



SUSTAINABLY DEVELOPING THE OUTBACK

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

FINANCIAL REPORT

For the Year Ended 30 June 2020

Note

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DIAMANTINA SHIRE COUNCIL

Statement of Comprehensive Income

For the Year Ended 30 June 2020

		30 June 2020	30 June 2019
	Note	\$	\$
INCOME			
Revenue			
Recurrent Revenue			
Rates, levies and charges	3(a)	1,107,003	1,137,791
Fees and charges		1,100,405	1,515,203
Rental income		586,551	650,831
Interest received	3(b)	207,323	377,403
Sales revenue	3(c)	8,013,579	6,471,987
Other income		270,302	130,308
Operating grants, subsidies and contributions	4(a)	6,438,473	7,243,169
		<u>17,723,636</u>	<u>17,526,693</u>
Capital Revenue			
Capital grants, subsidies and contributions	4(b)	1,739,852	2,415,944
Total Capital Revenue		<u>1,739,852</u>	<u>2,415,944</u>
TOTAL INCOME		<u>19,463,488</u>	<u>19,942,637</u>
EXPENSES			
Recurrent Expenses			
Employee benefits	5	(5,913,161)	(5,377,704)
Materials and services	6	(9,735,031)	(7,325,707)
Finance costs		(83,783)	(101,555)
Depreciation	11	(4,468,729)	(4,380,630)
		<u>(20,200,704)</u>	<u>(17,185,596)</u>
Capital Expenses	7	<u>(2,144)</u>	<u>(597,609)</u>
TOTAL EXPENSES		<u>(20,202,848)</u>	<u>(17,783,204)</u>
NET RESULT		<u>(739,361)</u>	<u>2,159,432</u>
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to net result			
Increase in asset revaluation surplus	16	-	5,161,026
Total Other Comprehensive Income for the Year		<u>-</u>	<u>5,161,026</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>(739,361)</u>	<u>7,320,458</u>

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

The comparatives have not been restated on adoption of AASB 15 / AASB 1058 and therefore the comparative information is presented using the previous standards.

DIAMANTINA SHIRE COUNCIL

Statement of Financial Position

As at 30 June 2020

		30 June 2020	30 June 2019
	Note	\$	\$
ASSETS			
Current Assets			
Cash and cash equivalents	8	15,371,114	16,531,923
Receivables	9	1,457,357	2,407,496
Contract assets		962,646	-
Inventories	10	1,609,782	1,289,755
Total Current Assets		19,400,900	20,229,173
Non-Current Assets			
Property, plant and equipment	11	149,591,693	146,193,395
Total Non-Current Assets		149,591,693	146,193,395
TOTAL ASSETS		168,992,593	166,422,569
LIABILITIES			
Current Liabilities			
Trade and other payables	12	1,480,026	1,256,646
Contract liabilities		2,834,840	-
Provisions	13	649,437	480,970
Borrowings	14	202,449	195,185
Total Current Liabilities		5,166,752	1,932,800
Non-Current Liabilities			
Provisions	13	242,476	86,945
Borrowings	14	1,990,227	2,189,752
Total Non-Current Liabilities		2,232,704	2,276,697
TOTAL LIABILITIES		7,399,456	4,209,498
NET COMMUNITY ASSETS		161,593,137	162,213,071
COMMUNITY EQUITY			
Asset revaluation surplus	16	74,984,669	74,984,669
Retained surplus		86,608,469	87,228,402
TOTAL COMMUNITY EQUITY		161,593,137	162,213,071

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

The comparatives have not been restated on adoption of AASB 15 / AASB 1058 and therefore the comparative information is presented using the previous standards.

DIAMANTINA SHIRE COUNCIL

Statement of Changes in Equity

For the Year Ended 30 June 2020

	Note	Asset Revaluation Surplus \$	Retained Surplus \$	Total Equity \$
Balance at 1 July 2019		74,984,669	87,228,402	162,213,071
Adjustment on initial application of AASB 15 / AASB 1058	24	-	119,427	119,427
Restated balance at 1 July 2019		<u>74,984,669</u>	<u>87,347,829</u>	<u>162,332,498</u>
Net result for the year		-	(739,361)	(739,361)
Other comprehensive income for year				
Increase/(decrease) in asset revaluation surplus	16	-	-	-
Total comprehensive income for year		<u>-</u>	<u>(739,361)</u>	<u>(739,361)</u>
Balance as at 30 June 2020		<u>74,984,669</u>	<u>86,608,469</u>	<u>161,593,137</u>
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	16	5,161,026	-	5,161,026
Total comprehensive income for year		<u>5,161,026</u>	<u>2,159,432</u>	<u>7,320,458</u>
Balance as at 30 June 2019		<u>74,984,669</u>	<u>87,228,402</u>	<u>162,213,071</u>

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

The comparatives have not been restated on adoption of AASB 15 / AASB 1058 and therefore the comparative information is presented using the previous standards.

DIAMANTINA SHIRE COUNCIL

Statement of Cash Flows

For the Year Ended 30 June 2020

		30 June 2020	30 June 2019
	Note	\$	\$
Cash flows from operating activities :			
Receipts from customers		13,435,193	8,748,854
Payments to suppliers and employees		(15,411,487)	(12,751,902)
		(1,976,294)	(4,003,048)
Interest received	3(b)	207,323	377,403
Rental income		586,551	650,831
Non capital grants and contributions	4(a)	6,438,473	7,243,169
Borrowing costs		(83,783)	(101,555)
Net cash inflow/(out flow) from operating activities	21	<u>5,172,270</u>	<u>4,166,800</u>
Cash flows from investing activities:			
Payments for property, plant and equipment	11	(8,668,437)	(5,824,838)
Proceeds from sale of property, plant and equipment	7	787,767	212,300
Capital grants, subsidies, contributions and donations	4(b)	<u>1,739,852</u>	<u>2,415,944</u>
Net cash inflow/(outflow) from investing activities		<u>(6,140,818)</u>	<u>(3,196,594)</u>
Cash flows from financing activities:			
Repayment of borrowings	14	<u>(192,261)</u>	<u>(185,017)</u>
Net cash inflow/(out flow) from financing activities		<u>(192,261)</u>	<u>(185,017)</u>
Net increase/(decrease) in cash and cash equivalents held		<u>(1,160,809)</u>	<u>785,190</u>
Cash and cash equivalents at beginning of financial year		16,531,922	15,746,732
Cash and cash equivalents at end of financial year	8	<u><u>15,371,114</u></u>	<u><u>16,531,922</u></u>

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

The comparatives have not been restated on adoption of AASB 15 / AASB 1058 and therefore the comparative information is presented using the previous standards.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

1 Significant Accounting Policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 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 purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These 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

Council adopted all standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019, the standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases. Refer to the change in accounting policy Note 24 for transition disclosures for AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases*.

Standards that are not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020, those standards have not been adopted by Council and will be included in the financial statements on their effective date.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

1.D Estimates and Judgements

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

Revenue - Note 3 and Note 4

Valuation of property, plant and equipment - Note 11

Impairment of property, plant and equipment - Note 11

Depreciation - Note 11

Contingent Liabilities - Note 18

Financial Instruments - Note 23

1.E Rounding and Comparatives

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

Comparative information is generally restated for reclassifications, errors and changes in accounting policies unless permitted otherwise by transition rules in a new Accounting Standard.

1.F Taxation

Council is exempt from income tax, however council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. 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 2020

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, finance, 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 2020

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 2020

Functions	Gross Program Income						Total Income	Gross Program Expenses		Net Result From Recurrent Operations	Net Result	Assets
	Recurrent			Capital				Recurrent	Capital			
	Grants	Other	Grants	Other	Total Expenses							
	2020	2020	2020	2020								
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Governance	3,160,523	3,285,862	168,231	-	6,614,616	(5,906,281)	-	540,103	708,335	22,833,401		
Community Services	164,666	1,199,545	107,520	-	1,471,732	(2,385,874)	-	(1,021,663)	(914,143)	17,421,112		
Water Works	-	229,530	-	-	229,530	(216,731)	-	12,799	12,799	5,315,839		
Sewerage Works	-	54,103	-	-	54,103	(105,352)	-	(51,249)	(51,249)	3,921,570		
Roads and Related Works	3,113,284	6,513,194	1,464,100	-	11,090,579	(10,818,354)	(2,144)	(1,191,875)	270,081	89,625,503		
Environment, Health and Planning	-	2,928	-	-	2,928	(768,111)	-	(765,182)	(765,182)	29,875,168		
Total Council	6,438,473	11,285,163	1,739,852	-	19,463,488	(20,200,704)	(2,144)	(2,477,068)	(739,360)	168,992,593		

Year Ended 30 June 2019

Functions	Gross Program Income				Total Income	Gross Program 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	-	4,217,735	(2,622,075)	(577,495)	1,061,836	1,018,166	23,648,874
Community Services	170,300	235,325	554,714	-	960,339	(1,356,213)	-	(950,588)	(395,874)	18,771,829
Water Works	-	259,728	-	-	259,728	(258,289)	-	1,440	1,440	5,012,445
Sewerage Works	-	61,852	122,152	-	184,004	(104,858)	-	(43,005)	79,147	3,998,307
Roads and Related Works	3,576,302	6,562,885	1,190,179	-	11,329,367	(10,228,910)	(20,114)	(89,724)	1,080,342	91,974,664
Environment, Health and Planning	173,428	1,998,265	15,075	-	2,186,768	(2,615,250)	-	(443,558)	(428,483)	23,016,450
Total Council	6,438,473	10,283,523	2,415,944	-	19,137,941	(17,185,596)	(597,609)	(463,598)	1,354,736	166,422,569

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
3 Revenue			
		30 June 2020	
		AASB 15	AASB 1058
Revenue recognised at a point in time			
Rates, levies and charges (excluding those related to services)		1,107,003	-
Grants, subsidies, donations and contributions		-	3,586,493
Fees and charges		1,100,405	-
Other		270,302	-
		<u>2,477,709</u>	<u>3,586,493</u>
Revenue recognised over time			
Grants, subsidies, donations and contributions		2,851,980	1,739,852
Sale of goods and services		8,013,579	-
Rental income		586,551	-
		<u>11,452,110</u>	<u>1,739,852</u>
		30 June 2020	30 June 2019
(a) Rates, Levies and Charges		\$	\$
<p>2020 Accounting Policy: Rates and annual charges are recognised as revenue when the council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.</p> <p>2019 Accounting Policy: 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.</p>			
General rates		910,398	896,884
Water		229,530	259,728
Sewerage		54,103	61,852
Garbage charges		45,435	44,500
Total rates and utility charge revenue		<u>1,239,466</u>	<u>1,262,964</u>
Less: discounts		<u>(132,464)</u>	<u>(125,172)</u>
Net rates, levies and charges		<u>1,107,003</u>	<u>1,137,791</u>
(b) Interest Received			
Interest from rates and charges		23,113	22,777
Interest earned from cash deposits		184,210	354,626
		<u>207,323</u>	<u>377,403</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
(c) Sales Revenue			
Main Roads minor works performance contracts		1,484,629	1,642,017
Main Roads road maintenance performance contracts		5,746,937	4,829,970
Other sales revenue		782,013	-
		<u>8,013,579</u>	<u>6,471,987</u>

2020 Accounting Policy: Sale of goods revenue is recognised when the customer has taken delivery of the goods. Revenue from services is recognised when the service is rendered.

Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. This revenue and the associated costs are recognised by reference to the stage of completion of the contract activity based on costs incurred at the reporting date. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.

2019 Accounting Policy: 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.

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

The Council generates 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.

4 Grants, Subsidies and Contributions

(a) Recurrent			
State Government subsidies and grants - recurrent		3,034,684	6,709,345
Commonwealth Government subsidies and grants - recurrent		3,337,358	533,824
Other subsidies and grants - recurrent		66,431	-
Total recurrent revenue		<u>6,438,473</u>	<u>7,243,169</u>
(b) Capital			
State Government subsidies and grants - capital		733,887	1,374,925
Commonwealth Government subsidies and grants - capital		80,465	1,041,019
Other subsidies and grants - capital		925,500	-
Total capital revenue		<u>1,739,852</u>	<u>2,415,944</u>
Total for Grants, Subsidies and Contributions		<u>8,178,325</u>	<u>9,659,113</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020	30 June 2019
		\$	\$

2020 accounting policy:

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligations is satisfied. The performance obligations are varied based on the the nature of each agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others. Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable. When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Grant income under AASB 1058

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard. Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

2019 Accounting Policy:

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.

(c) Contract balances

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

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

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

The contract assets and liabilities presented in the statement of financial position have arisen on adoption of AASB 15 and AASB 1058. Previously the revenue was recognised on receipt and therefore there was no effect on the statement of financial position.

5 Employee Benefits

Total staff wages and salaries		4,552,652	4,137,169
Councillors' remuneration		225,963	235,024
Annual, sick and long service leave entitlements		1,044,930	721,492
Superannuation	19	517,561	478,974
		<u>6,341,106</u>	<u>5,572,659</u>
Other employee related expenses		-	0
		<u>6,341,106</u>	<u>5,572,659</u>
Less: capitalised employee expenses		<u>(427,945)</u>	<u>(429,004)</u>
		<u>5,913,161</u>	<u>5,143,656</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020	30 June 2019
		\$	\$
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		17	21
Depot and outdoors staff		43	32
Total full time equivalent employees		65	58
6 Materials and Services			
Advertising and Marketing		1,182	468,050
Audit of annual financial statements by the Auditor-General of Queensland		47,199	51,151
Other audit fees - Internal audit and other services		-	8,480
Communication and Information technology		283,001	363,732
Community Services		1,578,535	1,328,954
Donations Paid		14,627	114,173
Contract and Recoverable Works		2,962,846	2,547,628
Road Maintenance Services		452,332	231,076
Other Materials and Services		207,329	763,707
Fleet Services		1,863,201	1,461,393
Infrastructure Services		2,324,778	221,410
		9,735,031	7,559,755
7 Capital Income/(Expenses)			
Gain (loss) on the disposal of non-current assets			
Proceeds from the sale or write down of non-current assets		787,767	212,300
Less: book value of non-current assets disposed of		(789,911)	(232,414)
		(2,144)	(20,114)
Revaluation decrement			
Revaluation downwards of land assets		-	(577,495)
		-	(577,495)
The downwards revaluation of land assets in FY19 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 income/(expenses)		(2,144)	(597,609)

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020	30 June 2019
		\$	\$

8 Cash and Cash Equivalents

Cash and cash equivalents in the statement of cashflows 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	960,422	1,794,356
Deposits at call	14,410,692	14,737,566
Balance per Statement of Cash Flows	15,371,114	16,531,923

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

Unspent government grants and subsidies	1,256,799	1,024,524
Total restricted cash	1,256,799	1,024,524

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 since Council has no control over the assets.

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	169,422	148,679
	169,422	148,679

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	322,037	301,562
	322,037	301,562
Accrued revenue	-	26,936
Other debtors	1,200,756	2,114,095
Less loss allowance	(65,436)	(65,436)
	1,135,320	2,075,595
Prepayments	-	30,339
	1,457,357	2,407,496

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

	Note	30 June 2020	30 June 2019
		\$	\$
Interest is charged on outstanding rates at a rate of 8% per annum. 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		65,436	47,221
Adjustment to opening balance upon application of AASB 9* (FY19 only)		-	-
Impairment adjustment in period		-	18,215
Less: Debts written off during the year		-	-
Additional impairments recognised		-	-
Less: Impairments reversed		-	-
Closing balance 30 June		<u>65,436</u>	<u>65,436</u>

10 Inventories

Current

Inventories held for distribution:

Stores and raw materials	1,436,182	1,069,155
Land held for resale	<u>173,600</u>	<u>220,600</u>
	<u>1,609,782</u>	<u>1,289,755</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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

11(a) Property, Plant and Equipment

30 June 2020

Basis of Measurement

Fair value category

Asset Values

Opening gross value as at 1 July 2019

Additions at cost

Disposals

Transfer between classes

Other adjustments

Closing gross value as at 30 June 2020

Note	Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
	Fair Value Level 2	Fair Value Level 3	Cost	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
	3,419,700	44,490,148	16,644,873	102,903,135	7,598,673	4,994,906	21,582,032	1,661,052	203,294,518
	40,602	-	3,459,467	-	-	-	-	5,168,369	8,668,437
7	(27,800)	-	(2,624,980)	-	-	-	(45,900)	-	(2,698,680)
	-	1,064,081	26,461	580,345	414,957	-	788,781	(2,874,626)	-
	-	-	-	-	-	-	-	(72,180)	(72,180)
	3,432,502	45,554,229	17,505,820	103,483,481	8,013,630	4,994,906	22,324,912	3,882,615	209,192,095

Accumulated Depreciation and Impairment

Opening balance as at 1 July 2019

Depreciation provided in period

Accumulated depreciation on disposals

Other adjustments

Accumulated depreciation as at 30 June 2020

-	13,801,549	8,475,623	26,776,195	2,586,227	996,597	4,464,933	-	-	57,101,123
-	813,836	812,435	2,197,053	111,564	76,739	457,102	-	-	4,468,729
-	-	(1,962,419)	-	-	-	(18,234)	-	-	(1,980,653)
		11,203							11,203
-	14,615,385	7,336,842	28,973,248	2,697,791	1,073,336	4,903,801	-	-	59,600,402
3,432,502	30,938,845	10,168,978	74,510,233	5,315,839	3,921,570	17,421,112	3,882,615		149,591,693

Written down value 30 June 2020

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

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	310,723		340,794	414,957		629,973			1,696,448
40,602	753,358	3,485,928	239,551			158,808			4,678,247
40,602	1,064,081	3,485,928	580,345	414,957	-	788,781	-	-	6,374,694

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

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

30 June 2019

Basis of Measurement

Fair value category

Asset Values

Opening gross value as at 1 July 2018

Revaluation adjustment to Income Statement

Addition from Land Held for Sale

Additions at cost

Disposals

Transfer between classes

Closing gross value as at 30 June 2019

Land	Buildings	Plant and Equipment	Road, Drainage and Bridge Network	Water Infrastructure	Sewerage Infrastructure	Other Structures	WIP	Total
Fair Value Level 2	Fair Value Level 3	Cost	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Fair Value Level 3	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$
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

-	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

Written down value 30 June 2019

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
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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 2020

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 2020

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 levels of the hierarchy 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 2020

(ii) Valuation techniques used to derive fair values

Land (level 2)

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.

A desktop assessment was undertaken by Australis Advisory Group as at 30 June 2020 which found no material cumulative movements in value, and as a result no valuation adjustment was undertaken.

	2020	2019
Land	\$	\$
• Observable market - (level 2)	3,432,502	3,419,700
Total	3,432,502	3,419,700

Buildings (level 3)

The fair value of buildings were determined by independent valuer, Australis Asset Advisory Group, Registered Valuer, as at 30 June 2017 at written down current replacement cost. A desktop assessment was undertaken by Australis Advisory Group as at 30 June 2020 which found no material cumulative movements 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 physical obsolescence 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.

	2020	2019
Buildings	\$	\$
• No observable market - (level 3)	30,938,845	30,688,599
Total	30,938,845	30,688,599

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 written down current replacement cost. A desktop assessment was undertaken by Australis Advisory Group as at 30 June 2020 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 2020

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 physical obsolescence, 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 written down current replacement cost. Indexation was applied at 30 June 2019 based on a review performed by Australias. A desktop assessment was undertaken by Australis Advisory Group as at 30 June 2020 which found no material cumulative movements in value, and as a result no valuation adjustment was undertaken.

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 physical obsolescence, 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 2020

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 written down current replacement cost. A desktop assessment was undertaken by Australis Advisory Group as at 30 June 2020 which found no material cumulative 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 physical obsolescence, the water and sewerage 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 component.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
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.			
Current			
Creditors and accruals		920,580	1,256,646
		<u>1,481,376</u>	<u>1,256,646</u>
13 Provisions			
Liabilities are recognised for employee benefits such as wages and salaries, sick, annual and long service leave in respect of services provided by the employees up to the reporting date.			
Short-term benefits which are expected to be wholly settled within 12 months are calculated on wages and salary levels which are expected to be paid and includes related employee oncosts. 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.			
The provision for long service leave represents the present value of the estimate future cash outflows to be made in respect of the services provided by employees up to the reporting date. The liability is calculated using current pay rates and projected future increase in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in the Council's employment or other associated employments which would result in the Council being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Commonwealth Government guaranteed securities at the reporting date are used to discount the estimate future cash outflows to their present value.			
Current			
Annual leave		542,225	337,978
Long service leave		107,212	142,992
		<u>649,437</u>	<u>480,970</u>
Non-Current			
Long service leave		242,476	86,945
		<u>891,913</u>	<u>567,915</u>
14 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 15 June 2036. There have been no defaults or breaches of the loan agreement during the period.			
In accordance with the <i>Local Government Regulation 2012</i> 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 - current		202,449	195,185
		<u>202,449</u>	<u>195,185</u>
Non-Current			
Loans Queensland Treasury Corporation - non-current		1,990,227	2,189,752
		<u>1,990,227</u>	<u>2,189,752</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
Queensland Treasury Corporation			
Opening balance		2,384,937	2,569,954
Principal repayments		(192,261)	(185,017)
Book value at period end		<u>2,192,676</u>	<u>2,384,937</u>

The QTC loan market value at the reporting date was \$2,419,078.84. 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.

15 Leases

Council as a lessee

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term. Council has not identified any other leases in scope of AASB 16 which are not covered by the aforementioned exceptions.

Leases at significantly below market value / concessionary leases:

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

Council as a lessor

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

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

Investment property income	586,551
Direct operating expenses from property that generated rental income	840,138

16 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.

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 2019	Increases / (Decreases)	Balance 30 June 2020	Balance 30 June 2019
The closing balance of the asset revaluation surplus is comprised of the following asset classes:				
Land	-	-	-	-
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	55,562,231	-	55,562,231	55,562,231
Water	1,982,970	-	1,982,970	1,982,970
Sewerage	2,055,107	-	2,055,107	2,055,107
	<u>74,984,669</u>	<u>-</u>	<u>74,984,669</u>	<u>74,984,669</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
17 Commitments For Expenditure			
Contractual commitments			
Contractual commitments at end of financial year but not recognised in the financial statements are as follows:			
Other community and depot facilities including management services		-	439,305
Information Technology and Accounting and Management System		-	147,400
Infrastructure and asset management management		1,443,322	87,762
Plant acquisitions		-	714,142
Water infrastructure		-	1,213,658
		<u>1,443,322</u>	<u>2,602,267</u>

18 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 \$211,527.84.

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.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
19 Superannuation			
<p>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 <i>Local Government Act 2009</i>.</p>			
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			
<p>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.</p>			
<p>The next triennial review is not due until 1 July 2021.</p>			
<p>The most significant risks that may result in LGIASuper increasing the contribution rate, on the advice of the actuary, are:</p>			
<p>Investment risk - The risk that the scheme's investment returns will be lower than assumed and additional contributions are needed to fund the shortfall.</p>			
<p>Salary growth risk - The risk that wages or salaries will rise more rapidly than assumed, increasing vested benefits to be funded.</p>			
<p>The amount of superannuation contributions paid by Diamantina Shire Council to the superannuation scheme in this period for the benefit of employees was:</p>			
	5	<u>517,561</u>	<u>478,974</u>

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
20 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 comprises:			
Short-term employee benefits		1,197,590	1,040,689
Post-employment benefits		26,189	97,037
Long-term benefits		108,559	22,286
		<u>1,332,337</u>	<u>1,160,011</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 65 staff of which 7 are close family members of key management personnel.			
Employee expenses for close family member of key management personnel (7 employees)		319,497	126,111
Purchases of materials and services from other related parties		501,918	91,430
		<u>821,415</u>	<u>217,540</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		444,092	12,708
Accounting and information technology consulting		12,183	23,238
Cleaning services		3,016	1,218
Tours sold at a commission on behalf of local touring supply entity		8,390	54,266
Plumbing services		34,037	-
Other		200	-
		<u>501,918</u>	<u>91,430</u>
(c) Transactions with related parties			
Purchases of goods and materials from an entity managed by key management personnel or related party of KMP		137,798	119,597
		<u>137,798</u>	<u>119,597</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			
At 30 June 2020, amounts outstanding totalled \$78,523.78. This related to rates outstanding from Mayor, Cr. R Dare. Council is pursuing this debt in accordance with the approved debt collection policy. No expense has been recognised in the current year or prior year for bad and doubtful debts in respect of amounts owned by related parties.			

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements For the Year Ended 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
21 Reconciliation of Net Result for the Year to Net Cash Inflow (Outflow) From Operating Activities			
Net result		(739,361)	2,159,432
Non-cash items:			
Depreciation		4,468,729	4,380,630
Write off WIP to P&L		11,498	-
Land revaluation decrement		-	577,495
Investing and development activities (non-cash) :			
Net loss on disposal of plant and equipment		2,144	20,114
Capital grants and contributions		(1,739,852)	(2,415,944)
		<u>2,742,519</u>	<u>2,562,295</u>
Changes in operating assets and liabilities :			
(Increase) / decrease in receivables		950,139	(874,395)
(Increase) / decrease in inventory		(320,027)	45,438
(Increase) / decrease in contract assets		(163,003)	
Increase / (decrease) in payables		223,380	194,714
Increase / (decrease) in contract liabilities		2,154,624	-
Increase / (decrease) in provisions		323,999	79,315
		<u>3,169,112</u>	<u>(554,928)</u>
Net cash inflow from operating activities		<u><u>5,172,270</u></u>	<u><u>4,166,800</u></u>

Refer Note 14 for reconciliation of liabilities arising from financing activities (2020: Nil; 2019: Nil)

22 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 2020

23 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	2020	2019
Financial assets		\$	\$
Cash and cash equivalents	8	15,371,114	16,531,923
Receivables - rates	9	322,037	301,562
Receivables - other	9	1,200,756	2,114,095
Other current assets	9	-	26,936
Contract assets	9	962,646	-
Total		17,856,553	18,974,515

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

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
	\$	\$	\$	\$	\$
2020					
Trade and Other Payables	1,480,026	-	-	1,480,026	1,480,026
Loans QTC	268,357	764,421	1,694,480	2,727,258	2,192,676
	1,748,383	764,421	1,694,480	4,207,284	3,672,702
2019					
Trade and Other Payables	1,256,646	-	-	1,256,646	1,256,646
Loans QTC	268,357	878,735	1,848,523	2,995,614	2,384,937
Totals	1,525,003	878,735	1,848,523	4,252,261	3,641,583

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

Notes to the Financial Statements For the Year Ended 30 June 2020

24 Changes in accounting policies

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

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

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

Revenue standards AASB 15 and AASB 1058

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

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

Changes in accounting policy on adoption of AASB 15 and AASB 1058

An overview of Council's new revenue recognition policies are outlined in Note 3 and Note 4. The main impact was in relation to Council's grant revenue. In applying these standards for the first time, Council is now required to recognise a contract assets or liability based on the underlying nature of each contract and Council's satisfaction of associated performance obligations.

Opening contract balances on transition at 1 July 2019

Contract assets

Under AASB 15	197,363
Under AASB 1058	602,280
	<u>799,643</u>

Contract liabilities

Under AASB 15	530,216
Under AASB 1058	150,000
	<u>680,216</u>

The net impact of applying this standard (\$119,427) was recognised as an adjustment to opening retained surplus on 1 July 2019.

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

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

	As at 30 June 2020	Adjustments	Carrying amount if previous standards had been applied
Contract assets	962,646	962,646	-
Contract liabilities	2,834,840	2,834,840	-
Operating grants, subsidies and contributions	6,438,473	(734,822)	7,173,295
Capital grants, subsidies and contributions	1,739,852	(1,256,799)	2,996,651
Retained earnings	161,593,137	(2,008,514)	163,601,651

Statement of cashflows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the statement of cashflows for the year ended 30 June 2020.

DIAMANTINA SHIRE COUNCIL

Notes to the Financial Statements

For the Year Ended 30 June 2020

Lease standard AASB 16

Council as a lessee:

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

Council has not identified any other leases in scope of AASB 16 which are not covered by the aforementioned exceptions. Accordingly there was no impact to Council's financial position at 1 July 2019 when this standard became effective.

Council as a lessor:

Lessor accounting provisions are largely unchanged as a result of AASB 16. Accordingly there was no impact to Council's financial position at 1 July 2019 when this standard became effective.

AASB 16 introduces new disclosure requirements (for lessees and lessors) which have been reflected in Council's financial statements for the first time for the year ended 30 June 2020.

DIAMANTINA SHIRE COUNCIL

ANNUAL FINANCIAL STATEMENTS

For the Year Ended 30 June 2020

MANAGEMENT CERTIFICATE

For the Year Ended 30 June 2020

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

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

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

(ii) the general purpose financial statements, as set out on pages 1 to 31, 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
Robert Dare

Date: 26 / 10 / 2020



Chief Executive Officer
Leon Love

Date: 26 / 10 / 2020

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 2020, 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 2020, 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 certificate given by the Mayor and the Chief Executive Officer.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Diamantina Shire Council's annual report for the year ended 30 June 2020 was the current year financial sustainability statement and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the financial report

The councillors are 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 councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The councillors are 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 2020:

- 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.



Dale Hassell
as delegate of the Auditor-General

11 November 2020

Queensland Audit Office
Brisbane

DIAMANTINA SHIRE COUNCIL

Current Year Financial Sustainability Statement

For the Year Ended 30 June 2020

Measures of Financial Sustainability - How the measure is calculated		Actual	Target
Council's Performance at 30 June 2020 against any key financial ratio's and targets:			
Operating Surplus Ratio	Net Result (excluding capital items) divided by total operating revenue (excluding capital items)	(14.0)%	Between 0% and 10%
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	46.4%	Greater than 90%
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	(67.7)%	Not Greater than 60%

Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2020.

CERTIFICATE OF ACCURACY For the year ended 30th June 2020

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

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



Mayor
Robert Dare

Date: 26 / 10 / 2020 .



Chief Executive Officer
Leon Love

Date: 26 / 10 / 2020

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 2020 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 2020 has been accurately calculated.

Basis of opinion

I conducted my audit in accordance with the *Auditor-General 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 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 financial and non-financial information (other than the audited financial report) in an entity's annual report.

At the date of this auditor's report, the available other information in Diamantina Shire Council's annual report for the year ended 30 June 2020 was the general purpose financial statements and long-term financial sustainability statement.

The councillors are responsible for the other information.

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 councillors for the current year financial sustainability statement

The councillors are responsible for the preparation and fair presentation of the current year financial sustainability statement in accordance with the Local Government Regulation 2012. The councillors' responsibility also includes such internal control as the councillors determine 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.



Dale Hassell
as delegate of the Auditor-General

11 November 2020

Queensland Audit Office
Brisbane

DIAMANTINA SHIRE COUNCIL

Unaudited Long Term Financial Sustainability Statement
Prepared as at 30 June 2020

Measures of Financial Sustainability	How the Measure is Calculated	Target	Actual	Projected for the years ended										
			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	30 June 2030	
Operating Surplus Ratio	Net Result (excluding capital items) divided by total operating revenue (excluding capital items)	Between 0% and 10%	(14.0)%	(5.1)%	(6.5)%	(6.3)%	(6.2)%	(6.0)%	(5.9)%	(5.7)%	(5.6)%	(5.5)%	(5.4)%	
Asset Sustainability Ratio	Capital Expenditure on the replacement of assets (Renewals) divided by depreciation expense	Greater than 50%	46.4%	248.3%	104.0%	103.0%	101.8%	100.5%	99.1%	97.5%	95.9%	94.2%	92.5%	
Net Financial Liabilities Ratio	Total liabilities less current assets divided by total operating revenue (Excluding Capital Items)	Not Greater than 50%	(67.7)%	(27.9)%	(27.8)%	(27.8)%	(28.1)%	(28.5)%	(29.2)%	(30.1)%	(31.2)%	(32.5)%	(34.1)%	

Diamantina Shire Council's Financial Management Strategy

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

CERTIFICATE OF ACCURACY

For the long-term financial sustainability statement prepared as at 30 June 2020

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

In accordance with the section 21(2) of the Regulation we certify that this long-term financial sustainability statement has been accurately prepared.

Mayor
Robert Dore
Date: 26/10/2020

Chief Executive Officer
Leon Love
Date: 26/10/2020