103		17,234,996	500,530	170,244	1,459,509		21,259,403
Revaluation adjustment to Income	-	-	-	-			-		-
Internal transfers		33,870	(303,878)				270,008		-
Closing gross value as at 30 June 2009	1,986,354	30,833,135	13,611,898	45,733,140	4,514,014	2,789,387	17,502,372	1,609,633	118,579,934
Accumulated Depreciation and Impairment									
Opening balance as at 1 July 2008	-	5,476,228	7,179,741	7,810,910	1,022,699	376,910	1,910,861		23,777,349
Depreciation provided in period	8 -	753,219	1,139,125	292,416	66,390	36,230	601,642		2,889,022
Depreciation on disposals	9 -	(103,933)	(1,360,511)				(2,191)		(1,466,635)
Revaluation adjustment to Asset Revaluation Surplus	20 -	596,208		11,704,673	213,035	55,639	680,156		13,249,711
Internal transfers	-	(77,816)	(149,667)				227,483		-
Accumulated depreciation as at 30 June 2009	-	6,643,906	6,808,688	19,807,999	1,302,124	468,779	3,417,951	-	38,449,447
Written down value 30th June 2009	1,986,354	24,189,229	6,803,210	25,925,142	3,211,890	2,320,609	14,084,420	1,609,633	80,130,488
Written down value 30th June 2008	2,014,954	21,060,257	7,027,714	20,206,677	2,990,785	2,215,905	11,775,276	4,407,563	71,699,131
Range of estimated useful life in years		40 - 100	2 - 20	5 - 100	20 - 80	20 - 80	10 - 50		
Residual Value	-	2,975,245	3,312,600	20,277,997	-	-	970,014		

	Note	2010 Actual \$	2009 Actual \$
15 (b) Property, plant and equipment valuations were determined by reference to the following:			
Land			
The valuation of land and improvements was undertaken by Propell National Valuers in the 2008-09 financial year. Due to limited sales and no depth of market, no valuation changes were made. Valuations are at current market value.			
Land under infrastructure and reserve land do not have values for the purpose of the Diamantina Shire Council's financial statements.			
Buildings and Other Structures			
Buildings and Other Structures have been included at their depreciated replacement cost as at June 30, 2009 as valued by Propell National Valuers.			
Plant and Equipment			
Plant and equipment is deemed to be at original cost less accumulated depreciation.			
Infrastructure:			
Water and Sewerage Infrastructure -			
Water and Sewerage Infrastructure have been included at their depreciated replacement cost as at June 30, 2009 as valued by Propell National Valuers.			
Road and Drainage and Other Infrastructure -			
Road and Drainage and Other Infrastructure have been included at their depreciated replacement cost as at June 30, 2009 as valued by Propell National Valuers.			
15 (c) Impairment Adjustment to Asset Revaluation Surplus			
During 2010 Council experienced significant flooding which impacted on its road infrastructure network. An impairment adjustment of \$11,939,979 has been made to the asset revaluation surplus at 30 June 2010 as the required repairs had not been made by year end.			
The impairment adjustment to buildings of \$488,443 resulted when an assessment of the carrying value identified some were in excess of fair value less costs to sell. The impairment adjustment has been made to the asset revaluation surplus.			
16 Trade and other payables			
Current			
Creditors and accruals		1,429,450	2,684,322
Tax		-	19,102
Time off in lieu		5,939	2,937
Annual leave		243,574	224,106
		<u>1,678,963</u>	<u>2,930,467</u>
Non Current			
Annual leave		94,868	48,406
		<u>94,868</u>	<u>48,406</u>

	Note	2010 Actual \$	2009 Actual \$
17 Borrowings			
Current			
Loans QTC		224,758	217,969
		<u>224,758</u>	<u>217,969</u>
Non-Current			
Loans QTC		1,531,928	1,752,897
		<u>1,531,928</u>	<u>1,752,897</u>
Queensland Treasury Corporation			
Opening balance		1,970,866	1,059,700
Principal repayments		(214,180)	(88,834)
Loan drawdowns		-	1,000,000
Book value at period end		<u>1,756,686</u>	<u>1,970,866</u>
Classified as :			
Current		224,758	217,969
Non-current		1,531,928	1,752,897
		<u>1,756,686</u>	<u>1,970,866</u>
<p>The QTC loan market value at the reporting date was \$1,780,081.75 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.</p>			
<p>Unsecured borrowings are provided by the Queensland Treasury Corporation No assets have been pledged as security by the Council for any liabilities. 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 17 January 2016 to 3 May 2023. There have been no defaults or breaches of the loan agreement during the period. Principal and interest repayments are made quarterly in arrears.</p>			
18 Provisions			
Current			
Long service leave		21,698	10,438
Non Current			
Long service leave		150,837	107,195
Long Service Leave			
Opening balance		117,633	108,328
Long service leave entitlement arising		54,902	9,305
Balance at year end		<u>172,535</u>	<u>117,633</u>

	Note	2010 Actual \$	2009 Actual \$
19 Shire Capital			
<i>Calculation of Retained Surplus</i>			
Cash and cash equivalents		12,424,096	7,679,820
Less:			
Reserves (other than Asset Revaluation Surplus)		(1,967,972)	(2,310,774)
Working Cash requirement		(2,226,000)	(1,450,000)
Retained surplus / deficit		8,230,124	3,919,046
Total capital and surplus		40,431,462	36,132,129
Capital account		32,201,338	32,213,083
Capital account opening balance		32,213,084	28,141,467
Transfer to (from) capital		(11,746)	4,071,617
Closing balance		32,201,338	32,213,084
20 Asset revaluation surplus			
(i) Movements in the asset revaluation surplus were as follows:			
Balance at beginning of period		50,322,215	42,312,544
Net adjustment to non-current assets at end of period to reflect a change in current fair value:			
Buildings		-	1,297,895
Other structures		-	779,353
Plant and equipment		-	-
Road, drainage and bridge network		-	5,530,323
Water		-	287,495
Sewerage		-	114,605
Impairment			
Buildings		(488,443)	-
Road, drainage and bridge network		(11,939,979)	-
Balance at end of the year		37,893,793	50,322,215
(ii) Asset revaluation surplus analysis			
The closing balance of the asset revaluation surplus is comprised of the following asset categories:			
Buildings		9,609,054	10,097,497
Other structures		6,862,106	6,862,106
Plant and equipment		2,756,761	2,756,761
Road, drainage and bridge network		16,038,048	27,978,027
Water		1,778,606	1,778,606
Sewerage		849,218	849,218
		37,893,793	50,322,215

	Note	2010 Actual \$	2009 Actual \$
21 Retained surplus			
Movements in the retained surplus were as follows:			
Retained surplus/(deficit) at the beginning of financial year		3,919,046	5,671,580
Net result attributable to council		3,956,531	2,363,692
Transfers (to) from capital reserves for future capital project funding, or from reserves funds that have been expended:	22		
House purchase reserve		351,802	-
Recreational facilities reserve		50,000	-
Road construction reserve		200,000	-
Plant replacement reserve		(400,000)	-
Water infrastructure reserve		76,000	-
Other capital projects reserve		500,000	-
CED infrastructure reserve		65,000	-
Employee entitlements reserve		-	(34,610)
Asset revaluation surplus		-	(10,000)
Information and technology reserve		(500,000)	-
Transfers (to) recurrent reserves for future project funding, or from reserves funds that have been expended:			
Recurrent expenditure reserve		-	-
Transfers (to)/from Shire Capital		11,746	(4,071,617)
Retained surplus at the end of the financial year		<u>8,230,124</u>	<u>3,919,046</u>
22 Other reserves			
(a) Summary of reserves held for funding future capital expenditure:			
(i) House purchase reserve		-	351,802
(ii) Recreational facilities reserve		750,000	800,000
(iii) Roads construction reserve		-	200,000
(iv) Community housing reserve		61,730	61,730
(v) Plant replacement reserve		400,000	-
(vi) Water infrastructure reserve		174,000	250,000
(vii) Other capital projects reserve		-	500,000
(viii) CED infrastructure reserve		35,000	100,000
(ix) Employee entitlements reserve		34,610	34,610
(x) Asset revaluation reserve		10,000	10,000
(xi) Bedourie airport reserve		1,316	1,316
(xii) Birdsville airport reserve		1,316	1,316
(xiii) Information and technology reserve		500,000	-
Total reserves		<u>1,967,972</u>	<u>2,310,774</u>

	Note	2010 Actual \$	2009 Actual \$
22 Other reserves (Continued)			
(i) House purchase reserve			
Balance at the beginning of period		351,802	351,802
Transfer to the retained earnings/capital funds expended in the period		(351,802)	-
Balance at the end of period		-	351,802
(ii) Recreational facilities reserve			
Balance at the beginning of period		800,000	800,000
Transfer to the retained earnings/capital funds expended in the period		(50,000)	-
Balance at the end of period		750,000	800,000
(iii) Roads construction reserve			
Balance at the beginning of period		200,000	200,000
Transfer to the retained earnings/capital funds expended in the period		(200,000)	-
Balance at the end of period		-	200,000
(iv) Community housing reserve			
Balance at the beginning of period		61,730	61,730
Balance at the end of period		61,730	61,730
(v) Plant replacement reserve			
Transfer from retained earnings for future expenditure		1,600,000	-
Transfer to the retained earnings/capital funds expended in the period		(1,200,000)	-
Balance at the end of period		400,000	-
(vi) Water infrastructure reserve			
Balance at the beginning of period		250,000	250,000
Transfer to the retained earnings/capital funds expended in the period		(76,000)	-
Balance at the end of period		174,000	250,000
(vii) Other capital projects reserve			
Balance at the beginning of period		500,000	500,000
Transfer to the retained earnings/capital funds expended in the period		(500,000)	-
Balance at the end of period		-	500,000
(viii) CED infrastructure reserve			
Balance at the beginning of period		100,000	100,000
Transfer to the retained earnings/capital funds expended in the period		(65,000)	-
Balance at the end of period		35,000	100,000
(ix) Employee entitlements reserve			
Balance at the beginning of period		34,610	-
Transfer from retained earnings for future expenditure		-	34,610
Balance at the end of period		34,610	34,610

	Note	2010 Actual \$	2009 Actual \$
22 Other reserves (Continued)			
(x) Asset revaluation reserve			
Balance at the beginning of period		10,000	-
Transfer from retained earnings for future expenditure			10,000
Balance at the end of period		10,000	10,000
(xi) Bedourie airport reserve			
Balance at the beginning of period		1,316	-
Transfer from trust account for future expenditure			1,316
Balance at the end of period		1,316	1,316
(xii) Birdsville airport reserve			
Balance at the beginning of period		1,316	-
Transfer from trust account for future expenditure			1,316
Balance at the end of period		1,316	1,316
(xiii) Information and technology reserve			
Transfer from retained earnings for future expenditure		500,000	-
Balance at the end of period		500,000	-

23 Commitments for expenditure**Contractual Commitments**

At 30th June 2010 Council had 7 new houses under construction and not complete. The houses have an estimated cost of \$1,322,622 of which, the balance outstanding at 30th June 2010 amounted to \$595,396.20.

24 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 2010 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 \$144,755.74

	2010	2009
Note	Actual \$	Actual \$
25 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 two elements referred to as the Defined Benefits Fund (DBF) 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 1993.		
The DBF is a defined benefits plan as described in AASB 119. The Council is not able to account for the DBF as a defined benefit plan in accordance with AASB 119 because the scheme is unable to account to the Council for its proportionate share of the defined benefit obligation, plan assets and costs.		
Any amount by which either fund is over or under funded would only affect future benefits and contributions to the 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.		
The audited general purpose financial report of the scheme as at 30th June 2009 (the most recent available) which was not subject to any audit qualification, indicates that 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 2009. The actuary indicated that "the DBF is in a very modest financial position with regard to the net asset coverage of vested liabilities. Investment returns will be volatile under the required investment strategy, particularly over short periods. The DBF therefore needs sufficient reserves to be able to withstand a reasonable range of such influences. Because the DBF is now running down and cash flows are negative, the VBI (vested benefit index) should not be allowed whenever possible to retreat below 100%. Once below 100% benefits drawn reduce the available assets for the remaining members and hence the net asset coverage of the vested benefits declines further.		
In order to withstand a one in ten 'low return' outcome, the DBF would need reserves in the order of 8% to 10% having regard to the investment strategy adopted. Given the current position of the DBF, such reserve can essentially only eventuate from either excess investment returns over salary increases or additional employer contributions."		
Council has been advised by the trustee of the scheme, following advise from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of DBF members. Under amendments to the Local Government Act 1993 passed in June 2009, the trustee of the scheme has the power to levy additional contributions on councils which have employees in the DBF when the actuary advises such additional contributions are payable - normally when the assets of the DBF are insufficient to meet members' benefits.		
The next actuarial investigation will be made as at 1 July 2012.		
The amount of superannuation contributions paid by Diamantina Shire Council to the superannuation scheme in this period for the benefit of employees was:	<u>304,732</u>	<u>291,435</u>

	Note	2010 Actual \$	2009 Actual \$
26 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		69,112	68,502
		<u>69,112</u>	<u>68,502</u>
The Diamantina Shire Council performs only a custodial role in respect of these monies. These funds cannot be used by the Council.			
27 Reconciliation of net operating surplus for the year to net cash inflow (outflow) from operating activities			
Net Operating Result		3,956,531	2,363,692
Non-cash operating items:			
Depreciation		2,000,300	2,889,022
		<u>2,000,300</u>	<u>2,889,022</u>
Investing and development activities :			
Net (profit) loss on disposal of non current assets		(97,221)	72,921
Net (profit) loss on disposal of land held for resale		122,682	121,387
Capital grants and contributions		(403,551)	(1,996,068)
		<u>(378,090)</u>	<u>(1,801,760)</u>
Changes in operating assets and liabilities :			
(Increase) decrease in receivables		2,867,387	(3,061,962)
(Increase) decrease in inventory		(215,881)	12,472
(Increase) decrease in other financial assets		44,255	(2,780)
Increase (decrease) in payables		(1,205,040)	1,375,433
Increase (decrease) in provisions		54,902	9,305
		<u>1,545,623</u>	<u>(1,667,532)</u>
Net cash inflow from operating activities		<u>7,124,364</u>	<u>1,783,422</u>

28 Events after the reporting period

There were no material adjusting events after reporting date with exception to significant flooding during March 2011 and the Shire being declared a Natural Disaster area. The dollar impact of this recent flooding has not yet able to be assessed as the Shire remains under flood.

29 Financial Instruments

Diamantina Shire Council's activities expose it to a variety of financial risks including interest rate risk, credit risk, and liquidity risk:

Exposure to financial risks is managed in accordance with Council approved policies on financial risk management. These policies focus on managing the volatility of financial markets and seek to minimise potential adverse effects on the financial performance of the Council.

The Council minimises its exposure to financial risk in the following ways:

Investments in financial assets are only made where those assets are with a bank or other financial institution in Australia. The Council does not invest in derivatives or other high risk investments.

When the Council borrows, it borrows from the Queensland Treasury Corporation unless another financial institution can offer a more beneficial rate, taking into account any risk. Borrowing by the Council is constrained by the provisions of the Statutory Bodies Financial Arrangements Act 1982.

Diamantina Shire Council measures risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method
Credit Risk	Ageing Analysis
Liquidity Risk	Maturity
Interest Rate Risk	Sensitivity Analysis

(a) Credit risk exposure

Credit risk exposure refers to the situation where the Council may incur financial loss as a result of another party to a financial instrument failing to discharge their obligations.

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 these debts.

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

The Council is exposed to credit risk through its investments with the Queensland Treasury Corporation (QTC) and deposits held with banks or other financial institutions. The QTC Cash Fund is an asset management portfolio that invests with a wide variety of high credit rating counterparties. Deposits are capital guaranteed. Other investments are held with highly rated financial institutions and whilst not capital guaranteed, the likelihood of a credit failure is remote.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the gross carrying amount of those assets inclusive of any provision for impairment. No collateral is held as security relating to the financial assets held by the Council.

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

Council's maximum exposure to credit risk is as follows:

Financial Assets	Note	2010	2009
		\$	\$
Cash and cash equivalents - QTC	10	10,193,720	3,461,731
Cash and cash equivalents - bank	10	2,230,376	4,218,089
Receivables - rates	11	153,337	87,644
Receivables - other	11	339,913	325,078
Total		12,917,346	8,092,542

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the year ended 30 June 2010

29 Financial Instruments

Past due or impaired

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

The following table represents an analysis of the age of the Council's financial assets that are either fully performing, past due or impaired:

2010	Less than 30 Days \$	Past due			Impaired \$	Total \$
		30 days \$	60 days \$	90 days \$		
Receivables	22,703	36,418	74,286	349,843	10,000	493,250

2009	Less than 30 Days \$	Past due			Impaired \$	Total \$
		30 days \$	60 days \$	90 days \$		
Receivables	0	112,846	51,430	226,788	21,658	412,722

(b) Liquidity Risk

Liquidity risk refers to the situation where the Council may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Council is exposed to liquidity risk through its trading in the normal course of business and borrowings from the Queensland Treasury Corporation for capital works.

Council manages the exposure to liquidity risk by maintaining sufficient underdrawn facilities, both short and long term, to cater for unexpected volatility in cash flows. These facilities are disclosed in Note 17.

The following table sets out the liquidity risk of financial liabilities held by the Council in a format as it might be provided to management. The amounts disclosed in the maturity analysis represent the contractual undiscounted cash flows at balance date.

Financial Liabilities

	0 to 1 year \$	1 to 5 years \$	Over 5 years \$	Total \$
2010				
Trade and other payables	1,678,963	94,868		1,773,831
Loans QTC	224,758	1,290,911	241,017	1,756,686
	1,903,721	1,385,779	241,017	3,530,517
2009				
Trade and other payables	2,930,467	48,406		2,978,873
Loans QTC	217,969	894,216	858,682	1,970,867
	3,148,436	942,622	858,682	4,949,740

29 Financial Instruments

(c) Interest Rate Risk

The Council is exposed to interest rate risk through its borrowings from the Queensland Treasury Corporation and investments held with financial institutions.

The risk in borrowing is effectively managed by borrowing only from the Queensland Treasury Corporation and having access to a mix of floating and fixed funding sources such that the desired interest rate risk exposure can be constructed. Interest rate risk in other areas is minimal.

The Council does not undertake any hedging of interest rate risk.

Interest Rate Sensitivity Analysis

The following sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss should there be a 1% increase in market interest rates. The calculations assume that the rate would be held constant over the next financial year, with the change occurring at the beginning of that year. It is assumed that interest rates on overdue rates would not change. If the rates decreased by 1% the impact would be equal in amount in the reverse direction.

	Net carrying		Profit		Equity	
	2010 \$	2009 \$	2010 \$	2009 \$	2010 \$	2009 \$
Financial Assets	0	0	125,774	77,675	125,774	76,798
Financial Liabilities	17,567	19,709	-17,567	-19,709	-17,567	-19,709
Net	17,567	19,709	108,207	57,966	108,207	57,090

Notes to the Financial Statements

For the year ended 30 June 2010

30 National Competition Policy

(a) Activities to which the code of competitive conduct is applied

A "business activity" of a local government is divided into two categories :

(a) Roads business activity:

- (i) The 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, other than through a sole supplier arrangement
- (ii) Submission of a competitive tender for construction or road maintenance on the local government's roads which the local government has put out to tender, or called for by another local government.

(b) Other business activity, referred to as type three activities, means the following:

- (i) Trading in goods and services to clients in competition with the private sector, or
- (ii) The submission of a competitive tender in the local government's own tendering process in competition with others for the provision of goods and services to its self. Excluded activities are (a) library services, and (b) an activity or part thereof prescribed by legislation.

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.

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the year ended 30 June 2010

MANAGEMENT CERTIFICATE

For the year ended 30 June 2010

These general purpose financial statements have been prepared pursuant to Section 532 of the Local Government Act 1993, the Local Government Finance Standard 2005 (the Standard) and other prescribed requirements.

In accordance with Section 48 of the Standard we certify that:-

- (i) the relevant recording and reporting procedures have been complied with in the preparation of the financial statements, and
- (ii) the financial statements, as set out on pages 1 to 33 have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the financial performance and cash flows of Diamantina Shire Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.



Mayor
Robbie Dare

Date: 18 / 3 / 11



Chief Executive Officer
Scott Mason

Date: 18 / 3 / 11

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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with the *Local Government Act 1993* and *Local Government Finance Standard 2005* including compliance with Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 whether the financial report is free of 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, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies 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

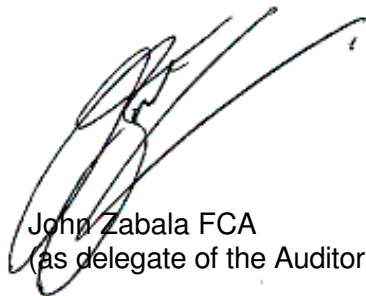
The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can only be removed by Parliament.

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.

Auditor's 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 respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report has been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Diamantina Shire Council for the financial year 1 July 2009 to 30 June 2010 and of the financial position as at the end of that year.



John Zabala FCA
(as delegate of the Auditor-General of Queensland)

Townsville

21 March 2011



SUSTAINABLY DEVELOPING THE OUTBACK

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