

Lockhart River Aboriginal Shire Council
Financial Statements
for the year ended 30 June 2017

Lockhart River Aboriginal Shire Council

Financial statements

For the year ended 30 June 2017

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Lockhart River Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2017

	Note	Consolidated		Council	
		2017	2016	2017	2016
		\$	\$	\$	\$
Income					
Revenue					
Recurrent revenue					
Rates, levies and charges	3(a)	133,304	121,790	133,304	121,790
Rental income	3(b)	251,055	417,708	242,098	412,468
Interest received	3(c)	121,783	176,110	114,415	163,677
Sales revenue	3(d)	6,172,982	7,616,782	5,114,714	6,537,306
Other income	3(e)	98,916	1,681,091	98,916	1,681,091
Grants, subsidies, contributions and donations	4(a)	7,385,311	8,332,824	7,385,311	8,332,824
		<u>14,163,351</u>	<u>18,346,306</u>	<u>13,088,757</u>	<u>17,249,157</u>
Capital revenue					
Grants, subsidies, contributions and donations	4(b)	15,569,270	9,856,397	15,569,270	9,856,397
Total income		<u>29,732,621</u>	<u>28,202,703</u>	<u>28,658,027</u>	<u>27,105,554</u>
Expenses					
Recurrent expenses					
Employee benefits	5	(4,750,916)	(4,547,114)	(4,412,465)	(4,029,143)
Materials and services	6	(9,903,290)	(9,800,996)	(9,232,368)	(9,195,213)
Finance costs		63,152	(37,375)	23,079	(41,643)
Depreciation and amortisation	14	(1,758,868)	(1,384,889)	(1,471,516)	(1,188,990)
Other expenses	7	(789,670)	-	(789,670)	-
		<u>(17,139,591)</u>	<u>(15,770,374)</u>	<u>(15,882,940)</u>	<u>(14,454,989)</u>
Capital expenses					
	8	(27,935)	(8,973,365)	(3,674,337)	(9,825,910)
Total expenses		<u>(17,167,527)</u>	<u>(24,743,739)</u>	<u>(19,557,276)</u>	<u>(24,280,899)</u>
Net result		<u>12,565,094</u>	<u>3,458,964</u>	<u>9,100,750</u>	<u>2,824,655</u>
Other comprehensive income					
Items that will not be reclassified to net result					
Increase / (decrease) in asset revaluation surplus	14	925,077	(3,828,837)	2,093,568	(2,667,735)
Total other comprehensive income for the year		<u>925,077</u>	<u>(3,828,837)</u>	<u>2,093,568</u>	<u>(2,667,735)</u>
Total comprehensive income for the year		<u>13,490,171</u>	<u>(369,874)</u>	<u>11,194,318</u>	<u>156,920</u>

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

Lockhart River Aboriginal Shire Council
Statement of Financial Position
as at 30 June 2017

	Note	Consolidated		Council	
		2017	2016	2017	2016
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	9	12,156,711	8,842,350	11,594,587	8,114,111
Trade and other receivables	10	1,402,140	2,625,805	1,076,712	2,460,542
Inventories	11	285,348	282,814	198,917	176,546
Other financial assets	12	283,545	272,720	283,545	272,720
Total current assets		14,127,744	12,023,689	13,153,762	11,023,919
Non-current assets					
Other financial assets	12	9,461,520	10,534,735	9,461,520	10,534,735
Investments	13	-	-	100	100
Property, plant and equipment	14	67,264,471	52,505,922	59,690,571	47,131,355
Total non-current assets		76,725,992	63,040,657	69,152,191	57,666,190
Total assets		90,853,736	75,064,346	82,305,953	68,690,108
Current liabilities					
Trade and other payables	15	4,653,944	1,996,052	4,554,874	1,793,191
Provisions	16	73,980	68,074	73,980	43,453
Total current liabilities		4,727,924	2,064,126	4,628,854	1,836,645
Non-current liabilities					
Trade and other payables	15	-	302,055	-	302,055
Provisions	16	1,372,479	1,434,998	1,357,324	1,425,948
Total non-current liabilities		1,372,479	1,737,053	1,357,324	1,728,003
Total liabilities		6,100,404	3,801,179	5,986,178	3,564,648
Net community assets		84,753,337	71,263,166	76,319,778	65,125,460
Community equity					
Asset revaluation surplus		31,801,919	30,876,842	31,258,325	29,164,757
Retained surplus		52,951,418	40,386,324	45,061,453	35,960,703
Total community equity		84,753,337	71,263,166	76,319,778	65,125,460

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

Lockhart River Aboriginal Shire Council
Statement of Changes in Equity
For the year ended 30 June 2017

Consolidated

	Asset revaluation surplus	Retained surplus	Total
	\$	\$	\$
Balance as at 1 July 2016	30,876,842	40,386,324	71,263,166
Net result	-	12,565,094	12,565,094
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	925,077	-	925,077
Total comprehensive income for the year	925,077	12,565,094	13,490,171
Balance as at 30 June 2017	31,801,919	52,951,418	84,753,337
Balance as at 1 July 2015	35,738,392	37,380,713	73,119,105
Opening balance adjustment	21 (1,032,713)	(453,352)	(1,486,065)
Restated balance as at 1 July 2015	34,705,679	36,927,361	71,633,041
Net result	-	3,458,964	3,458,964
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	(3,828,837)	-	(3,828,837)
Total comprehensive income for the year	(3,828,837)	3,458,964	(369,873)
Balance as at 30 June 2016	30,876,842	40,386,324	71,263,166

Council

	Asset revaluation surplus	Retained surplus	Total
	\$	\$	\$
Balance as at 1 July 2016	29,164,757	35,960,703	65,125,460
Net operating surplus	-	9,100,750	9,100,750
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	2,093,568	-	2,093,568
Total comprehensive income for the year	2,093,568	9,100,750	11,194,318
Balance as at 30 June 2017	31,258,325	45,061,453	76,319,778
Balance as at 1 July 2015	32,535,205	33,589,400	66,124,605
Opening balance adjustment	21 (702,713)	(453,352)	(1,156,065)
Restated balance as at 1 July 2015	31,832,492	33,136,048	64,968,540
Net operating surplus	-	2,824,655	2,824,655
Other comprehensive income for the year			
Increase / (decrease) in asset revaluation surplus	(2,667,735)	-	(2,667,735)
Total comprehensive income for the year	(2,667,735)	2,824,655	156,920
Balance as at 30 June 2016	29,164,757	35,960,703	65,125,460

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

Lockhart River Aboriginal Shire Council
Statement of Cash Flows
For the year ended 30 June 2017

Note	Consolidated		Council	
	2017 \$	2016 \$	2017 \$	2016 \$
Cash flows from operating activities				
Receipts from customers	7,691,446	7,750,332	6,773,889	6,728,392
Payments to suppliers and employees	(12,288,380)	(14,422,987)	(11,197,160)	(13,400,093)
	(4,596,934)	(6,672,655)	(4,423,271)	(6,671,701)
Interest received	121,783	176,110	114,415	163,677
Rental income	251,055	417,708	242,098	412,468
Non capital grants and contributions	7,385,311	8,332,824	7,385,311	8,332,824
Net cash inflow (outflow) from operating activities	20	3,161,215	2,253,987	3,318,552
Cash flows from investing activities				
Payments for property, plant and equipment	(15,688,840)	(6,445,208)	(15,680,065)	(6,402,141)
Finance lease receipts	272,719	256,814	272,719	256,814
Capital grants, subsidies, contributions and donations	15,569,270	7,920,973	15,569,270	7,920,973
Net cash inflow (outflow) from investing activities	153,148	1,732,579	161,923	1,775,646
Net increase (decrease) in cash and cash equivalents held	3,314,363	3,986,566	3,480,476	4,012,914
Cash and cash equivalents at the beginning of the financial year	8,842,349	4,855,783	8,114,112	4,101,197
Cash and cash equivalents at end of the financial year	9	12,156,712	8,842,349	11,594,588

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2016 to 30 June 2017 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

They comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS). Therefore in some instances these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

These financial statements have been prepared under the historical cost convention except for certain classes of property, plant and equipment and other financial assets (finance lease) which are measured at fair value.

1.B Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of the entity controlled by the Lockhart River Aboriginal Shire Council as at 30 June 2017 and the results of the controlled entity for the year then ended. The Council and its controlled entity together form the economic entity which is referred to in these financial statements as the consolidated entity.

In the process of reporting the Council as a single economic entity, all transactions with the entity controlled by the Council have been eliminated. In addition the accounting policies of the controlled entity have been adjusted, where necessary, on consolidation to ensure that the financial report of the consolidated entity is prepared using accounting policies that are consistent with those of the Council. Information on the controlled entity is included in Note 13.

1.C Constitution

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

1.D New and revised Accounting Standards

Current year

This year Council has applied AASB 124 *Related Party Disclosures* for the first time. As a result Council has disclosed more information about transactions with those related parties. This information is presented in Note 24.

Future years

Lockhart River Aboriginal Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective.

AASB 9 Financial Instruments

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

As a result, Council will be required to measure its financial assets, including its investment in Lockhart River Aerodrome Company Pty Ltd, at fair value. Had this requirement been adopted at 30 June 2017, management estimate that the fair value of this investment would have been \$8,432,974 in the Council's separate statement of financial position. There would also have been a corresponding gain in equity. There would have been no financial impact on the consolidated financial statements.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

1.D New and revised Accounting Standards continued

AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities.

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*. Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers. This is effective from the reporting periods beginning on or after 1 January 2019.

Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards.

AASB 16 Leases

Council has some leases that are not on its balance sheet. These will need to be included on the balance sheet when this standard is effective for reporting periods beginning on or after 1 January 2019. A lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-use asset will also be recognised over the lease term. If this requirement had been adopted at 30 June 2017 management estimate that net assets of the consolidated entity would have decreased by \$205,750 (Council: decrease by \$61,750). This estimate is based on current obligations and various market and other assumptions.

Other amended Australian Accounting Standards and Interpretations which were issued at the date of authorisation of the financial report, but have future commencement dates are not likely to have a material impact on the financial statements.

1.E Estimates and judgements

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

Valuation and depreciation of property, plant and equipment - Note 14
Impairment of property, plant and equipment - Note 14
Provisions - Note 16
Valuation of finance leases - Note 12
Contingent liabilities - Note 18.

1.F Rounding and comparatives

The financial statements have been rounded to the nearest \$1.

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

1.G Taxation

Local authorities are exempt from Commonwealth and State taxation except for 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.

Where an activity of the controlled entity of the Council is subject to the tax equivalents regime, the income tax expense is calculated on the operating surplus adjusted for permanent differences between taxable and accounting income. These transactions are eliminated upon consolidation.

2. Analysis of results by function

2(a) Components of Council functions

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

Engineering Services

The objective of the transport infrastructure program is to ensure the community is serviced by a high quality and effective road network through well planned and quality development. The function provides and maintains transport infrastructure, including the maintenance and provision of the bridge and drainage network, regional planning and management of development approval.

Community Development

The goal of Community Development is to ensure Lockhart River is a healthy, vibrant, contemporary and connected community. Community Development provides well managed and maintained facilities, and ensures the effective delivery of cultural, health, welfare, environmental and recreational services and projects, child care, substance abuse and other community programs.

Corporate Services

Corporate Services provides professional finance and administration support services across all of Council. This function includes internal audit, budget support, financial accounting, taxation, purchasing, warehousing, corporate planning, human resources, banking and post office services, communication and information technology services. The goal of this function is to provide accurate, timely and appropriate information to support sound decision making and meet statutory requirements.

Governance and Leadership

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

Environmental Management

The goal of this function is to protect and support our community and natural environment by sustainably managing refuse, healthy and safe community through sustainable water services and managing sewerage infrastructure. The function provides refuse collection and disposal services, pest management, management of flood and waterways and sewerage infrastructure.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

- 2 Analysis of results by function
(b) Income and expenses defined between recurring and capital are attributed to the following functions:

Year ended 30 June 2017	Functions	Gross program income						Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets		
		Recurrent		Capital		Recurrent	Capital			Total	Net result from recurring operations						Net Result	Assets
		Grants	Other	Grants	Other													
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
	Engineering Services	1,891,489	5,013,839	9,979,674	-	-	16,885,003	(10,089,980)	(3,184,652)	6,795,022	-	(10,089,980)	(3,184,652)	6,795,022	33,020,584			
	Community Development	1,526,645	376	-	-	-	1,527,021	(1,517,451)	9,570	9,570	-	(1,517,451)	9,570	9,570	-			
	Corporate Services	3,702,491	555,927	5,589,595	-	-	9,848,013	(3,674,337)	3,627,721	3,627,721	-	(6,220,291)	1,712,463	3,627,721	42,506,033			
	Governance & Leadership	7,000	-	-	-	-	7,000	-	(1,022,937)	(1,022,937)	-	(1,029,937)	(1,022,937)	(1,022,937)	-			
	Environmental Management	257,686	133,304	-	-	-	390,990	(699,616)	(308,626)	(308,626)	-	(699,616)	(308,626)	(308,626)	6,779,335			
	Total Council	7,385,311	5,703,446	15,569,269	-	-	28,658,026	(3,674,337)	(2,794,183)	9,100,749	-	(19,557,277)	(2,794,183)	9,100,749	82,305,953			
	Controlled entity net of eliminations	-	1,255,869	3,646,401	-	(3,827,675)	1,074,595	(1,438,911)	3,464,345	3,464,345	-	2,389,750	(183,042)	3,464,345	8,547,783			
	Total consolidated	7,385,311	6,959,315	19,215,670	-	(3,827,675)	29,732,621	(17,321,851)	(2,977,225)	12,565,094	3,828,661	(17,167,527)	(2,977,225)	12,565,094	90,853,736			

Year ended 30 June 2016	Functions	Gross program income						Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets		
		Recurrent		Capital		Recurrent	Capital			Total	Net result from recurring operations						Net Result	Assets
		Grants	Other	Grants	Other													
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$			
	Engineering Services	3,838,136	6,459,691	4,519,721	-	-	14,817,548	(9,681,115)	616,712	5,136,434	-	(9,681,115)	616,712	5,136,434	21,389,574			
	Community Development	1,364,360	8,564	-	-	-	1,372,924	(1,335,061)	37,864	37,864	-	(1,335,061)	37,864	37,864	-			
	Corporate Services	2,873,522	2,448,077	5,336,676	-	-	10,658,275	(9,825,910)	3,497,639	3,497,639	-	(11,649,870)	3,497,639	(991,595)	40,671,870			
	Governance & Leadership	256,806	-	-	-	-	256,806	(967,259)	(967,259)	(967,259)	-	(967,259)	(967,259)	(967,259)	-			
	Environmental Management	8,332,824	8,916,332	9,856,397	-	-	27,105,553	(9,825,910)	2,794,168	2,794,168	-	(24,280,899)	(390,789)	(390,789)	6,628,664			
	Total Council	-	1,307,186	852,545	-	(1,062,580)	1,097,151	(1,525,421)	2,794,168	2,794,168	-	(462,841)	(218,235)	634,310	68,690,109			
	Controlled entity net of eliminations	-	10,223,518	10,708,942	-	(1,062,580)	28,202,704	(15,980,410)	2,575,933	3,458,965	1,062,580	(24,743,740)	2,575,933	3,458,965	75,064,346			
	Total consolidated	8,332,824	10,223,518	10,708,942	-	(1,062,580)	28,202,704	(15,980,410)	2,575,933	3,458,965	1,062,580	(24,743,740)	2,575,933	3,458,965	75,064,346			

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
3 Revenue				
(a) Rates, levies and charges				
Rates and levies are recognised as revenue at the start of the rating period but where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received.				
General rates	133,304	121,790	133,304	121,790
	<u>133,304</u>	<u>121,790</u>	<u>133,304</u>	<u>121,790</u>
(b) Rental income				
Rental revenue is recognised as income on a periodic straight line basis over the lease term.				
Other rental income	251,055	417,708	242,098	412,468
	<u>251,055</u>	<u>417,708</u>	<u>242,098</u>	<u>412,468</u>
(c) Interest received				
Interest received from term deposits is accrued over the term of the investment.				
Interest received from term deposits	117,701	168,621	110,370	156,220
Other sources	4,082	7,489	4,045	7,457
	<u>121,783</u>	<u>176,110</u>	<u>114,415</u>	<u>163,677</u>
(d) Sales revenue				
Sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the goods.				
The Council generates revenues from a number of services including housing construction, motor vehicle repairs and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.				
Sale of services				
Contract and recoverable works	4,957,268	6,430,208	4,957,268	6,430,208
Accommodation	63,258	382,122	63,258	41,817
Motor vehicle repairs	21,232	10,163	21,232	10,163
	<u>5,041,758</u>	<u>6,822,493</u>	<u>5,041,758</u>	<u>6,482,188</u>
Sale of goods				
Gas bottles	63,444	45,656	63,444	45,656
Post office	9,512	9,462	9,512	9,462
Other sales	1,058,269	739,171	-	-
	<u>1,131,224</u>	<u>794,289</u>	<u>72,956</u>	<u>55,118</u>
Total sales revenue	<u>6,172,982</u>	<u>7,616,782</u>	<u>5,114,714</u>	<u>6,537,306</u>
The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.				
(e) Other income				
Fees, charges and commissions are recognised upon unconditional entitlement to the funds.				
Other income is recognised when the significant risks and rewards of ownership are transferred to the buyer, generally when the customer has taken undisputed delivery of the other goods and services.				
Agency commissions	3,275	5,448	3,275	5,448
Gain on revaluation of finance leases	-	1,555,735	-	1,555,735
Sundry income	95,641	119,908	95,641	119,908
	<u>98,916</u>	<u>1,681,091</u>	<u>98,916</u>	<u>1,681,091</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
4 Grants, subsidies, contributions and donations				
Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Unspent non-reciprocal grants are accounted for using Council's internal management accounting system. External restrictions that have been placed on Council's cash and cash equivalents due to unspent grants are disclosed in Note 9.				
Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council does not currently have any reciprocal grants.				
Non-cash contributions with a value in excess of the recognition thresholds, are recognised as revenue and as non-current assets. Non-cash contributions below the thresholds are recorded as revenue and expenses.				
(a) Recurrent				
State government subsidies and grants	6,610,130	7,505,283	6,610,130	7,505,283
Commonwealth government subsidies and grants	755,181	807,177	755,181	807,177
Donations	20,000	20,364	20,000	20,364
	<u>7,385,311</u>	<u>8,332,824</u>	<u>7,385,311</u>	<u>8,332,824</u>
(b) Capital				
State government subsidies and grants	15,277,783	7,451,514	15,277,783	7,451,514
Commonwealth government subsidies and grants	291,487	469,459	291,487	469,459
	<u>15,569,270</u>	<u>7,920,973</u>	<u>15,569,270</u>	<u>7,920,973</u>
Roads contributed due to change in Council boundaries	-	1,935,424	-	1,935,424
	<u>15,569,270</u>	<u>9,856,397</u>	<u>15,569,270</u>	<u>9,856,397</u>

Conditions over contributions

Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:

Non-reciprocal grants for expenditure on services	379,612	309,137	379,612	309,137
Non-reciprocal grants for expenditure on infrastructure	3,311,555	2,771,504	3,311,555	2,771,504
	<u>3,691,167</u>	<u>3,080,641</u>	<u>3,691,167</u>	<u>3,080,641</u>

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

Non-reciprocal grants for expenditure on services	61,786	35,582	61,786	35,582
Non-reciprocal grants for expenditure on infrastructure	73,538	110,000	73,538	110,000
	<u>135,324</u>	<u>145,581</u>	<u>135,324</u>	<u>145,581</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
5 Employee benefits				
Total staff wages and salaries	3,476,952	3,539,230	3,296,086	3,117,816
Councillors' remuneration	305,854	303,615	305,854	303,615
Annual, sick and long service leave entitlements	571,677	364,298	444,856	301,268
Superannuation	395,855	389,006	367,079	355,655
	19			
	4,750,338	4,596,149	4,413,875	4,078,354
Other employee related expenses	82,928	56,968	80,940	56,792
	4,833,266	4,653,117	4,494,815	4,135,146
Less: Capitalised employee expenses	(82,350)	(106,003)	(82,350)	(106,003)
	4,750,916	4,547,114	4,412,465	4,029,143
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.				
Total Council employees at the reporting date:	2017	2016	2017	2016
Elected members	5	5	5	5
Administration staff	70	81	65	75
Total full time equivalent employees	75	86	70	80
6 Materials and services	\$	\$	\$	\$
Administration supplies and consumables	1,570,377	1,245,546	1,130,372	865,005
Audit of annual financial statements by the Auditor-General of Queensland	100,041	104,400	76,091	81,000
Communications and IT	84,826	168,844	68,500	135,754
Consultants	383,049	154,384	364,452	110,233
Donations paid	114,190	110,566	114,190	110,566
Power	126,438	109,310	97,798	82,346
Repairs and maintenance	7,181,241	7,578,611	7,094,127	7,521,399
Rentals - operating leases	38,782	37,800	38,782	37,800
Subscriptions and registrations	41,095	42,833	39,734	41,515
Insurance	119,748	129,279	90,427	102,017
Legal fees	12,034	7,089	12,034	7,089
Travel	97,500	99,252	93,448	96,059
Other materials and services	33,969	13,082	12,413	4,430
Total materials and services	9,903,290	9,800,996	9,232,368	9,195,213
7 Other expenses				
Loss on revaluation of finance leases	789,670	-	789,670	-
	789,670	-	789,670	-

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
8 Capital expenses				
40 year leases				
Book value of houses transferred	14	6,406,578	-	6,406,578
Less: Initial recognition of finance leases		(1,977,560)	-	(1,977,560)
		<u>4,429,018</u>		<u>4,429,018</u>
Capital works transferred to controlled entity				
Runway drainage works		-	23,315	453,064
Runway pavement rehabilitation works		-	3,623,087	399,481
			<u>3,646,401</u>	<u>852,545</u>
Loss on disposal of non-current assets				
Book value of property, plant and equipment disposed of		3,246,926	96,500	3,246,926
		<u>3,246,926</u>	<u>96,500</u>	<u>3,246,926</u>
Refuse restoration				
Initial provision for refuse restoration		1,297,421	-	1,297,421
Decrease in provision		(68,565)	(68,565)	-
		<u>1,297,421</u>	<u>(68,565)</u>	<u>1,297,421</u>
Total capital expenses		<u>8,973,365</u>	<u>3,674,337</u>	<u>9,825,910</u>

9 Cash and cash equivalents

Cash and cash equivalents includes cash on hand, all cash and cheques received but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturity 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	3,249,507	1,501,553	3,189,483	1,318,142
Deposits at call	8,907,204	7,340,796	8,405,104	6,795,969
Balance per Statement of Cash Flows	<u>12,156,711</u>	<u>8,842,350</u>	<u>11,594,587</u>	<u>8,114,111</u>

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

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

Unspent government grants and subsidies	3,826,491	3,164,757	3,826,491	3,164,757
Total unspent restricted cash	<u>3,826,491</u>	<u>3,164,757</u>	<u>3,826,491</u>	<u>3,164,757</u>

Cash and deposits at call are held at the Commonwealth Bank, Macquarie Bank and Queensland Treasury Corporation in normal term deposits and business cheque accounts. Currently Commonwealth Bank has a short term credit rating of A1+ and long term rating of AA-, Macquarie Bank has a short term credit rating of A-1 and long term rating of A/Stable, and Queensland Treasury Corporation has a short term credit rating of A1+ and long term rating of AA+.

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. The Council performs only a custodian role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities	4	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
10 Trade and other receivables				
Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price /contract price. Settlement of these amounts is required within 30 days from invoice date.				
The collectability of receivables is assessed periodically and if there is objective evidence that Council will not be able to collect all amounts due, the carrying amount is reduced for impairment. The loss is recognised in finance costs.				
All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.				
Because Council is empowered under the provisions of the <i>Local Government Act 2009</i> to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.				
Current				
Trade debtors	947,357	2,055,053	589,084	1,810,928
Less impairment	(75,795)	(164,126)	(41,968)	(85,096)
Accrued revenue	530,578	734,879	529,597	734,711
	<u>1,402,140</u>	<u>2,625,805</u>	<u>1,076,712</u>	<u>2,460,542</u>

No interest is charged on trade debtors.

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

Opening balance at 1 July	164,127	139,806	85,096	51,864
Additional impairments recognised	41,748	24,321	41,748	33,233
Impairments reversed	(130,079)	-	(84,876)	-
Closing balance at 30 June	<u>75,795</u>	<u>164,127</u>	<u>41,968</u>	<u>85,096</u>

11 Inventories

Inventories held for sale

Inventories held for sale are aviation fuel, diesel, snack packs and soft drinks. These goods are valued at lower of cost and net realisable value.

Fuel and motel stock	86,431	106,268	-	-
	<u>86,431</u>	<u>106,268</u>	<u>-</u>	<u>-</u>

Inventories held for distribution

Inventories held for distribution are goods to be supplied at no or nominal, charge, and goods to be used for the provision of services at no or nominal, charge. These goods are valued at cost, adjusted, when applicable, for any loss of service potential.

Plant and equipment stores	198,917	176,546	198,917	176,546
	<u>198,917</u>	<u>176,546</u>	<u>198,917</u>	<u>176,546</u>

Total inventories	<u>285,348</u>	<u>282,814</u>	<u>198,917</u>	<u>176,546</u>
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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
12 Other financial assets				
Other financial assets are recognised at cost, with the exception of finance leases. Finance leases are leases under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership.				
Council has leased 97 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,958 after adjusting for change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.				
There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.				
Current				
Finance leases	283,545	272,720	283,545	272,720
	<u>283,545</u>	<u>272,720</u>	<u>283,545</u>	<u>272,720</u>
Non-current				
Finance leases	9,461,520	10,534,735	9,461,520	10,534,735
	<u>9,461,520</u>	<u>10,534,735</u>	<u>9,461,520</u>	<u>10,534,735</u>
A reconciliation between the gross investment in the lease and the fair value of lease payments is as follows:				
Gross minimum lease payments receivable:				
Not later than one year	283,545	272,719	283,545	272,719
Later than one year but not later than five years	1,134,180	1,090,875	1,134,180	1,090,875
Later than five years	9,133,826	9,055,651	9,133,826	9,055,651
	<u>10,551,551</u>	<u>10,419,245</u>	<u>10,551,551</u>	<u>10,419,245</u>
Add: Estimated contingent rent	6,540,178	6,698,180	6,540,178	6,698,180
Less: Present value adjustment	(7,346,664)	(6,309,972)	(7,346,664)	(6,309,972)
Fair value of lease payments	<u>9,745,065</u>	<u>10,807,454</u>	<u>9,745,065</u>	<u>10,807,454</u>
The fair value of lease payments is receivable as follows:				
Not later than one year	283,545	272,719	283,545	272,719
Later than one year but not later than five years	1,121,639	1,096,218	1,121,639	1,096,218
Later than five years	8,339,881	9,438,518	8,339,881	9,438,518
	<u>9,745,065</u>	<u>10,807,454</u>	<u>9,745,065</u>	<u>10,807,454</u>
Movements in finance leases were as follows:				
Opening balance	10,807,454	7,530,972	10,807,454	7,530,972
Add: Initial recognition of new leases of Council houses	-	1,977,560	-	1,977,560
Less: Lease receipts	(272,719)	(256,814)	(272,719)	(256,814)
Add: Gain/(loss) on revaluation	(789,670)	1,555,735	(789,670)	1,555,735
Closing balance	<u>9,745,065</u>	<u>10,807,454</u>	<u>9,745,065</u>	<u>10,807,454</u>
The calculation of fair value has included an estimate of average annual CPI increases of 2.50% (2016: 2.50%) and a discount rate of 2.96% (2016: 2.30%).				
13 Investments				
The Council's investment in the controlled entity, the Lockhart River Aerodrome Company Pty Ltd (the Company), is accounted for at cost in the Council's separate financial statements. This investment is eliminated in the financial statements of the consolidated entity upon consolidation. Lockhart River Aboriginal Shire Council holds 100% of the shares in the controlled entity.				
As the holder of 100% of the shares in Lockhart River Aerodrome Company Pty Ltd, Council has 100% voting rights in the Company enabling Council to direct the Company's activities. Council uses these rights to ensure that the Company provides reliable runway services to the residents and affordable motel accommodation to the visitors, congruent with Council's policy objectives.				
Interest in controlled entity Lockhart River Aerodrome Company Pty Ltd	-	-	100	100
	<u>-</u>	<u>-</u>	<u>100</u>	<u>100</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

14 Property, plant and equipment

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Note	Consolidated - 30 June 2017											
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement	1,100,000	14,793,510	14,315,163	3,247,355	1,144,128	32,716,281	5,742,318	5,193,060	2,168,997	1,654,486	82,065,338	
Asset values	-	-	-	94,524	-	14,367,563	-	-	236,026	990,738	15,688,840	
Opening gross value as at 1 July 2016	-	-	-	(51,222)	-	(94,198)	-	-	-	-	(145,420)	
Additions	-	-	-	-	-	(2,912,866)	95,134	85,321	54,148	-	(1,741,774)	
Disposals	-	556,625	379,864	-	-	-	-	-	-	-	-	
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	1,258,814	-	-	168,701	(1,427,516)	-	
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-	
Closing gross value as at 30 June 2017	1,100,000	15,340,134	14,695,047	3,290,657	1,144,128	45,335,585	5,837,452	5,278,400	2,627,872	1,217,708	95,866,985	

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

14 Property, plant and equipment

Note	Consolidated - 30 June 2016											Total
	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Cost	
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,430,000	15,942,061	23,928,437	3,474,241	549,976	18,878,926	5,819,518	4,959,227	2,303,728	310,242	310,242	77,596,355
21	(330,000)	(1,337,261)	(253,368)	-	-	-	-	-	-	-	-	(1,920,629)
	-	343,804	506,604	334,889	59,376	5,552,069	12,210	-	227,434	1,344,245	1,344,245	8,380,633
8	-	-	(10,191,987)	-	-	-	-	-	(827,374)	-	-	(11,019,360)
	-	870,500	325,496	-	-	7,545,162	(124,490)	122,582	289,089	-	-	9,028,340
	-	(1,035,594)	-	(561,775)	534,776	740,124	35,080	111,270	176,119	-	-	-
	1,100,000	14,783,510	14,315,183	3,247,355	1,144,128	32,716,281	5,742,318	5,193,080	2,168,997	1,654,486	1,654,486	82,065,338

Accumulated depreciation and impairment

Opening balance as at 1 July 2015	-	2,415,140	3,832,438	2,223,383	598,053	3,932,890	2,436,739	1,556,140	122,988	-	-	17,117,771
Adjustment to opening value	-	(366,326)	(88,238)	-	-	-	-	-	-	-	-	(434,564)
Depreciation provided in period	-	184,679	257,988	241,058	61,143	468,076	96,876	54,639	22,420	-	-	1,384,889
Depreciation on disposals	-	-	(1,325,948)	-	-	-	-	-	(39,908)	-	-	(1,365,857)
Revaluation adjustment to asset revaluation surplus	-	2,937,634	3,696,854	-	-	6,059,871	(133,119)	56,076	239,861	-	-	12,857,177
Transfers between classes	-	(414,425)	4,456	(374,600)	347,597	390,221	4,161	4,830	37,760	-	-	-
Accumulated depreciation as at 30 June 2016	-	4,756,702	6,397,559	2,089,841	1,006,793	10,949,058	2,404,657	1,671,685	383,121	-	-	29,559,416

Consolidated book value as at 30 June 2016

Range of estimated useful life in years	1,100,000	10,026,808	7,917,623	1,157,514	137,335	21,867,223	3,337,661	3,521,395	1,785,876	1,654,486	1,654,486	52,505,922
Land: Not depreciated.		10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-	-

Additions comprise:

Renewals	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other additions	-	343,804	506,604	144,216	59,376	-	12,210	-	213,681	903,802	903,802	2,183,693
Total additions	-	-	-	190,673	-	5,552,069	-	-	13,753	440,443	440,443	6,196,939
	-	343,804	506,604	334,889	59,376	5,552,069	12,210	-	227,434	1,344,245	1,344,245	8,380,633

Movements in the asset revaluation surplus were as follows:

Balance at beginning of financial year	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Adjustment to opening balance	1,130,000	6,086,217	18,430,783	-	-	5,619,303	2,602,643	1,439,413	420,033	-	-	35,738,392
Increase (decrease) in revaluation surplus	(330,000)	(582,085)	(140,629)	-	-	-	-	-	-	-	-	(1,032,714)
Balance at end of financial year	-	(2,067,134)	(3,371,357)	-	-	1,485,291	8,629	66,506	49,228	-	-	(3,828,837)
	800,000	3,466,998	14,918,797	-	-	7,104,594	2,611,272	1,505,919	489,261	-	-	30,876,841

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

14 Property, plant and equipment

Council - 30 June 2016	Note	Land	Buildings		Housing		Plant and Equipment		Furniture and office equipment		Road, drainage and bridge network		Water		Sewerage		Other infrastructure assets		Work in progress		Total	
			Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Cost	Cost			
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Basis of measurement																						
Asset values																						
Opening gross value as at 1 July 2015	21	1,100,000	11,688,873	23,928,437	2,582,966	499,605	15,402,072	5,511,236	4,907,887	2,294,916	207,193											68,123,185
Adjustment to opening value		-	(1,337,261)	(253,368)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,590,629)
Additions		-	343,804	506,604	322,921	43,376	5,552,069	12,210	-	227,434	476,602	-	-	-	-	-	-	-	-	-	-	7,485,021
Disposals		-	-	(10,191,987)	-	-	-	-	-	(827,374)	-	-	-	-	-	-	-	-	-	-	-	(11,019,360)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	8	-	703,683	325,496	-	-	7,421,767	(137,128)	-	277,420	-	-	-	-	-	-	-	-	-	-	-	8,706,431
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2016		1,100,000	11,399,099	14,315,183	2,905,887	542,981	28,375,909	5,386,318	5,023,080	1,972,397	683,795											71,704,648

Accumulated depreciation and impairment

Opening balance as at 1 July 2015	21	-	1,456,420	3,836,895	1,529,836	436,678	2,682,026	2,235,435	1,528,448	104,821	-	-	-	-	-	-	-	-	-	-	-	13,810,558
Adjustment to opening value		-	(386,326)	(68,238)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(434,564)
Depreciation provided in period		-	133,788	257,998	234,850	40,758	365,136	87,338	50,411	18,712	-	-	-	-	-	-	-	-	-	-	-	1,188,990
Depreciation on disposals		-	-	(1,325,948)	-	-	-	-	-	(39,908)	-	-	-	-	-	-	-	-	-	-	-	(1,365,857)
Revaluation adjustment to asset revaluation surplus	8	-	1,970,265	3,696,854	-	-	5,596,193	(128,724)	7,828	231,752	-	-	-	-	-	-	-	-	-	-	-	11,374,166
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2016		-	3,194,146	6,397,561	1,764,686	477,436	8,643,355	2,194,049	1,586,685	315,377	-	-	-	-	-	-	-	-	-	-	-	24,573,294

Total written down value as at 30 June 2016

1,100,000		8,204,952	7,917,622	1,141,201	65,546	19,732,554	3,192,269	3,436,395	1,657,020	683,795												47,131,355
Land: Not depreciated.		10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-	-	-	-	-	-	-	-	-	-	-	-

Additions comprise:

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals		343,804	506,604	144,216	43,376	-	12,210	-	213,681	36,158	-	-	-	-	-	-	-	-	-	-	-	1,300,050
Other additions		-	-	178,705	-	5,552,069	-	-	13,753	440,443	-	-	-	-	-	-	-	-	-	-	-	6,184,971
Total additions		-	343,804	506,604	322,921	43,376	5,552,069	12,210	227,434	476,602	-	-	-	-	-	-	-	-	-	-	-	7,485,021

Movements in the asset revaluation surplus were as follows:

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of financial year		800,000	5,070,630	18,430,782	-	-	4,010,643	2,414,027	1,399,929	409,194	-	-	-	-	-	-	-	-	-	-	-	32,535,205
Adjustment to opening balance		-	(562,085)	(140,629)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(702,714)
Increase (decrease) in revaluation surplus		-	(1,266,582)	(3,371,357)	-	-	1,825,574	(8,404)	107,366	45,668	-	-	-	-	-	-	-	-	-	-	-	(2,667,735)
Balance at end of financial year		800,000	3,241,963	14,918,796	-	-	5,836,217	2,405,623	1,507,295	454,862	-	-	-	-	-	-	-	-	-	-	-	29,164,756

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

14 Property, Plant and equipment

a) Recognition

Each class of property, plant and equipment is stated at amortised cost or fair value. Items of plant and equipment with a total value of less than \$5,000, and infrastructure assets and buildings with a total value of less than \$10,000 are treated as an expense in the year of acquisition. All other items of property, plant and equipment are capitalised.

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

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 both Council management and independent external consultants 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 kerb to kerb rebuild is treated as capital. Material expenditure that extends the useful life or renews the service potential of the asset is capitalised.

Land under roads

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

Deed of Grant in Trust Land

In addition to Council's freehold land holdings, the Council is also located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 341 of the *Land Act 1994*. It comprises an area of approximately 354,072 hectares.

The land is administered by the Department of Natural Resources and Mines and the Council has restricted use of this land for the benefit of shire inhabitants. The DOGIT land has not been taken up in the Council's assets as it cannot be reliably measured.

b) Measurement

Property, plant and equipment assets are initially recorded at cost. Subsequently, each class of property, plant and equipment is stated at amortised cost or fair value.

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

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

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are also included in their cost.

c) Depreciation

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

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

Where assets have separately identifiable 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.

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

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

Depreciation methods, estimated useful lives and residual values of property, plant and equipment assets are reviewed at the end of each reporting period and adjusted where necessary to reflect any changes in the pattern of consumption, physical wear and tear, technical or commercial obsolescence, or management intentions. The condition assessments performed as part of the annual valuation process for assets measured at written down current replacement cost are used to estimate the useful lives of these assets at each reporting date. Details of the range of estimated useful lives for each class of asset are shown above.

d) Impairment

Each non-current physical and intangible asset and group of assets is assessed for indicators of impairment annually. If an indicator of possible impairment exists, the Council determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

e) Valuation

(i) Valuation processes

Council engages external, independent and qualified valuers to determine the fair value of its land, buildings, and infrastructure on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

As at 30 June 2017, a desktop valuation was undertaken for all asset classes by APV Valuers and Asset Management.

Any revaluation increment arising on the revaluation of an asset is credited to the appropriate class of the asset revaluation surplus, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense to the extent it exceeds the balance, if any, in the revaluation surplus of that asset class.

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life. Separately identified components of assets are measured on the same basis as the assets to which they relate.

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

Level 1 - Fair value based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Fair value based on inputs that are directly or indirectly observable for the asset or liability

Level 3 - Fair value based on unobservable inputs for the asset and liability

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between the CEO, Finance and Administration Manager, APV Valuers, CT Management Group Consultant and Internal Audit.

There were no transfers between levels during the year.

(ii) Valuation techniques used to derive fair values

Land (level 3)

Land fair value was determined through desktop valuation by independent valuer, APV Valuers effective 30 June 2017. Level 3 valuation inputs were used to value land in freehold title. Typically 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. The subject property is in a very remote location and it is exceptionally large in size. As such there was no observable market evidence of sales prices for comparable sites in close proximity. This is why the land was subsequently valued at the level 3 valuation input hierarchy by using the professional judgement of a registered valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

Buildings - Commercial and residential (level 3)

Current replacement cost

The fair value of buildings were determined through desktop valuation by independent valuer, APV Valuers effective 30 June 2017.

The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Fair values were calculated at a whole of asset level and then split into the following significant components: Sub-structure, super-structure, floor coverings, fit out and fittings, roof and services (electrical, hydraulic, mechanical, fire, transport and security).

Accumulated depreciation

In determining the level of accumulated depreciation the asset has been disaggregated into significant components which exhibit useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component and condition of the asset. Condition was assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability, utilisation and obsolescence. While the unit rates based on square metres can be supported by market evidence (level 2), the useful life, pattern of consumption and asset condition that are used to calculate accumulated depreciation comprise unobservable inputs (level 3). Where these other inputs are significant to the valuation the overall valuation has been classified as level 3.

Infrastructure assets (level 3)

All Council infrastructure assets fair values were determined through desktop valuation by independent valuer, APV Valuers effective 30 June 2017 using written down current replacement cost. This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

Current replacement cost was measured by reference to the lowest cost methodology 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 current replacement cost of an asset or asset component were based on a "Greenfield" assumption meaning that the current replacement cost 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.

**Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017**

1) Runway and roads

A desktop valuation of the runway and road infrastructure was carried out on 30 June 2017 by independent and qualified valuers, APV Valuers.

Current replacement cost

Council categorises its road infrastructure into urban and rural roads and then further sub-categorises these into sealed and unsealed roads. Urban roads are managed in segments between intersections and/or end points, while rural roads are managed in segments of varying length appropriate to road type. All road segments are then componentised into formation, pavement and surface (where applicable). Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment. Also, Council assumes that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials.

All runway and road assets were valued using level 3 inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant components with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

In determining the level of accumulated depreciation, runway and roads have been disaggregated into significant components which exhibited different useful lives. The identified and significant components are: formation, pavement and surface/seal.

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

Estimated useful lives are disclosed above.

2) Bridges

A desktop valuation to determine the fair values of bridge assets was undertaken by independent valuers, APV Valuers, effective 30 June 2017.

Current replacement cost

The bridge network was assessed individually, with the valuation varying according to the material type used for construction, the deck area, condition and size. Construction estimates were determined on a similar basis to roads.

The bridge network assets were valued using level 3 inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant parts/structures with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments.

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

3) Drainage and other infrastructure

A desktop valuation to determine the fair values of drainage infrastructure was undertaken by independent valuers, APV Valuers, effective 30 June 2017.

Current replacement cost

Drainage and other infrastructure assets are managed in segments of varying lengths, pits, pipes and channels being the major components. Consistent with roads, Council assumes that environmental factors such as soil type, climate and topography are consistent across each segment and that a segment is designed and constructed to the same standard and uses a consistent amount of labour and materials. Where drainage assets are located underground and physical inspection is not possible, the age, size and type of construction material, together with current and planned maintenance records are used to determine the fair value at reporting date. Construction estimates were determined on a similar basis to sewerage.

All the drainage infrastructure assets were valued using level 3 inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

In determining the level of accumulated depreciation, drainage assets have been disaggregated into significant components which exhibited different useful lives.

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

Estimated useful lives are disclosed above.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

4) Water and sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined through desktop valuation by independent valuers, APV Valuers effective 30 June 2017. Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

All water and sewerage infrastructure assets were valued using level 3 inputs using the cost approach. The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

APV's cost models were derived from the following sources:
• APV and Council database, preference is provided to nearby locations
• Schedule rates for construction of asset or similar assets
• Benchmarking against other valuations
• Recent contract and tender data
• Rawlinson's rates for building and construction, and
• Suppliers' quotations

Factors taken into account in determining replacement costs were the development factors (development requirement of such remote and rural areas) and soil factors (easiness of excavation).

Accumulated depreciation

In determining accumulated depreciation, assets have been either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life.

Where site inspections were not conducted (i.e. for passive assets and active assets for which no site inspections were undertaken), the remaining useful life was calculated on an age basis after taking into consideration current and planned maintenance records.

For wastewater gravity mains, the assumption that the pipes will be relined was adopted. For sewer gravity mains, where replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.

(iii) Changes in fair value measurements using significant unobservable inputs (level 3)

The Council has reviewed the current valuation methodology in use and did not identify any instances where highest and best use differ from the current use of its non financial assets and as such did not contribute to changes to fair values.

f) Asset revaluation surplus

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

Increases and decreases on revaluation are offset within a class of assets.

Where a class of assets is decreased on revaluation, that decrease is offset first against the amount remaining in the asset revaluation surplus in respect of that class. Any excess is treated as an expense.

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

16 Trade and other payables

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

Liabilities are recognised for employee benefits such as wages and salaries, annual leave and long service leave in respect of services provided by the employees up to the reporting date. Liabilities for employee benefits are assessed at each reporting date. Where it is expected that the leave will be paid in the next 12 months the liability is treated as a current liability. Otherwise the liability is treated as non-current.

Salaries and wages

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

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported below.

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

	Consolidated		Council	
	2017 \$	2016 \$	2017 \$	2016 \$
Current				
Creditors and accruals	4,036,416	1,852,834	3,985,065	1,584,238
Annual leave	277,016	292,345	240,811	189,117
GST payable	328,891	50,367	317,577	39,330
Other entitlements	11,621	506	11,621	506
	<u>4,653,944</u>	<u>1,996,052</u>	<u>4,554,874</u>	<u>1,793,191</u>
Non-current				
Creditors and accruals	-	302,055	-	302,055
	<u>-</u>	<u>302,055</u>	<u>-</u>	<u>302,055</u>

16 Provisions

Long service leave

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

Refuse restoration provision

A provision is made for the cost of restoration in respect of Council's refuse dump where it is probable the Council will be liable, or required, to incur such a cost on the cessation of use of this facility. The provision is measured at the expected cost of the work required, discounted to current day values using the interest rates attaching to Commonwealth Government guaranteed securities with a maturity date corresponding to the anticipated date of the restoration.

The provision represents the present value of the anticipated future costs associated with the closure of the dump site, decontamination and monitoring of historical residues and leaching on the site. The calculation of this provision requires assumptions such as application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from amounts currently provided. Because of the long-term nature of the liability, the most significant uncertainty in estimating the provision is the costs that will be incurred. The provision recognised for the dump site is reviewed at least annually and updated based on the facts and circumstances available at the time. Management estimates that the site will close in 2025 and that the restoration will occur progressively over the subsequent three years.

As the refuse dump is on DOGIT land which the Council does not control, the provision for restoration is treated as an expense in the year the provision is first recognised. Changes in the provision are treated as an expense or income.

Current				
Long service leave	73,980	68,074	73,980	43,453
	<u>73,980</u>	<u>68,074</u>	<u>73,980</u>	<u>43,453</u>
Non-current				
Long service leave	143,823	137,577	128,468	128,627
Refuse restoration	1,228,856	1,297,421	1,228,856	1,297,421
	<u>1,372,479</u>	<u>1,434,998</u>	<u>1,357,324</u>	<u>1,425,948</u>

Details of movements in provisions:

Long service leave				
Balance at beginning of financial year	205,851	189,381	171,980	163,761
Long service leave entitlement arising	68,284	53,077	62,179	45,006
Long service entitlement paid	(56,332)	(36,786)	(31,711)	(36,786)
Balance at end of financial year	<u>217,803</u>	<u>205,651</u>	<u>202,448</u>	<u>171,980</u>
Refuse restoration				
Balance at beginning of financial year	1,297,421	-	1,297,421	-
Increase (decrease) in provision	(68,565)	1,297,421	(68,565)	1,297,421
Balance at end of financial year	<u>1,228,856</u>	<u>1,297,421</u>	<u>1,228,856</u>	<u>1,297,421</u>

This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is \$1,195,000 and this cost is expected to be incurred in 2028 after closing the site in 2025 and allowing a period for settlement.

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Notes to the financial statements
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17	Commitments for expenditure	Consolidated		Council	
		2017	2016	2017	2016
		\$	\$	\$	\$
	Operating leases				
	Except for finance leases, other leases where substantially all the risks and benefits remain with the lessor, are classified as operating leases.				
	Payments made under operating leases are expensed in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.				
	Minimum lease payments in relation to non-cancellable operating leases are as follows:				
	Within one year	53,400	52,800	39,000	38,400
	One to five years	80,350	118,400	22,750	60,800
	More than five years	72,000	86,400	-	-
		<u>205,750</u>	<u>257,600</u>	<u>61,750</u>	<u>99,200</u>

18 Contingent liabilities

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

Local Government Mutual

The 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 2017 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Rehabilitation of Airport Land

The controlled entity of the Council (the Company) has entered into a 20 year lease agreement with the Queensland Government to use the land at Lockhart River Airport. In accordance with the lease agreement the Company may be required to remove all improvements to the land at the expiry of the lease in 2027. The likelihood that the Company will be required to rehabilitate the land is low due to the importance of the runway asset to the Lockhart River community and accordingly, no provision has been taken up in these financial statements in that regard.

19 Superannuation

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

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

The scheme has three elements referred to as:

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

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

The Accumulation Benefits Fund (ABF)

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

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

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

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

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

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

The most recent actuarial assessment of the scheme was undertaken as at 1 July 2015. The actuary indicated that "At the valuation date of 1 July 2015, the net assets of the scheme exceeded the vested benefits and the scheme was in a satisfactory financial position as at the valuation date."

In the 2015 actuarial report the actuary has recommended no change to the employer contribution levels at this time.

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

There are currently 72 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 councils. Lockhart River Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2016-17 financial year.

The next actuarial investigation will be conducted as at 1 July 2018.

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees as below:

Note	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5			
	<u>395,855</u>	<u>389,006</u>	<u>367,079</u>	<u>355,655</u>

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	Consolidated		Council	
	2017 \$	2016 \$	2017 \$	2016 \$
20 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities				
Net result	12,565,094	3,458,984	9,100,790	2,824,655
Non-cash items:				
Depreciation and amortisation	1,758,868	1,384,889	1,471,516	1,188,980
Non-cash roads additions	-	(1,935,424)	-	(1,935,424)
Impairment provision for doubtful debts	(68,332)	24,321	(43,129)	33,233
Refuse restoration provision	(68,565)	1,297,421	(68,565)	1,297,421
Gain/loss on revaluation of finance leases	789,670	(1,555,735)	789,670	(1,555,735)
	<u>2,391,641</u>	<u>(784,529)</u>	<u>2,149,463</u>	<u>(971,516)</u>
Investing and development activities:				
Net (profit)/loss on disposal of non-current assets	96,500	3,246,926	96,500	3,246,926
Loss on transferring assets via finance lease	-	4,429,018	-	4,429,018
Runway pavement works contributed to controlled entity	-	-	3,646,401	852,545
Capital grants and contributions	(15,569,270)	(7,820,973)	(15,569,270)	(7,820,973)
	<u>(15,472,770)</u>	<u>(245,029)</u>	<u>(11,826,369)</u>	<u>607,516</u>
Changes in operating assets and liabilities:				
(increase)/ decrease in receivables	1,311,996	(95,730)	1,426,957	(89,290)
(increase)/decrease in inventory	(2,534)	(45,180)	(22,371)	(33,059)
Increase/(decrease) in payables	2,355,836	(50,798)	2,459,627	(109,256)
Increase/(decrease) in other provisions	11,952	16,291	30,467	6,220
	<u>3,677,252</u>	<u>(175,417)</u>	<u>3,894,661</u>	<u>(223,385)</u>
Net cash inflow from operating activities	<u>3,181,217</u>	<u>2,253,987</u>	<u>3,318,556</u>	<u>2,237,268</u>

21 Opening balance adjustment

Upon review of Council's asset register as at 30 June 2016, information came to light that would indicate that the Women's Shelter and neighbouring accommodation unit previously recognised as Council assets do not belong to Council.

Upon review of the controlled entity's asset register as at 30 June 2016, information came to light that would indicate that the land previously recognised as an asset belongs to the Queensland Government and is currently leased to the Company until 2027. As the lease is an operating lease, the land should not be shown as an asset.

	Consolidated As at 1 July 2016	Consolidated As at 1 July 2015	Council As at 1 July 2016	Council As at 1 July 2015
Land				
Gross amount	-	(330,000)	-	-
Accumulated depreciation	-	-	-	-
Net value	<u>-</u>	<u>(330,000)</u>	<u>-</u>	<u>-</u>
Buildings				
Gross amount	-	(1,337,261)	-	(1,337,261)
Accumulated depreciation	-	366,326	-	366,326
Net value	<u>-</u>	<u>(970,935)</u>	<u>-</u>	<u>(970,935)</u>
Housing				
Gross amount	-	(253,368)	-	(253,368)
Accumulated depreciation	-	68,238	-	68,238
Net value	<u>-</u>	<u>(185,130)</u>	<u>-</u>	<u>(185,130)</u>
Net decrease in non current assets	<u>-</u>	<u>(1,486,065)</u>	<u>-</u>	<u>(1,156,065)</u>
Net decrease in retained earnings	-	(453,351)	-	(453,351)
Net decrease in revaluation reserves	-	(1,032,714)	-	(702,714)
	<u>-</u>	<u>(1,486,065)</u>	<u>-</u>	<u>(1,156,065)</u>

22 Events after the reporting period

There were no material adjusting events after the balance date.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
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23 Financial instruments and financial risks management

Lockhart River Aboriginal Shire Council has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

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

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

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

Lockhart River Aboriginal Shire Council does not enter into derivatives.

Credit risk

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

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

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

No collateral is held as security relating to the financial assets held by Lockhart River Aboriginal Shire Council.

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

		Consolidated		Council	
		2017	2016	2017	2016
Financial assets		\$	\$	\$	\$
Cash and cash equivalents	9	12,156,711	8,842,350	11,594,567	8,114,111
Trade and other receivables	10	871,563	1,890,927	547,115	1,725,832
Other financial assets	12	9,745,065	10,807,454	9,745,065	10,807,454
Total financial assets		22,773,339	21,540,730	21,886,768	20,647,397

Cash and cash equivalents

The Council may be exposed to credit risk through its investments in the QTC Cash Fund, Commonwealth Bank and Macquarie Bank Cash Fund. The QTC Cash Fund, Commonwealth Bank and Macquarie Bank Cash Funds are asset management portfolios that invest with a wide range of high credit rated counterparties. Deposits with the QTC Cash Fund, Commonwealth Bank, and Macquarie Bank Cash Funds are capital guaranteed. All investments are required to have a minimum credit rating of "A-", therefore the likelihood of the counterparty having capacity to meet its financial commitments is strong.

Lockhart River Aboriginal Shire Council
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Trade and other receivables

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

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

	Consolidated		Council	
	2017	2016	2017	2016
	\$	\$	\$	\$
Not past due	362,748	943,482	248,272	837,074
Past due 31-60 days	134,628	851,220	107,568	821,617
Past due 61-90 days	127,399	48,097	81,105	20,952
More than 90 days	322,581	212,254	152,139	131,285
Impaired	(75,794)	(164,126)	(41,968)	(85,096)
Total	871,562	1,890,927	547,116	1,725,832

The impairment of trade receivables is a provision for doubtful debts that have been outstanding for more than 12 months and every effort to collect the money has been unsuccessful including disputed invoices. The impairment provision is based on specific invoices from identifiable accounts/debtors.

Liquidity risk

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

The Council is exposed to liquidity risk through its normal course of business.

The Council manages its exposure to liquidity risk by maintaining sufficient cash deposits to cater for unexpected volatility in cash flows.

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

Consolidated	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2017					
Trade and other payables	4,376,928	-	-	4,376,928	4,376,928
	<u>4,376,928</u>	<u>-</u>	<u>-</u>	<u>4,376,928</u>	<u>4,376,928</u>
2016					
Trade and other payables	1,703,707	302,055	-	2,005,762	2,005,762
	<u>1,703,707</u>	<u>302,055</u>	<u>-</u>	<u>2,005,762</u>	<u>2,005,762</u>
Council					
	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2017					
Trade and other payables	4,314,263	-	-	4,314,263	4,314,263
	<u>4,314,263</u>	<u>-</u>	<u>-</u>	<u>4,314,263</u>	<u>4,314,263</u>
2016					
Trade and other payables	1,624,074	302,055	-	1,926,129	1,926,129
	<u>1,624,074</u>	<u>302,055</u>	<u>-</u>	<u>1,926,129</u>	<u>1,926,129</u>

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

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Market risk

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

Interest rate risk

Lockhart River Aboriginal Shire Council is exposed to interest rate risk through investments with QTC, Commonwealth Bank, and Macquarie Bank.

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

Sensitivity

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
Consolidated	\$	\$	\$	\$	\$
2017					
QTC cash fund	8,372,728	83,727	(83,727)	83,727	(83,727)
Commonwealth Bank	32,377	324	(324)	324	(324)
Macquarie Bank cash fund	502,100	5,021	(5,021)	5,021	(5,021)
Net total	8,907,204	89,072	(89,072)	89,072	(89,072)
2016					
QTC cash fund	6,764,075	67,641	(67,641)	67,641	(67,641)
Commonwealth Bank	31,893	319	(319)	319	(319)
Macquarie Bank cash fund	544,828	5,448	(5,448)	5,448	(5,448)
Net total	7,340,796	73,408	(73,408)	73,408	(73,408)

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
Council	\$	\$	\$	\$	\$
2017					
QTC cash fund	8,372,728	83,727	(83,727)	83,727	(83,727)
Commonwealth Bank	32,377	324	(324)	324	(324)
Net total	8,405,104	84,051	(84,051)	84,051	(84,051)
2016					
QTC cash fund	6,764,075	67,641	(67,641)	67,641	(67,641)
Commonwealth Bank	31,893	319	(319)	319	(319)
Net total	6,795,968	67,960	(67,960)	67,960	(67,960)

Lockhart River Aboriginal Shire Council does not have any loans from financial institutions.

Fair value

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

Lockhart River Aboriginal Shire Council
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25 Tied grants by project

The following note has been prepared on accruals basis.

	Balance 30/06/2016 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2017 \$
Commonwealth government grants					
Department of Education and Training					
<i>Outside School Care</i>	12,017	163,913	140,830	-	35,100
Total - DOEAT grants	12,017	163,913	140,830	-	35,100
Department of the Prime Minister and Cabinet					
<i>Family Support Services</i>	36,789	97,387	87,563	-	46,613
<i>Community Radio</i>	14,363	30,195	21,874	-	22,684
<i>Business Development-Peninsula Business Alliance</i>	4,274	107,000	23,636	-	87,637
Total - DOTPAC grants	55,426	234,582	133,073	-	156,935
Department of Health					
<i>Indigenous Primary Health Care Services</i>	102,487	100,136	165,282	-	37,341
<i>Mens Healing Place (capital)</i>	100,000	-	38,391	-	61,608
<i>National Job Creation Package</i>	-	36,035	36,035	-	-
<i>Commonwealth Home Support Programme(CHSP)</i>	53	159,161	159,188	-	25
Total - DOHAA grants	202,540	295,331	398,896	-	98,975
Department of Infrastructure and Transport					
<i>Regional Aviation Access Program (RAAP)</i>	(28,064)	60,000	23,293	(8,643)	-
<i>Roads to Recovery (R2R)</i>	160,912	231,487	160,912	-	231,487
Total - DIT grants	132,848	291,487	184,205	(8,643)	231,487
Department of Human Services					
<i>Centrelink Agency Services</i>	-	61,355	61,355	-	-
Total - DOHS grants	-	61,355	61,355	-	-
Total - Commonwealth government	402,831	1,046,668	918,359	(8,643)	522,497
State government grants					
Dept of Infrastructure, Local Government and Planning					
<i>State Government Financial Aid</i>	-	1,206,790	1,405,391	198,601	-
<i>Indigenous Economic Development</i>	-	80,000	80,000	-	-
<i>Revenue Replacement Program</i>	-	98,900	98,900	-	-
<i>Fiscal Equalisation Grant</i>	-	2,234,346	2,234,346	-	-
<i>Identified Roads Grant</i>	-	149,521	314,743	165,222	-
<i>Get Ready Queensland</i>	-	5,142	5,166	24	-
<i>Community Resilience Funding1</i>	1,249,153	1,706,941	4,077,268	-	(1,121,175)
<i>Community Resilience Funding2</i>	-	1,214,100	98,200	-	1,115,900
<i>Work For Queensland</i>	-	714,000	55,604	-	658,396
Total - DOILGAP Grants	1,249,153	7,409,739	8,369,617	363,847	653,121
Department of State Development					
<i>Royalties For Regions (R4R)-Runway Rehabilitation</i>	1,283,159	3,645,720	3,623,109	-	1,305,770
<i>Water Park Project</i>	(11,625)	80,000	229,058	-	(160,683)
Total - DOSD grants	1,271,534	3,725,720	3,852,167	-	1,145,087

25 Tied grants by project Continued

	Balance 30/06/2016 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2017 \$
Department of Justice and Attorney-General					
<i>Local Justice Initiatives Program</i>	(10,318)	101,000	93,113	-	(2,431)
Total - DOJAAG grants	(10,318)	101,000	93,113	-	(2,431)
Queensland Reconstruction Authority					
<i>NDRRA - Emergency Works</i>	59,837	82,030	-	(141,867)	-
<i>NDRRA - Restoration Works</i>	(165,344)	8,889,388	10,358,448	-	(1,634,404)
Total NDRRA	(105,507)	8,971,418	10,358,448	(141,867)	(1,634,404)
Dept of Emergency Services					
<i>State Emergency Services</i>	49,933	13,442	1,589	-	61,786
Total - DOES grants	49,933	13,442	1,589	-	61,786
Department of Communities, Child Safety and Disability Services					
<i>YARI/ Youth At Risk</i>	(6,815)	167,049	167,083	-	(6,849)
<i>Community Care (HACC Operations)</i>	(0)	48,283	48,283	-	-
<i>Mens' Support Services</i>	(2,919)	121,496	121,496	-	(2,919)
<i>Community Safety Planning</i>	10,000	-	-	-	10,000
Total - DSDQ grants	266	336,828	336,862	-	232
Queensland Health					
<i>Environmental Health & Animal Control</i>	19,007	158,786	120,354	-	57,439
Total - QH grants	19,007	158,786	120,354	-	57,439
Department of Housing and Public Works					
<i>Paytham Women's Shelter</i>	19,782	422,438	370,902	-	71,318
Total - DOCCSADS grants	19,782	422,438	370,902	-	71,318
Department of Transport and Main Roads					
<i>ATSI TIDS -Improve Drainage- Main Access Road</i>	(3,570)	376,953	124,453	(248,930)	-
<i>ATSI TIDS - Airport Bridge</i>	16,816	-	14,886	-	1,930
<i>CIMA - Portland Road Crossings and Seal</i>	-	202,653	230,350	-	(27,698)
<i>CIMA - Airport Bridge</i>	-	89,383	89,973	-	(590)
Total - DTAMR grants	13,246	668,989	459,662	(248,930)	(26,358)
Department of Education and Training					
<i>Skilling Queenslander-First Start Program</i>	26,177	37,500	42,222	-	21,455
Total - DOEAT grants	26,177	37,500	42,222	-	21,455
State Library of Queensland					
<i>Indigenous Knowledge Centre Grant</i>	(25,722)	42,052	57,923	41,593	-
Total - SLOQ grants	(25,722)	42,052	57,923	41,593	-
Total - State government	2,507,550	21,887,912	24,062,858	14,643	347,246
Total grants	2,910,380	22,934,580	24,981,218	6,000	869,743
	254,377		Add back over-expended grants		2,956,748
	3,164,757		Total unspent grant revenue		3,826,491

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

24 Transactions with related parties

(a) Subsidiaries

The group consists of Lockhart River Aboriginal Shire Council and Lockhart River Aerodrome Company Pty Ltd being its the only subsidiary. This forms the consolidated entity (Note 13).

The following transactions occurred with the subsidiary under normal business terms and conditions:

Subsidiary	Grants and subsidies provided by council	Supply of building and mechanical materials and services by Council	Purchases of diesel fuel and motel accommodation by Council
	\$	\$	\$
Lockhart River Aerodrome Company Pty Ltd	3,646,401	9,360	171,915
Total	3,646,401	9,360	171,915

Council provides free general administrative support to the Lockhart River Aerodrome Company Pty Ltd and any funding given to the subsidiary was agreed to by the Council for the 2016-2017 financial year.

(b) Transactions with key management personnel (KMP)

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly, including the Mayor, Councillors, Chief Executive Officer, and members of the senior management team.

The compensation paid to KMP for 2016-17 comprises:

Type of compensation	Amount \$
Short-term employee benefits	1,353,704
Post-employment benefits	93,869
Long-term benefits	14,557
Termination benefits	-
Total	1,462,129

Compensation represents salary, and other allowances in respect of carrying out their duties.

(c) 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:

Details of Transaction	Note	Amount \$
Employee expenses for close family members of key management personnel	24(c)(i)	253,549
Purchase of materials and services from entities controlled by key management personnel	24(c)(ii)	676,901
Sales of materials and services to entities controlled by key management personnel	24(c)(iii)	29,926

(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 6 are close family members of key management personnel.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2017

(ii) The consolidated entity purchased the following materials 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:

Type of purchases	Entities controlled by KMP	Amount \$
Car hire services	Lockhart River Care Hire	116,110
Road construction services	W&P Machine Hire	560,791
Total		676,901

(iii) The consolidated entity sold the following material and services to the entities that are controlled by members of key management personnel. All sales were at arm's length and were in the normal course of Council operations:

Type of sales	Entities controlled by KMP	Amount \$
Accommodation services	Puuya Foundation	27,043
Building consumables & services	Jamie's Store	2,883
Total		29,926

(d) Outstanding balances

The following balances are outstanding at the end of the reporting period in relation to transactions with related parties:

Receivables	Amounts owed by entities controlled by KMP
	Amount \$
Past due 31-60 days	249
Past due 61-90 days	-
More than 90 days overdue	3,320
Total owing	3,570

Jamie's Store, owned and controlled by the KMP, owes \$3,171 for supply of building consumables and services. This debt is being pursued in accordance with the approved debt collection policy.

No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

(e) Loans and guarantees to/from related parties

Council does not make loans to or receive loans from related parties. No guarantees have been provided.

(f) Commitments to/from other related parties

Council did not enter into a contract with any related party.

(g) Transactions with related parties that have not been disclosed

Most of the entities and people that are related parties of Council live and operate within the Lockhart River Aboriginal Shire. Therefore, on a regular basis ordinary citizen transactions occur at arm's length between Council and its related parties that include but are not limited to:

- Payment for general rates, fees and charges
- Purchase of general consumables and services
- Dog registration

Council has not included these types of transactions in its disclosure, where they are made on the same terms and conditions available to the general public.

Lockhart River Aboriginal Shire Council
Financial statements
For the year ended 30 June 2017

Management Certificate
For the year ended 30 June 2017

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 32, present a true and fair view, in accordance with Australian Accounting Standards, of the Council's and the consolidated entity's transactions for the financial year and financial position at the end of the year.



Mayor
Name Cr Wayne Batcher

Date: 16 / 10 / 17



Chief Executive Officer
Name DAVID CLARKE

Date: 16 / 10 / 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockhart River Aboriginal Shire Council

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Lockhart River Aboriginal Shire Council (the council) and its controlled entities (the group).

In my opinion, the financial report:

- a) gives a true and fair view of the council's and group's financial position as at 30 June 2017, and of their 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 statements of financial position as at 30 June 2017, the statements of comprehensive income, statements of changes in equity and statements 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 Chief Executive.

Basis for opinion

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

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

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

Other information

Other information comprises the information included in Lockhart River Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent

with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Responsibilities of the council for the financial report

The council is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Local Government Act 2009*, the *Local Government Regulation 2012* and *Australian Accounting Standards*, and for such internal control as the council determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The council is also responsible for assessing the council's and group'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 group.

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 or group'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 and group'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 or group'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 or group to cease to continue as a going concern.

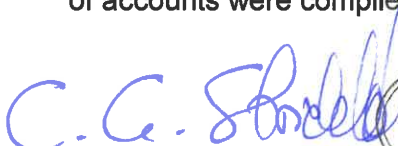

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the group. I remain solely responsible for my audit opinion.

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 2017:

- 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.

C G STRICKLAND
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

**Lockhart River Aboriginal Shire Council
Current-year Financial Sustainability
For the year ended 30 June 2017**

Measures of Financial Sustainability	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2017 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-21%	-21%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	355%	136%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-57%	-55%	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 2017.

Certificate of Accuracy
For the year ended 30 June 2017

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

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



Mayor
Name *Cr Wayne Butcher*

Date: 16 / 10 / 17



Chief Executive Officer
Name *DAVID CLARKE*

Date: 16 / 10 / 17

INDEPENDENT AUDITOR'S REPORT

To the Councillors of Lockhart River Aboriginal Shire Council

Report on the Current-Year Financial Sustainability Statement

Opinion

I have audited the accompanying current-year financial sustainability statement of the Lockhart River Aboriginal Shire Council and the consolidated entity for the year ended 30 June 2017, 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 Lockhart River Aboriginal Shire Council and the consolidated entity for the year ended 30 June 2017 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

I draw attention to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the Financial Management (Sustainability) Guideline 2013 for the purpose of fulfilling the council's reporting responsibilities under the Local Government Regulation 2012. As a result, the statement may not be suitable for another purpose. My opinion is not modified in respect of this matter.

Other Information

Other information comprises the information included in Lockhart River Aboriginal Shire Council's annual report for the year ended 30 June 2017, but does not include the current-year financial sustainability statement and my auditor's report thereon. At the date of this auditor's report, the other information was the general purpose financial statements and long-term financial sustainability statement.

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

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

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

Responsibilities of the council for the current-year financial sustainability statement

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

Auditor's responsibilities for the audit of the current-year financial sustainability statement

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

My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the council's future sustainability.

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

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

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

C.G. Strickland



C G STRICKLAND
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

**Lockhart River Aboriginal Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2017**

Measures of Financial Sustainability	Measure	Target	Projected for the years ended									
			Actuals at 30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026
Consolidated												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-21%	5%	3%	4%	6%	8%	9%	10%	10%	10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	355%	165%	49%	52%	48%	72%	47%	27%	83%	27%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-57%	-33%	-37%	-46%	-55%	-64%	-67%	-77%	-73%	-85%
Council												
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-21%	3%	1%	2%	3%	6%	6%	7%	8%	8%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	136%	153%	54%	58%	50%	86%	55%	33%	98%	31%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-55%	-28%	-29%	-35%	-44%	-49%	-49%	-57%	-50%	-60%

Lockhart River Aboriginal 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.

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

Certificate of Accuracy
For the long-term financial sustainability statement prepared as at 30 June 2017

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

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



Mayor

Name Wayne Butcher

Date: 16 / 10 / 17



Chief Executive Officer

Name

Date: 16 / 10 / 17