



SUSTAINABLY DEVELOPING THE OUTBACK

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

FINANCIAL REPORT

For the Year Ended 30 June 2019

Note

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DIAMANTINA SHIRE COUNCIL

Statement of Comprehensive Income

For the Year Ended 30 June 2019

	Note	30 June 2019	30 June 2018
		\$	\$
INCOME			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	1,137,791	1,087,806
Fees and charges		1,515,203	1,361,935
Rental income		650,831	684,783
Interest received	3(b)	377,403	324,150
Sales revenue	3(c)	6,471,987	7,032,294
Other income		130,308	226,220
Grants, subsidies and contributions	4(a)	4,709,037	4,493,747
		<u>14,992,561</u>	<u>15,210,935</u>
Capital Revenue			
Grants, subsidies and contributions	4(b)	4,950,076	4,620,474
		<u>4,950,076</u>	<u>4,620,474</u>
Total Revenue		<u>19,942,637</u>	<u>19,831,409</u>
TOTAL INCOME		<u>19,942,637</u>	<u>19,831,409</u>
EXPENSES			
Recurrent Expenses			
Employee benefits	5	(5,377,704)	(5,035,790)
Materials and services	6	(7,325,707)	(9,707,964)
Finance costs		(101,555)	(116,938)
Depreciation	11	(4,380,630)	(4,159,354)
		<u>(17,185,596)</u>	<u>(19,020,046)</u>
Capital Expenses	7	<u>(597,609)</u>	<u>(172,742)</u>
TOTAL EXPENSES		<u>(17,783,204)</u>	<u>(19,192,788)</u>
NET RESULT		<u>2,159,432</u>	<u>638,621</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	14	5,161,026	-
Total Other Comprehensive Income for the Year		<u>5,161,026</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>7,320,458</u>	<u>638,621</u>

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

DIAMANTINA SHIRE COUNCIL

Statement of Financial Position

As at 30 June 2019

	Note	30 June 2019	30 June 2018
		\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	16,531,923	15,746,732
Receivables	9	2,407,496	1,533,101
Inventories	10	1,289,755	1,335,193
Total Current Assets		<u>20,229,173</u>	<u>18,615,027</u>
Non-Current Assets			
Property, plant and equipment	11	146,193,395	140,397,946
Total Non-Current Assets		<u>146,193,395</u>	<u>140,397,946</u>
TOTAL ASSETS		<u>166,422,569</u>	<u>159,012,973</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,594,624	1,399,910
Borrowings	13	195,185	188,243
Long Service Leave		142,992	88,567
Total Current Liabilities		<u>1,932,800</u>	<u>1,676,721</u>
Non-Current Liabilities			
Borrowings	13	2,189,752	2,381,710
Long service leave		86,945	61,929
Total Non-Current Liabilities		<u>2,276,697</u>	<u>2,443,639</u>
TOTAL LIABILITIES		<u>4,209,498</u>	<u>4,120,360</u>
NET COMMUNITY ASSETS		<u>162,213,071</u>	<u>154,892,613</u>
COMMUNITY EQUITY			
Asset revaluation surplus	14	74,984,669	69,823,643
Retained surplus		87,228,402	85,068,970
TOTAL COMMUNITY EQUITY		<u>162,213,071</u>	<u>154,892,613</u>

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

DIAMANTINA SHIRE COUNCIL

Statement of Changes in Equity

For the Year Ended 30 June 2019

	Note	Asset Revaluation Surplus \$	Retained Surplus \$	Total Equity \$
Balance at 1 July 2018		69,823,643	85,068,970	154,892,613
Net result for the year		-	2,159,432	2,159,432
Other comprehensive income for year				
Increase/(decrease) in asset revaluation surplus	14	5,161,026	-	5,161,026
Total comprehensive income for year		5,161,026	2,159,432	7,320,458
Balance as at 30 June 2019		74,984,669	87,228,402	162,213,071

Balance at 1 July 2017		69,823,643	84,430,349	154,253,992
Net result for the year		-	638,621	638,621
Other comprehensive income for year				
Increase/(decrease) in asset revaluation surplus		-	-	-
Total comprehensive income for year		-	638,621	638,621
Balance as at 30 June 2018		69,823,643	85,068,970	154,892,613

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

DIAMANTINA SHIRE COUNCIL

Statement of Cash Flows

For the Year Ended 30 June 2019

		30 June 2019	30 June 2018
	Note	\$	\$
Cash flows from operating activities :			
Receipts from customers		8,748,855	9,407,811
Payments to suppliers and employees		(12,751,902)	(14,743,444)
		(4,003,047)	(5,335,633)
Interest received	3(b)	377,403	324,150
Rental income		650,831	684,783
Non capital grants and contributions	4(a)	4,709,037	4,493,747
Borrowing costs		(101,555)	(116,938)
Net cash inflow/(out flow) from operating activities	19	<u>1,632,669</u>	<u>50,109</u>
Cash flows from investing activities:			
Payments for property, plant and equipment	11	(5,824,838)	(6,260,280)
Proceeds from sale of property, plant and equipment	7	212,300	390,181
Grants, subsidies, contributions and donations	4(b)	4,950,076	4,620,474
Net cash inflow/(outflow) from investing activities		<u>(662,461)</u>	<u>(1,249,625)</u>
Cash flows from financing activities:			
Repayment of borrowings	13	(185,017)	(259,705)
Net cash inflow/(out flow) from financing activities		<u>(185,017)</u>	<u>(259,705)</u>
Net increase/(decrease) in cash and cash equivalents held		<u>785,191</u>	<u>(1,459,222)</u>
Cash and cash equivalents at beginning of financial year		15,746,732	17,205,954
Cash and cash equivalents at end of financial year	8	<u><u>16,531,923</u></u>	<u><u>15,746,732</u></u>

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

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

1 Significant Accounting Policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in compliance with the requirements of the *Local Government Act 2009*, the *Local Government Regulation 2012*, Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board (AASB).

These general purpose financial statements comply with all accounting standards and interpretations issued by the AASB that are relevant to Council's operations and effective for the current reporting period. These statements do not comply with International Financial Reporting Standards as Council is a not-for-profit entity. 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.

These financial statements have been prepared under the historical cost convention, except for the following:

- financial assets and liabilities, certain classes of property, plant and equipment which are measured at fair value;
- assets held for sale which are measured at fair value less cost of disposal.

1.B Constitution

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

1.C New and revised Accounting Standards

This year Council has applied AASB 9 Financial Instruments for the first time. AASB 9 replaces AASB 139 and relates to the recognition, classification and measurement of financial assets and financial liabilities. Implementing AASB 9 has resulted in a change to the way council calculates impairment provisions, which are now based on expected credit losses instead of incurred credit losses.

On 1 July 2018 (the date of initial application), council re-assessed the classification, measurement category and carrying amount of each financial instrument in accordance with AASB 9. Council did not detect changes to classification, and thus no changes to measurement categories. Carrying amounts were also unchanged, thus not requiring a change to retained earnings as at 1 July 2018.

Standards that are not yet effective

Council has assessed the impacts and revenue will be recognised in accordance with the following standard:

Some Australian Standards and Interpretations have been issued but are not yet effective. These standards have not yet been applied in these financial statements. Council will implement them when they are effective.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities (effective from 1 July 2019)

AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15, and AASB 2016-8. These Standards supersede the majority of income recognition requirements relating to public sector NFP entities, previously in AASB 1004 Contributions.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront. These include Small Assistance Grant, Regional Arts Development Funding, Outback Tourism Infrastructure Grant, Building Better Regions Grant, Drought Communities Program, Maranoa - Stronger Communities Round 4 Funding, Qld Disaster Resilience Funding, Skilling Queensland Workers, Building Better Regions, Local Government Grants Subsidies Program Funding, Pest & Weed, Works for Queensland and March 2019 Flood Event.

Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral and continue to be recognised as revenue as soon as they are controlled. Council receives several grants from the Federal Government and State Government for which there are no sufficiently specific performance obligations. These include Get Ready Grant, SES Subsidy, National Science Week Grant, and NAIDOC Funding programs. These are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.

Prepaid rates will not be recognised as revenue until the relevant rating period starts under AASB 1058. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of fees and charges as all debts fall due when performance obligations have been provided.

Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of the Council's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that the Council has received payment but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime when accounting standard is implemented).

Based on Council's assessment, if Council had adopted the new standards in the current financial year it would have had the following impacts:

- Revenue decrease of \$1,025,404 due to deferral of grant funding and pre-paid rates of \$900 (based on the facts available to Council at the date of assessment). Deferred grant funds are derived from Works for Queensland \$502,061, March 2019 Flood Event \$372,443 and Pest and Weed Control Funding \$150,000.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

-There would be an equal reduction in the reported equity as the reduced Revenue will require an increase in recognition of contract liabilities, and statutory receivables.

- Net result would be lower on initial application as a result of decreased revenue. A range of new disclosures will also be required by the new standards in respect of the council's revenue

Transition Method

The Council has elected to apply AASB 15, AASB 1058 and AASB 2016-8 on July 1 using the full retrospective method. Where revenue has been recognised in full under AASB 1004, prior to 1 July 2019, but where AASB 1058 would have required income to be recognised beyond that date, no adjustment is required. Further, Council is not required to restate income for completed contracts that start and complete within a financial year. This means where income under AASB 1004 was recognised in the comparative financial year (i.e. 2018/19), these also do not require restatement.

AASB 16 Leases (effective from 1 July 2019)

The Council has assessed the impacts of the new standard that initial application of AASB 16 will have on its financial statements, and has assessed that the implementation of this standard will have no material impact on the financial outcomes and financial statements of Council. Council will continue to monitor the possible impacts of this accounting standard should it enter into qualifying lessee or lessor arrangements in the future, as well as on an annually basis.

1.D Estimates and Judgements

Where necessary judgements, estimates and assumptions have been used in preparing these financial statements. Those that have a significant effect, or risk of causing an adjustment to Council's assets or liabilities relate to:

Valuation of property, plant and equipment - Note 11

Impairment of property, plant and equipment - Note 11

Depreciation - Note 11

Contingent Liabilities - Note 16

Financial Instruments - Note 21

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

1.E Rounding and Comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1.

In the prior year grant revenue for the Birdsville Caravan Park of \$650,000 and for the Birdsville Lodge \$510,150 was incorrectly classified as Fees and Charges and has now been reclassified as Capital Revenue - Grants, Subsidies and Contributions. This is reflected in Note 4(b)

In the prior year one related party and 3 KMP related transactions had been omitted, this change is reflective in Note 18(b) and comparative figures adjusted to reflect accurate value of transactions with KMP by a total of \$80,586

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

1.F 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.

The Council pays Payroll Tax to the Queensland Government on certain activities.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

2 Analysis of Results by Function

(a) Components of Council Functions

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

Governance

The objective of corporate governance is for Council to be open, accountable, transparent and deliver value for money community outcomes. This function includes strategic and operational planning, risk management, legal and administrative support. The Mayor, Councillors and Chief Executive Officer are included in corporate governance.

Community Services

The goal of community services is to ensure Diamantina Shire Council is a healthy, vibrant, contemporary and connected community. Community services provides well managed and maintained community facilities, and ensures the effective delivery of cultural, health, welfare, environmental and recreational services.

This function includes:

Libraries

Entertainment venues

Public health services including vaccination clinics

Tourism

Water, Sewerage and Roads & Related Works

The objective of the Works program is to ensure the community is serviced by a high quality and effective road network, sustainable water and sewerage services. The function provides and maintains transport infrastructure, including the maintenance and provision of the drainage network. It includes road construction and maintenance, depots, plant operation and maintenance, water and sewerage.

Environment, Health and Planning

This function facilitates the shires growth and prosperity through well planned and quality development. The objective of planning and development is to ensure the Diamantina Shire is well designed, efficient and facilitates growth yet also preserves the character and natural environment of the Shire. This function includes activities and services related to towns, neighbourhood and regional planning, and management of development approval processes. It includes health and building, animal control, cemeteries, public conveniences, 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 2019

2 Analysis of Results by Function (continued)

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

Year Ended 30 June 2019

Functions	Gross Program Income				Total Income	Gross Program Expenses		Total Expenses	Net Result From Recurrent Operations	Net Result	Assets
	Recurrent		Capital			Recurrent	Capital				
	Grants	Other	Grants	Other							
	2019	2019	2019	2019							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance	2,518,443	1,165,468	533,824	0	4,217,735	(2,622,075)	(577,495)	(3,199,570)	1,061,836	1,018,166	23,648,874
Community Services	170,300	235,325	554,714	0	960,339	(1,356,213)	0	(1,356,213)	(950,588)	(395,874)	18,771,829
Water Works	0	259,728	0	0	259,728	(258,289)	0	(258,289)	1,440	1,440	5,012,445
Sewerage Works	0	61,852	122,152	0	184,004	(104,858)	0	(104,858)	(43,005)	79,147	3,998,307
Roads and Related Works	1,846,866	6,562,885	3,724,311	0	12,134,062	(10,228,911)	(20,114)	(10,249,025)	(1,819,160)	1,885,038	91,974,664
Environment, Health and Planning	173,428	1,998,265	15,075	0	2,186,767	(2,615,250)		(2,615,250)	(443,558)	(428,483)	23,016,450
Total Council	4,709,037	10,283,524	4,950,076	0	19,942,637	(17,185,596)	(597,609)	(17,783,204)	(2,193,035)	2,159,432	166,422,569

Year Ended 30 June 2018

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							
	2018	2018	2018	2018							
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance	3,202,148	1,323,591	-	-	4,525,739	(3,063,573)		(3,063,573)	1,462,166	1,462,166	22,856,245
Community Services	271,488	322,866	107,615	-	701,969	(1,398,830)	-	(1,398,830)	(804,476)	(696,862)	17,442,088
Water Works	-	243,722	-	-	243,722	(224,327)	-	(224,327)	19,395	19,395	5,123,902
Sewerage Works	-	68,537	209,738	-	278,275	(83,015)	-	(83,015)	(14,478)	195,260	3,571,069
Roads and Related Works	918,000	7,042,309	2,716,731	-	10,677,040	(10,690,570)	(172,742)	(10,863,312)	(2,730,261)	(186,272)	86,358,440
Environment, Health and Planning	102,110	1,716,165	1,586,390	-	3,404,665	(3,559,732)	-	(3,559,732)	(1,741,457)	(155,067)	23,661,230
Total Council	4,493,747	10,717,188	4,620,474	-	19,831,409	(19,020,046)	(172,742)	(19,192,788)	(3,809,111)	638,621	159,012,973

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

	30 June 2019	30 June 2018
	\$	\$

3 Revenue

Revenue is recognised at the fair value of the consideration received or receivable, at the time indicated below.

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

(a) Rates, Levies and Charges

Rates are recognised as revenue at the start of the rating period. If a ratepayer pays their rates before the start of the rating period, they are recognised as revenue when they are received.

General rates	896,884	837,777
Water	259,728	243,603
Sewerage	61,852	68,537
Garbage charges	44,500	60,489
Total rates and utility charge revenue	1,262,964	1,210,406
Less: discounts	(125,172)	(122,600)
Net rates, levies and charges	1,137,791	1,087,806

(b) Interest Received

Interest from rates and charges	22,777	14,415
Interest earned from cash deposits	354,626	309,736
	377,403	324,150

(c) Sales Revenue

Main Roads minor works performance contracts	1,642,017	3,966,097
Main Roads road maintenance performance contracts	4,829,970	2,810,593
Other sales revenue	-	255,604
Net sales revenue	6,471,987	7,032,294

Other sales revenue is recognised as income when it is probable that it will be received and the amount is known, otherwise the amount is recognised upon receipt. Rental revenue is recognised as income on a periodic straight line basis over the lease term.

Other income 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 sales revenue from a number of services including contracts for road and earthworks, which in turn are concentrated on various services and contractual agreements with Main Roads Queensland. 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. 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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

30 June 2019	30 June 2018
\$	\$

4 Grants, Subsidies and Contributions

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them, which is usually upon receipt of funds.

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.

(a) Recurrent

State Government subsidies and grants	4,175,213	4,493,747
Commonwealth Government subsidies and grants	533,824	
Total recurrent revenue	4,709,037	4,493,747

(b) Capital

Capital revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets.

State Government subsidies and grants	3,909,057	3,922,780
Commonwealth Government subsidies and grants	1,041,019	697,694
Total capital revenue	4,950,076	4,620,474
Total for Grants, Subsidies and Contributions	9,659,113	9,114,221

5 Employee Benefits

Total staff wages and salaries	4,137,169	4,339,340
Councillors' remuneration	235,024	229,324
Annual, sick and long service leave entitlements	721,492	519,303
Superannuation	478,974	402,381
	5,572,659	5,490,348
Other employee related expenses	234,048	198,632
	5,806,707	5,688,980
Less: capitalised employee expenses	(429,004)	(653,189)
	5,377,704	5,035,790

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

Total Council employees at the reporting date:

Elected members	5	5
Administration staff	21	19
Depot and outdoors staff	32	35
Total full time equivalent employees	58	59

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

	30 June 2019	30 June 2018
	\$	\$
6 Materials and Services		
Advertising and Marketing	468,050	847,516
Audit of annual financial statements by the Auditor-General of Queensland	51,151	49,586
Other audit fees - Internal audit and other services	8,480	17,096
Communication and Information technology	363,732	716,856
Community Services	1,328,954	1,203,397
Donations Paid	114,173	78,305
Contract and Recoverable Works	122,693	166,146
Road Maintenance Services	2,656,011	4,111,583
Other Materials and Services	529,659	372,048
Fleet Services	1,461,393	1,778,106
Infrastructure Services	221,410	367,325
	<u>7,325,707</u>	<u>9,707,964</u>
7 Capital Expenses		
Gain (loss) on the disposal of non-current assets		
Proceeds from the sale or write down of non-current assets	212,300	390,181
Less: book value of non-current assets disposed of	(232,414)	(562,923)
	<u>(20,114)</u>	<u>(172,742)</u>
Revaluation decrement		
Revaluation downwards of Land assets	(577,495)	
	<u>(577,495)</u>	
The downwards revaluation of Land assets amounted to \$993,325 in total. This was firstly offset against the Land Asset Revaluation Reserve which totalled \$415,830 with the remainder offset as per this note to the Statement of Comprehensive Income.		
Total capital expenses	<u>(597,609)</u>	<u>(172,742)</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

	30 June 2019	30 June 2018
	\$	\$

8 Cash and Cash Equivalents

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

Cash at bank and on hand	1,794,356	3,664,150
Deposits at call	14,737,566	12,082,582
Balance per Statement of Cash Flows	16,531,923	15,746,732

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

Unspent government grants and subsidies	1,024,524	510,000
Total restricted cash	1,024,524	510,000

Trust funds held for outside parties

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. Funds held in the trust account on behalf of outside parties include those funds from the sale of land for arrears in rates, deposits for the contracted sale of land, security deposits lodged to guarantee performance and unclaimed monies (e.g. wages) paid into the trust account by 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.

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	148,679	138,514
	148,679	138,514

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

30 June 2019	30 June 2018
\$	\$

9 Receivables

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

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

If an amount is recovered in a subsequent period it is recognised as revenue.

As Council has the power under the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council will only impair rate receivables when outstanding debt exceeds unimproved capital values.

Current

Rateable revenue and utility charges	301,562	286,297
	<u>301,562</u>	<u>286,297</u>
Accrued revenue	26,936	22,138
Other debtors	2,114,095	1,271,049
Less loss allowance	(65,436)	(47,221)
	<u>2,075,595</u>	<u>1,245,965</u>
Prepayments	30,339	839
	<u>2,407,496</u>	<u>1,533,101</u>

Interest is charged on outstanding rates at a rate of 8% per annum decreasing from 11% for the prior year. There is no concentration of credit risk for rates and utility charges, fees and other debtors receivable. No interest is charged on other Debtors.

Movement in accumulated impairment losses (trade and other receivables) is as follows:

Opening balance 1 July	47,221	35,091
Adjustment to opening balance upon application of AASB 9*	0	0
Impairment adjustment in period	18,215	12,130
Closing balance 30 June	<u>65,436</u>	<u>47,221</u>

*Council applied AASB 9 for the first time this year. As a result Council calculated the impairment of receivables in accordance with AASB 9 for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology and resulting in an opening balance adjustment of \$nil.

10 Inventories

Current

Inventories held for distribution:

Stores and raw materials	1,069,155	1,111,193
Land held for resale	220,600	224,000
	<u>1,289,755</u>	<u>1,335,193</u>

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.

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 for the portion expected to be sold within the next 12 months. Proceeds from the sale of this land will be recognised as sales revenue on the signing of a valid unconditional contract of sale.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

11(a) Property, Plant and Equipment

30 June 2019

Basis of Measurement

Fair value category

Asset Values

Opening gross value as at 1 July 2018

Revaluation adj. to Comprehensive Income Statement

Revaluation adj. to Capital Expenses

Additions at cost

Disposals

Transfer between classes

Closing gross value as at 30 June 2019

Note

Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
Fair Value	Fair Value	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Level 2	Level 3		Level 3	Level 3	Level 3	Level 3		
\$	\$	\$	\$	\$	\$	\$	\$	\$
4,241,218	44,393,838	15,894,254	95,006,049	7,598,673	4,497,254	21,037,002	561,743	193,230,030
(415,830)	-	-	5,576,856	-	-	-	-	5,161,025
(577,495)	-	-	-	-	-	-	-	(577,495)
-	-	1,094,499	-	-	-	-	4,730,339	5,824,838
-	-	(343,880)	-	-	-	-	-	(343,880)
171,807	96,310	-	2,320,231	-	497,652	545,030	(3,631,030)	-
3,419,700	44,490,148	16,644,873	102,903,135	7,598,673	4,994,906	21,582,032	1,661,052.33	203,294,518

Accumulated Depreciation and Impairment

Opening balance as at 1 July 2018

Depreciation provided in period

Accumulated depreciation on disposals

Accumulated depreciation as at 30 June 2019

Written down value 30 June 2019

-	12,987,634	7,636,660	24,765,763	2,474,770	926,183	4,041,074	-	52,832,084
-	813,915	950,554	2,010,432	111,457	70,413	423,859	-	4,380,630
-	-	(111,591)	-	-	-	-	-	(111,591)
-	13,801,549	8,475,623	26,776,195	2,586,227	996,597	4,464,933	-	57,101,123
3,419,700	30,688,599	8,169,250	76,126,941	5,012,445	3,998,309	17,117,099	1,661,052	146,193,395

Range of estimated useful life in years

Not Depreciated	25-100 yrs	1 - 50 yrs	10 - infinite yrs	20-100 yrs	15-150 yrs	10-150 yrs
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Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$
-	-	64,265	1,929,188	-	497,651	689,547	-	3,180,651
171,807	96,310	1,036,556	391,043	-	-	948,471	-	2,644,187
171,807	96,310	1,100,821	2,320,231	-	497,651	1,638,018	-	5,824,838

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

11(b) Property, Plant & Equipment - prior year

30 June 2018

Basis of Measurement

Fair value category

Asset Values

Opening gross value as at 1 July 2017

Revaluation adjustment to Income Statement

Additions at cost

Disposals

Transfer between classes

Closing gross value as at 30 June 2018

Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
<i>Fair Value</i>	<i>Fair Value</i>	<i>Cost</i>	<i>Fair Value</i>	<i>Fair Value</i>	<i>Fair Value</i>	<i>Fair Value</i>	<i>Cost</i>	
<i>Level 2</i>	<i>Level 3</i>		<i>Level 3</i>	<i>Level 3</i>	<i>Level 3</i>	<i>Level 3</i>		
\$	\$	\$	\$	\$	\$	\$	\$	\$
4,241,218	41,546,250	15,541,377	93,354,379	7,302,879	4,290,704	19,449,913	2,377,644	188,104,365
-	-	-	-	-	-	-	-	-
-	-	1,487,488	-	-	-	-	4,772,792	6,260,280
-	-	(1,134,611)	-	-	-	-	-	(1,134,611)
-	2,847,588	-	1,651,669	295,797	206,550	1,587,088	(6,588,693)	-
4,241,218	44,393,838	15,894,254	95,006,048	7,598,677	4,497,254	21,037,002	561,743	193,230,034

Accumulated Depreciation and Impairment

Opening balance as at 1 July 2017

Depreciation provided in period

Accumulated depreciation on disposals

Accumulated depreciation as at 30 June 2018

-	12,239,914	7,335,072	22,794,989	2,367,519	859,454	3,647,472	-	49,244,421
-	747,720	873,273	1,970,775	107,255	66,731	393,600	-	4,159,354
-	-	(571,686)	-	-	-	-	-	(571,686)
-	12,987,634	7,636,660	24,765,763	2,474,774	926,185	4,041,072	-	52,832,089

Written down value 30 June 2018

4,241,218	31,406,204	8,257,595	70,240,285	5,123,902	3,571,069	16,995,929	561,743	140,397,946
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Range of estimated useful life in years

Not Depreciated	25-100 yrs	1 - 50 yrs	10 - infinite yrs	20-100 yrs	15-150 yrs	10-150 yrs
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DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

11 Property, Plant and Equipment (continued)

(c) Recognition

Plant and equipment with a total value of less than \$5,000, and infrastructure assets (road, stormwater, bridge, water and sewerage assets), other structures 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.

Replacement of a major component of an asset, in order to maintain its service potential, is treated as the acquisition of a new asset. However, routine operating maintenance, repair costs and minor renewals to maintain the operational capacity and useful life of the non-current asset is expensed as incurred.

Expenditure incurred in accordance with Natural Disaster Relief and Recovery Arrangements on road assets is analysed to determine whether the expenditure is capital in nature. The analysis of the expenditure requires Council officers to review the nature and extent of expenditure on a given asset. For example, expenditure that patches a road is generally maintenance in nature, whereas a rebuild of the full width of the road is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under the roads and reserve land which falls under the *Land Act 1994* or the *Land Title Act 1994* is controlled by the Queensland Government pursuant to the relevant legislation. This land is not recognised in these financial statements.

(d) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at cost or fair value (as shown in the table above) less, where applicable, any accumulated depreciation and accumulated impairment loss.

Cost is determined as the fair value of the assets given as consideration plus costs incidental to the acquisition, including inwards freight, architect's fees and engineering design fees and all other establishment costs. Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

(e) Depreciation

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, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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.

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

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

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 Council's asset management processes, for assets measured at depreciated current replacement cost may be used to estimate the useful lives of these assets at each reporting date.

(f) Impairment

Property, plant and equipment is assessed for indicators of impairment annually. If an indicator of possible impairment exists, Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

(g) Capital work in progress

The cost of property, plant and equipment being constructed by Council includes the cost of purchased services, materials, direct labour and an appropriate portion of labour on-costs.

(h) Valuation

(i) Valuation Processes

Council's valuation policies and procedures are set by the executive management team which comprises the Chief Executive Officer and the Deputy Chief Executive Officer. They are reviewed annually taking into consideration an analysis of movements in fair value and other relevant information.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging professionally qualified external valuers or suitably qualified internal staff to determine the fair value for each class of property, plant and equipment assets at least once every 5 years. This process may involve physically sighting a representative sample of Council's assets and making assessments of the condition of the assets at the date of inspection.

In the intervening years, Council will assess the assets by utilising a combination of internal and external sources of information, as appropriate, in a structured manner in order to determine if there has been any potential material movement in the fair value of assets. Where movement is indicated the relevant assets will be revalued by indexation or do a desktop valuation as appropriate.

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

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

There have been no transfers between level 1 and 2 or between level 2 and 3 during the year.

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

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

(ii) Valuation techniques used to derive fair values

Land (level 2 & 3)

Land fair values at 30 June 2019 are as determined by independent valuers AssetVal Pty Ltd effective 30th June 2019. 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 as market evidence is very limited.

	2019	2018
Land	\$	\$
• Observable market - (level 2)	3,419,700	4,241,218
• No observable market - (level 3)	-	-
Total	3,419,700	4,241,218

Buildings (level 3)

The fair value of buildings were determined by independent valuer, Australis Asset Advisory Group, Registered Valuer, as at 30 June 2017. They also performed an indices assessment of this asset class with effective date 30 June 2019 which found no cumulative material movement in value, and as a result no valuation adjustment was undertaken.

As there is very limited market evidence for building inputs, valuation requires significant professional judgement from the valuers. The most significant inputs into this valuation approach was the price per square metre. 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 cost with a modern equivalent asset having similar service potential.

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit different useful lives. Condition was assessed taking into account both physical characteristics, age, recent repairs or capital works, as well as factors such as functionality, capability, utilisation and obsolescence. Estimates of expired service potential and remaining useful lives were determined on a straight line basis.

	2019	2018
Buildings	\$	\$
• No observable market - (level 3)	30,688,599	31,406,204
Total	30,688,599	31,406,204

Other Structures (level 3)

The fair value of other structures were determined by Australis Asset Advisory Group, Registered Valuer, as at 30 June 2017, at current replacement cost. An indices assessment was also undertaken by Australis Asset Advisory Group as at 30 June 2019 which found no material cumulative movements in value, and as a result no valuation adjustment was undertaken.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

Where other structure assets 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. The unit rates (labour and materials) and quantities applied to determine the current replacement cost (CRC) of an asset are based on the full replacement cost, including components that may not need to be replaced. The unit rates were derived from valuer databases and cost curves, scheduled rates for construction of assets or similar assets, published cost guides and supplier quotations and calibrated where applicable. Valuation rates (replacement costs) also allowed for project overheads including survey, environmental and investigation costs, engineering design, planning, and project management.

In determining the level of accumulated depreciation, the asset has been disaggregated into significant components which exhibit different useful lives. Allowance has been made for the consumed or expired future economic benefits of the asset by reference to the useful life and condition of the asset.

Infrastructure assets

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.

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 the 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" or "Incremental Greenfield" assumption for valuations, 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 current replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

Road and Stormwater network (level 3)

The fair value of the road and stormwater network assets were determined by Australis Asset Advisory Group, Registered Valuer, as at 30 June 2017, at current replacement cost. An indices assessment was also undertaken by Australis Asset Advisory Group as at 30 June 2019 which found cumulative material movements in value (5.87% equating to \$5,576,885), and as a result a respective valuation adjustment was applied.

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

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.

In determining the level of accumulated depreciation, the road and stormwater network 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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

Water and Sewerage (level 3)

The fair value of water and sewerage assets were determined by Australis Asset Advisory Group, Registered Valuer, as at 30 June 2017, at current replacement cost. An indices assessment was also undertaken by Australis Asset Advisory Group as at 30 June 2019 which found no cumulative material movements in value, and as a result no valuation adjustment was undertaken.

The water and sewer assets are segregated into active and passive assets. For passive assets (water and sewer mains; water meters) unit rates were applied based on similar recent project costs, unit rate databases, indices, Rawlinson's construction rates and other comparisons. The active assets of treatment, pumping and storage assets were componentised and valued independently, with allowances for complexity, size, function and site factors. Valued cost allowed for project overheads including survey, environmental and investigation costs, engineering design, planning and project management.

In determining the level of accumulated depreciation, the road and stormwater network 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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2019

	30 June 2019	30 June 2018
	\$	\$

12 Trade and Other Payables

Creditors are recognised upon receipt of the goods or services ordered as the amount owed. Amounts owing are unsecured and are generally settled on 30 day terms.

Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date. The liability is calculated using the present value of remuneration rates that will be paid when the liability is expected to be settled and includes related on-costs.

As Council does not have an unconditional right to defer settlement of annual leave beyond 12 months, annual leave is classified as a current liability.

Current

Creditors and accruals	1,256,646	1,066,751
Annual leave	337,978	333,159
	<u>1,594,624</u>	<u>1,399,910</u>

13 Borrowings

Borrowings are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these liabilities are measured at amortised cost at date of reporting. Principal and interest repayments are made quarterly in arrears.

All borrowings are in Australian dollar denominated amounts and carried at amortised cost, interest being expensed as it accrues. No interest has been capitalised during the current or comparative reporting period. Expected final repayment dates vary between 15 June 2022 to 16 June 2036. There have been no defaults or breaches of the loan agreement during the period.

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

Current

Loans Queensland Treasury Corporation	195,185	188,243
	<u>195,185</u>	<u>188,243</u>

Non-Current

Loans Queensland Treasury Corporation	2,189,752	2,381,710
	<u>2,189,752</u>	<u>2,381,710</u>

Queensland Treasury Corporation

Opening balance	2,569,954	2,829,659
Principal repayments	(185,017)	(259,706)
Book value at period end	<u>2,384,937</u>	<u>2,569,954</u>

The QTC loan market value at the reporting date was \$2,553,428. 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.

Unsecured borrowings are provided by the Queensland Treasury Corporation.

The Council does not have a bank overdraft facility.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

14 Asset Revaluation Surplus

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

Increases and decreases on revaluation are offset within a class of assets. Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense. This happened to the Land asset class during this financial year where the total revaluation decrement exceeded the Land revaluation reserve. The excess amount was expensed as per Note 7.

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

Movements in the asset revaluation surplus were as follows:

	Balance 1 July 2018	Increases / (Decreases)	Balance 30 June 2019	Balance 30 June 2018
The closing balance of the asset revaluation surplus is comprised of the following asset classes:				
Land	415,830	(415,830)	-	415,830
Buildings	10,445,905	-	10,445,905	10,445,905
Other Structures	4,938,456	-	4,938,456	4,938,456
Road, drainage and bridge network	49,985,375	5,576,856	55,562,231	49,985,375
Water	1,982,970	-	1,982,970	1,982,970
Sewerage	2,055,107	-	2,055,107	2,055,107
	<u>69,823,643</u>	<u>5,161,026</u>	<u>74,984,669</u>	<u>69,823,643</u>

15 Commitments For Expenditure

Contractual commitments

Contractual commitments at end of financial year but not recognised in the financial statements are as follows:

Swimming pools and sport facilities	-	162,423
Other community and depot facilities including management services	439,305	57,882
Information Technology and Accounting and Management System	147,400	200,000
Asset management	87,762	-
Plant acquisitions	714,142	-
Water infrastructure	<u>1,213,658</u>	<u>-</u>
	<u>2,602,267</u>	<u>420,305</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2019

16 Contingent Liabilities

Details and estimates of maximum amounts of contingencies and agreements 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 2019 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 \$155,848.

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. It would not be practical to make an assessment of the potential financial impact of this contingent liability as any future liability would be dependent on the market value of the property at the time of disposal to the council.

17 Superannuation

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

The scheme is a defined benefit plan, however Council is not able to account for it as a defined benefit plan in accordance with AASB119 because LGIASuper is unable to account for its proportionate share of the defined benefit obligation, plan assets and costs.

Any amount by which the scheme is over or under funded may affect future benefits and result in a change to the contribution rate, but has not been recognised as an asset or liability of the Council.

Technically Diamantina Shire Council can be liable to the scheme for a portion of another local governments' obligations should that local government be unable to meet them. However the risk of this occurring is extremely low and in accordance with the LGIASuper trust deed changes to council's obligations will only be made on the advice of an actuary.

The last completed actuarial assessment of the scheme was undertaken as at 1 July 2018. The actuary indicated that "At the valuation date of 1 July 2018, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date." The Council is not aware of anything that has happened since that time that indicates the assets of the scheme are not sufficient to meet the vested benefits, as at the reporting date.

No changes have been made to prescribed employer contributions which remain at 12% of employee assets and there are no known requirements to change the rate of contributions.

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

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

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

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

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2019

There are currently 72 councils contributing to the Regional Defined Benefits Fund plan and any changes in contribution rates would apply to all 72 councils. Diamantina Shire Council made less than 4% of the total contributions to the plan in the 2018-2019 financial year.

		30 June 2019	30 June 2018
	Note	\$	\$
The amount of superannuation contributions paid by Diamantina Shire Council to the superannuation scheme in this period for the benefit of employees was:	5	478,974	402,381

18 Transactions with Related Parties

Council did not have any subsidiaries, transactions with associates or transactions with joint ventures.

(a) Transactions with key management personnel (KMP)

KMP include the Mayor, Councillors, Council's Chief Executive Officer, Deputy Chief Executive Officer, Infrastructure Manager and Tourism and Events Manager. The compensation paid to KMP for 2018/19 comprises:

Short-term employee benefits	1,040,689	736,606
Post-employment benefits	97,037	72,200
Long-term benefits	22,286	10,045
	<u>1,160,011</u>	<u>818,851</u>

(b) Transactions with other related parties

Other related parties include the close family members of KMP and any entities controlled or jointly controlled by KMP or their close family members. Close family members include a spouse, child and dependent of a KMP or their spouse. Details of transactions between Council and other related parties are disclosed below.

(i) All close family members of key management personnel were employed through an arm's length process. They are paid in accordance with the Award for the job they perform. The council employs 58 staff of which 4 are close family members of key management personnel.

Employee expenses for close family member of key management personnel (4 employees)	126,111	90,275
Purchases of materials and services from other related parties	91,430	22,623
	<u>217,540</u>	<u>112,898</u>

(ii) The Council purchased the following material and services from entities that are controlled by members of key management personnel. All purchases were at arm's length and were in the normal course of council operations:

Details of materials and services purchased

Transport services	12,708	-
Accounting and information technology consulting	23,238	15,840
Cleaning services	1,218	2,610
Tours sold at a commission on behalf of local touring supply entity	54,266	4,173
	<u>91,430</u>	<u>22,623</u>

(c) Transactions with related parties

Purchases of goods and materials from an entity managed by key management personnel or related party of KMP

119,597	129,364
<u>119,597</u>	<u>129,364</u>

All purchases were at arm's length, on normal terms and conditions and were in the normal course of council's operations.

(d) Outstanding balances

There were no material balances outstanding at the end of the reporting period in relation to transactions with related parties.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2019

	30 June 2019	30 June 2018
	\$	\$
19 Reconciliation of Net Result for the Year to Net Cash Inflow (Outflow) From Operating Activities		
Net result	2,159,432	638,621
Non-cash items:		
Depreciation	4,380,630	4,159,354
Land revaluation decrement	577,495	
Investing and development activities :		
Net loss on disposal of plant and equipment	20,114	172,742
Capital grants and contributions	(4,950,076)	(4,620,474)
	<u>(4,929,962)</u>	<u>(4,447,732)</u>
Changes in operating assets and liabilities :		
Increase in receivables	(874,395)	(514,154)
Decrease in inventory	45,438	216,833
Increase in payables	194,714	49,823
Increase / (decrease) in provisions	79,316	(52,637)
	<u>(554,927)</u>	<u>(300,135)</u>
Net cash inflow from operating activities	<u>1,632,669</u>	<u>50,109</u>

20 Events after the Reporting Period

There were no material adjusting events after reporting date.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

21 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 minimised 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 (QTC) 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 Agreements 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 analysis
Interest rate risk	Sensitivity analysis

Credit Risk

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 assesses 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 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 and regulated banks 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 provisions for impairment.

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

The following table represents the Council's maximum exposure to credit risk:

	Note	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	8	16,531,923	15,746,732
Receivables - rates	9	301,562	286,297
Receivables - other	9	2,114,095	1,271,049
Other financial assets	9	26,936	22,138
Total		18,974,515	17,326,216

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2019

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

	2019	2018
	\$	\$
Fully Performing	1,529,570	1,217,021
Past due 31-60 days	3,378	6,104
Past due 61-90 days	1,145	2,986
More than 90 days	908,500	353,372
Impaired	(65,436)	(47,221)
Total	2,377,157	1,532,263

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 QTC for capital works.

The Council manages its exposure to liquidity risk by maintaining sufficient undrawn facilities, both short and long term, to cater for unexpected volatility in cash flow. These facilities are disclosed in the borrowings note 13. There are no additional facilities or lines of credit available.

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.

	0 to 1 year	1 to 5 years	Over 5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
2019					
Trade and Other Payables	1,594,624	-	-	1,594,624	1,594,624
Loans QTC	268,357	878,735	1,848,523	2,995,614	2,384,937
	1,862,981	878,735	1,848,523	4,590,238	3,979,561
2018					
Trade and Other Payables	1,399,910	-	-	1,399,910	1,399,910
Loans QTC	268,357	993,047	2,002,567	3,263,971	2,569,954
Totals	1,668,267	993,047	2,002,567	4,663,882	3,969,864

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.

Interest rate risk

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

The risk in borrowing is effectively managed by borrowing from financial institutions which provide 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.

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2019

MANAGEMENT CERTIFICATE

For the Year Ended 30 June 2019

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

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

(i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and

(ii) the general purpose financial statements, as set out on pages 1 to 29, 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

Geoff Morton

Date: 16 / 9 / 19

Chief Executive Officer

Leon Love

Date: 16 / 9 / 19

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Diamantina Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Diamantina Shire Council (the council).

In my opinion, the financial report:

- a) gives a true and fair view of the council's financial position as at 30 June 2019, and of its financial performance and cash flows for the year then ended
- b) complies with the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and the management certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Other information

Other information comprises the information included in Diamantina Shire Council's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the current year financial sustainability statement.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 the *Local Government Act 2009*, the Local Government Regulation 2012 and Australian Accounting Standards, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the council or to otherwise cease operations of the council.

Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.

- Conclude on the appropriateness of the council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the council to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Carolyn Dougherty
as delegate of the Auditor-General

25 September 2019

Queensland Audit Office
Brisbane

DIAMANTINA SHIRE COUNCIL

Current Year Financial Sustainability Statement

For the Year Ended 30 June 2019

Measures of Financial Sustainability - How the measure is calculated		Actual	Target
Council's Performance at 30 June 2019 against any key financial ratio's and targets:			
Operating Surplus Ratio	Net Result (excluding capital items) divided by total operating revenue (excluding capital items)	(14.6)%	Between 0% and 10%
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	90.9%	Greater than 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	(106.9)%	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 2019.

CERTIFICATE OF ACCURACY For the year ended 30th June 2019


This current year financial sustainability statement has been prepared pursuant 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
Geoff Morton

Date: 16 / 9 / 19



Chief Executive Officer
Leon Love

Date: 16 / 9 / 19

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Diamantina Shire Council

Report on the current year financial sustainability statement

Opinion

I have audited the accompanying current year financial sustainability statement of Diamantina Shire Council (the council) for the year ended 30 June 2019 comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 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 2019 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the current year financial sustainability statement* section of my report.

I am independent of the council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the statement in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

Emphasis of matter – basis of accounting

I draw attention 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. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Diamantina Shire Council's annual report for the year ended 30 June 2019, but does not include the current year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements, the long-term financial and sustainability statement.

My opinion on the current year financial sustainability statement does not cover the other information and accordingly I do not express any form of assurance conclusion thereon. However, as required by the Local Government Regulation 2012, I have expressed a separate opinion on the general purpose financial report.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the council 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 responsibilities for the audit of the current year financial sustainability statement

My objectives are to obtain reasonable assurance about whether the current year financial sustainability statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

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.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the council.
- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Carolyn Dougherty
as delegate of the Auditor-General

25 September 2019

Queensland Audit Office
Brisbane

Unaudited Long Term Financial Sustainability Statement
Prepared as at 30 June 2019

Measures of Financial Sustainability	How the Measure is Calculated	Target	Actual	Projected for the years ended									
			30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029
Operating Surplus Ratio	Net Result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	(14.6)%	(14.2)%	(3.9)%	(3.3)%	(2.7)%	(2.4)%	(2.1)%	(1.9)%	(1.7)%	(1.7)%	(1.4)%
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	Greater than 90%	90.9%	179.0%	80.3%	82.4%	84.2%	85.9%	87.4%	88.5%	89.4%	87.2%	88.0%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	Not Greater than 60%	(106.9)%	(49.6)%	(51.3)%	(50.5)%	(49.7)%	(49.1)%	(48.9)%	(48.9)%	(48.9)%	(50.6)%	(52.4)%

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 2019

This long-term financial sustainability statement has been prepared pursuant 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

Chief Executive Officer
Leon Love

Date: 16 / 9 / 19

Date: 16 / 9 / 19