

**Lockhart River Aboriginal Shire Council**  
**Financial Statements**  
**for the year ended 30 June 2019**

# Lockhart River Aboriginal Shire Council

## Financial statements

### For the year ended 30 June 2019

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**Lockhart River Aboriginal Shire Council**  
**Statement of Comprehensive Income**  
For the year ended 30 June 2019

	Note	Consolidated		Council	
		2019	2018	2019	2018
		\$	\$	\$	\$
<b>Income</b>					
<b>Revenue</b>					
<b>Recurrent revenue</b>					
Rates, levies and charges		147,459	142,823	147,459	142,823
Rental income		93,064	205,954	88,241	195,132
Interest received		209,604	184,334	203,079	177,501
Sales revenue	3(a)	5,254,007	6,428,169	4,170,248	5,490,223
Other income	3(b)	1,583,620	501,500	1,583,620	501,500
Grants, subsidies, contributions and donations	4(a)	10,059,045	6,429,531	10,059,045	6,429,531
		<u>17,346,798</u>	<u>13,892,311</u>	<u>16,251,691</u>	<u>12,936,710</u>
<b>Capital revenue</b>					
Grants, subsidies, contributions and donations	4(b)	6,787,892	9,626,351	6,713,154	9,626,351
<b>Total income</b>		<u>24,134,690</u>	<u>23,518,662</u>	<u>22,964,845</u>	<u>22,563,061</u>
<b>Expenses</b>					
<b>Recurrent expenses</b>					
Employee benefits	5	(5,217,842)	(4,584,181)	(4,780,942)	(4,215,797)
Materials and services	6	(8,916,384)	(6,454,383)	(8,357,578)	(5,999,414)
Finance costs		(34,643)	13,682	(2,313)	17,982
Depreciation and amortisation	13	(2,239,745)	(2,062,734)	(1,998,675)	(1,830,040)
		<u>(16,408,613)</u>	<u>(13,087,616)</u>	<u>(15,139,508)</u>	<u>(12,027,268)</u>
<b>Capital expenses</b>					
	7	(234,860)	(1,073,896)	(2,247,684)	(1,192,429)
<b>Total expenses</b>		<u>(16,643,473)</u>	<u>(14,161,512)</u>	<u>(17,387,192)</u>	<u>(13,219,697)</u>
<b>Net result</b>		<u>7,491,217</u>	<u>9,357,150</u>	<u>5,577,653</u>	<u>9,343,365</u>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to net result</b>					
Increase in asset revaluation surplus	13	1,876,323	-	1,906,619	-
<b>Total other comprehensive income for the year</b>		<u>1,876,323</u>	<u>-</u>	<u>1,906,619</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>9,367,540</u>	<u>9,357,150</u>	<u>7,484,272</u>	<u>9,343,365</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 2019**

	Note	Consolidated		Council	
		2019 \$	2018 \$	2019 \$	2018 \$
<b>Current assets</b>					
Cash and cash equivalents	8	12,427,372	10,187,745	11,452,733	9,433,822
Trade and other receivables	9	992,659	1,883,322	730,831	1,620,189
Inventories	10	313,882	306,376	232,124	214,155
Other financial assets	11	292,701	288,340	292,701	288,340
<b>Total current assets</b>		<b>14,026,613</b>	<b>12,665,782</b>	<b>12,708,389</b>	<b>11,556,506</b>
<b>Non-current assets</b>					
Other financial assets	11	10,829,038	9,659,733	10,829,038	9,659,733
Investments	12	-	-	100	100
Property, plant and equipment	13	85,884,016	77,232,568	76,590,408	69,772,831
<b>Total non-current assets</b>		<b>96,713,055</b>	<b>86,892,301</b>	<b>87,419,546</b>	<b>79,432,664</b>
<b>Total assets</b>		<b>110,739,668</b>	<b>99,558,083</b>	<b>100,127,935</b>	<b>90,989,170</b>
<b>Current liabilities</b>					
Trade and other payables	14	1,739,716	2,902,328	1,519,895	2,793,760
Provisions	15	151,761	69,938	151,761	69,938
<b>Total current liabilities</b>		<b>1,891,477</b>	<b>2,972,266</b>	<b>1,671,656</b>	<b>2,863,698</b>
<b>Non-current liabilities</b>					
Provisions	15	1,617,356	1,756,104	1,601,455	1,743,103
<b>Total non-current liabilities</b>		<b>1,617,356</b>	<b>1,756,104</b>	<b>1,601,455</b>	<b>1,743,103</b>
<b>Total liabilities</b>		<b>3,508,834</b>	<b>4,728,370</b>	<b>3,273,111</b>	<b>4,606,801</b>
<b>Net community assets</b>		<b>107,230,835</b>	<b>94,829,713</b>	<b>96,854,824</b>	<b>86,382,370</b>
<b>Community equity</b>					
Asset revaluation surplus	13	33,678,242	31,801,919	33,164,944	31,258,325
Retained surplus		73,552,594	63,027,794	63,689,880	55,124,045
<b>Total community equity</b>		<b>107,230,835</b>	<b>94,829,713</b>	<b>96,854,824</b>	<b>86,382,370</b>

*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 2019**

<b>Consolidated</b>		<b>Asset revaluation surplus</b>	<b>Retained surplus</b>	<b>Total</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 30 June 2018</b>		31,801,919	63,027,794	94,829,713
Adjustment to opening balance	20	-	3,033,583	3,033,583
Balance as at 1 July 2018 (as adjusted)		31,801,919	66,061,377	97,863,295
Net result		-	7,491,217	7,491,217
Other comprehensive income for the year				
Increase in asset revaluation surplus		1,876,323	-	1,876,323
<b>Total comprehensive income for the year</b>		1,876,323	7,491,217	9,367,540
<b>Balance as at 30 June 2019</b>		33,678,242	73,552,594	107,230,835
<b>Balance as at 30 June 2017</b>		31,801,919	52,951,418	84,753,337
Opening balance adjustment	20	-	719,227	719,227
Balance as at 1 July 2017 (as adjusted)		31,801,919	53,670,645	85,472,563
Net result		-	9,357,150	9,357,150
Other comprehensive income for the year				
Increase in asset revaluation surplus		-	-	-
<b>Total comprehensive income for the year</b>		-	9,357,150	9,357,150
<b>Balance as at 30 June 2018</b>		31,801,919	63,027,794	94,829,713
<b>Council</b>		<b>Asset revaluation surplus</b>	<b>Retained surplus</b>	<b>Total</b>
		<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Balance as at 30 June 2018</b>		31,258,325	55,124,045	86,382,370
Adjustment to opening balance	20	-	2,988,183	2,988,183
Balance as at 1 July 2018 (as adjusted)		31,258,325	58,112,228	89,370,552
Net operating surplus		-	5,577,653	5,577,653
Other comprehensive income for the year				
Increase in asset revaluation surplus		1,906,619	-	1,906,619
<b>Total comprehensive income for the year</b>		1,906,619	5,577,653	7,484,272
<b>Balance as at 30 June 2019</b>		33,164,944	63,689,880	96,854,824
<b>Balance as at 30 June 2017</b>		31,258,325	45,061,453	76,319,778
Opening balance adjustment	20	-	719,227	719,227
Balance as at 1 July 2017 (as adjusted)		31,258,325	45,780,680	77,039,005
Net operating surplus		-	9,343,365	9,343,365
Other comprehensive income for the year				
Increase in asset revaluation surplus		-	-	-
<b>Total comprehensive income for the year</b>		-	9,343,365	9,343,365
<b>Balance as at 30 June 2018</b>		31,258,325	55,124,045	86,382,370

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 2019**

Note	Consolidated		Council	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Cash flows from operating activities</b>				
Receipts from customers	6,383,315	5,825,875	5,311,354	4,831,424
Payments to suppliers and employees	(15,234,549)	(12,761,376)	(14,371,957)	(11,941,066)
	<u>(8,851,234)</u>	<u>(6,935,502)</u>	<u>(9,060,603)</u>	<u>(7,109,642)</u>
Interest received	209,604	184,334	203,079	177,501
Rental income	93,064	205,954	88,241	195,132
Non capital grants and contributions	4 10,059,045	6,429,531	10,059,045	6,429,531
<b>Net cash inflow/(outflow) from operating activities</b>	19 <u>1,510,479</u>	<u>(115,683)</u>	<u>1,289,762</u>	<u>(307,478)</u>
<b>Cash flows from investing activities</b>				
Payments for property, plant and equipment	(6,276,344)	(11,763,183)	(4,263,520)	(11,644,652)
Payments for property, plant and equipment transferred to subsidiary	-	-	(2,012,824)	(118,532)
Finance lease receipts	11 288,340	283,545	288,340	283,545
Proceeds from sale of property plant and equipment	4,000	-	4,000	-
Capital grants, subsidies, contributions and donations	6,713,154	9,626,351	6,713,154	9,626,351
<b>Net cash inflow (outflow) from investing activities</b>	<u>729,150</u>	<u>(1,853,287)</u>	<u>729,150</u>	<u>(1,853,288)</u>
<b>Net increase (decrease) in cash and cash equivalents held</b>	<u>2,239,629</u>	<u>(1,968,969)</u>	<u>2,018,912</u>	<u>(2,160,767)</u>
<b>Cash and cash equivalents at the beginning of the financial year</b>	10,187,744	12,156,713	9,433,822	11,594,588
<b>Cash and cash equivalents at end of the financial year</b>	8 <u>12,427,372</u>	<u>10,187,744</u>	<u>11,452,733</u>	<u>9,433,822</u>

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

**1 Significant accounting policies**

**(a) Basis of preparation**

These general purpose financial statements are for the period 1 July 2018 to 30 June 2019 and have been prepared in compliance with the requirements of the *Local Government Act 2009* 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.

**(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 2019 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 12.

**(c) Constitution**

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

**(d) New and revised Accounting Standards**

**AASB 9 Financial Instruments**

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

Council has not restated comparative figures. This means the new impairment rules are reflected in the receivables balance at 30 June 2019, but not 30 June 2018.

On 1 July 2018 (the date of initial application), Council re-assessed the classification, measurement category and carrying amount of each financial instrument (listed below) in accordance with AASB 9. There were some changes to classification, but this did not result in changes to measurement categories (listed below). Carrying amounts were also unchanged.

Financial asset/liability	Measurement category (unchanged)
Cash and cash equivalents	Amortised cost
Receivables	Amortised cost
Other financial assets	Fair value through profit or loss
Trade and other payables	Amortised cost

Some Australian Accounting Standards and Interpretations have been issued but are not yet effective. Those standards have not been applied in these financial statements. Council will implement them when they are effective. The standards that are expected to have a material impact upon Council's future financial statements are:

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

**(d) New and revised Accounting Standards continued**

AASB 15, AASB 1058 and AASB 2016-8 are effective from 1 July 2019.

Identifiable impacts at the date of this report are:

Some grants received by the Council will be recognised as a liability, and subsequently recognised progressively as revenue as the Council satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.

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

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

Prepaid rates will not be recognised as revenue until the relevant rating period starts. Until that time these receipts will be recognised as a liability (unearned revenue). There will be no impact upon the recognition of other fees and charges.

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

- revenue decrease of \$2,872,176 due to deferral of grant funding, pre-paid rates, and other sales related revenue (based on the facts available to Council at the date of assessment).
- there would be an equal reduction in the reported equity as the reduced revenue will require an increase in recognition of contract liabilities, and statutory receivables.
- net result would be lower on initial application as a result of decreased revenue.

**Transition method**

The Council intends to apply AASB 15, AASB 1058 and AASB 2016-8 initially on 1 July 2019, using the modified retrospective approach. The recognition and measurement principles of the standards will be retrospectively applied for the current year and prior year comparatives as though the standards had always applied, consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

**AASB 16 Leases**

AASB 16 is effective from 1 July 2019.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Council has assessed the impacts that initial application of AASB 16 will have on its consolidated financial statements, however, the actual impacts may differ as the new accounting policies are subject to change until the Council presents its first financial statements that include the date of initial application.



**Leases in which the Group is a lessee**

The Council will recognise new assets and liabilities for its operating leases of office space in Cairns and Airport land where Aerodrome Company is operating from. The nature of expenses related to those leases will now change because the Council will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Council has recognised an operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Council has elected not to recognise low-value/asset leases under AASB 16.

No significant impact is expected for the Council's finance leases.

Based on Council's assessment, it is expected that the first-time adoption of AASB 16 for the year ending 30 June 2020 will have the following impacts:

- lease assets and financial liabilities on the balance sheet will increase by \$130,889 and \$181,919 respectively (based on the facts available to Council at the date of assessment).
- there will be a reduction in the reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.
- net result will be lower on initial application as depreciation and the lease liability interest will be initially higher than operating lease expenses previously recorded.

**Leases in which the Group is a lessor**

No significant impact is expected for other leases in which the Council is a lessor.

**Peppercorn leases**

Council is the lessee of a number of Deed of Grant in Trust leases and Women's Shelter Building, for which no or little lease payments are made. These have been identified as peppercorn leases which are currently not recognised in Council's financial statements. Council does not intend to elect to apply the fair value measurement requirements to these leases until such time as this requirement is mandated.

**Transition method**

The Council intends to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained surplus at 1 July 2019, with no restatement of comparative information.

The Council intends to apply the practical expedient for the definition of a lease on transition. This means that it will apply AASB 16 on transition only to contracts that were previously identified as leases applying AASB 117 Leases and Interpretation 4 Determining whether an Arrangement contains a Lease.

**(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 of finance leases - Note 11
- Valuation and depreciation of property, plant and equipment - Note 13
- Impairment of property, plant and equipment - Note 13
- Provisions - Note 15
- Contingent liabilities - Note 17
- Financial instruments and financial liabilities - Note 22

**(f) Rounding and comparatives**

The financial statements are in Australian dollars that have been rounded to the nearest \$1.

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

**(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.

## 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, community library and radio, 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 the refuse, a 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 2019

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 2019

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital				Recurrent	Capital					
	Grants	Other	Grants	Other									
	\$	\$	\$	\$			\$	\$					
Engineering Services	4,305,723	4,045,699	2,951,479	-	-	11,302,900	(9,601,249)	-	-	(9,601,249)	(1,249,827)	1,701,652	46,220,212
Community Development	1,857,126	80,478	-	-	-	1,937,604	(1,483,108)	-	-	(1,483,108)	454,497	454,497	-
Corporate Services	3,611,006	1,937,011	3,761,675	-	-	9,309,692	(2,478,542)	(2,012,824)	-	(4,491,366)	3,069,475	4,818,326	46,438,290
Governance & Leadership	-	1,000	-	-	-	1,000	(1,003,148)	-	-	(1,003,148)	(1,002,148)	(1,002,148)	-
Environmental Management	266,189	147,459	-	-	-	413,648	(808,319)	-	-	(808,319)	(394,671)	(394,671)	7,469,433
Total Council	10,040,045	6,211,647	6,713,154	-	-	22,964,845	(15,374,366)	(2,012,824)	-	(17,387,190)	877,325	5,577,655	100,127,935
Controlled entity net of eliminations	-	3,318,923	-	-	(2,149,077)	1,169,846	(1,405,360)	-	2,149,077	743,717	1,913,563	1,913,563	10,611,732
<b>Total consolidated</b>	<b>10,040,045</b>	<b>9,530,570</b>	<b>6,713,154</b>	<b>-</b>	<b>(2,149,077)</b>	<b>24,134,691</b>	<b>(16,779,726)</b>	<b>(2,012,824)</b>	<b>2,149,077</b>	<b>(16,643,473)</b>	<b>2,790,888</b>	<b>7,491,218</b>	<b>110,739,667</b>

Year ended 30 June 2018

Functions	Gross program income				Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent		Capital				Recurring	Capital					
	Grants	Other	Grants	Other									
	\$	\$	\$	\$			\$	\$					
Engineering Services	1,266,292	5,387,033	8,052,045	-	-	14,705,371	(6,914,754)	-	-	(6,914,754)	(261,429)	7,790,617	42,688,662
Community Development	1,747,703	5,190	-	-	-	1,752,894	(1,569,906)	-	-	(1,569,906)	182,988	182,988	-
Corporate Services	3,133,481	992,333	986,981	-	-	5,112,794	(2,796,911)	(118,531)	-	(2,915,443)	1,328,903	2,197,352	41,561,459
Governance & Leadership	-	-	-	-	-	-	(1,077,780)	-	-	(1,077,780)	(1,077,780)	(1,077,780)	-
Environmental Management	261,854	142,823	587,325	-	-	992,002	(741,814)	-	-	(741,814)	(337,136)	250,189	6,739,049
Total Council	6,409,331	6,527,379	9,626,351	-	-	22,563,061	(13,101,164)	(118,531)	-	(13,219,696)	(164,454)	9,343,365	90,989,170
Controlled entity net of eliminations	-	1,124,982	118,531	-	(287,912)	955,601	(1,229,730)	-	287,912	(941,818)	(104,748)	13,783	8,568,911
<b>Total consolidated</b>	<b>6,409,331</b>	<b>7,652,361</b>	<b>9,744,882</b>	<b>-</b>	<b>(287,912)</b>	<b>23,518,662</b>	<b>(14,330,894)</b>	<b>(118,531)</b>	<b>287,912</b>	<b>(14,161,514)</b>	<b>(269,202)</b>	<b>9,357,148</b>	<b>99,558,081</b>

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>3(a) Sales revenue</b>				
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.				
<b>Sale of services</b>				
Contract and recoverable works	3,826,208	5,190,198	3,826,208	5,190,198
Accommodation	80,478	72,332	80,478	72,332
Motor vehicle repairs	18,239	32,134	18,239	32,134
	<u>3,924,925</u>	<u>5,294,664</u>	<u>3,924,925</u>	<u>5,294,664</u>
<b>Sale of goods</b>				
Gas bottles	207,135	185,874	207,135	185,874
Post office	38,188	9,685	38,188	9,685
Other sales	1,083,759	937,945	-	-
	<u>1,329,082</u>	<u>1,133,505</u>	<u>245,323</u>	<u>195,559</u>
Total sales revenue	<u>5,254,007</u>	<u>6,428,169</u>	<u>4,170,248</u>	<u>5,490,223</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.				
<b>3(b) Other income</b>				
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	1,448	3,367	1,448	3,367
Gain on revaluation of finance leases	1,462,007	375,813	1,462,007	375,813
Sundry income	120,165	122,320	120,165	122,320
	<u>1,583,620</u>	<u>501,500</u>	<u>1,583,620</u>	<u>501,500</u>
<b>4 Grants, subsidies, contributions and donations</b>				
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 8.				
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.				
<b>(a) Recurrent</b>				
State government subsidies and grants	9,266,591	5,619,592	9,266,591	5,619,592
Commonwealth government subsidies and grants	773,453	789,738	773,453	789,738
Donations and contributions	19,000	20,200	19,000	20,200
	<u>10,059,045</u>	<u>6,429,531</u>	<u>10,059,045</u>	<u>6,429,531</u>
<b>(b) Capital</b>				
State government subsidies and grants	5,841,986	9,334,686	5,841,986	9,334,686
Commonwealth government subsidies and grants	871,168	286,988	871,168	286,988
Non cash contributions	74,738	-	-	-
	<u>6,787,892</u>	<u>9,621,674</u>	<u>6,713,154</u>	<u>9,621,674</u>
<b>Finance lease income</b>				
40 year finance lease for house constructed on Council property	-	4,677	-	4,677
	<u>-</u>	<u>4,677</u>	<u>-</u>	<u>4,677</u>
	<u>6,787,892</u>	<u>9,626,351</u>	<u>6,713,154</u>	<u>9,626,351</u>

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Conditions over contributions</b>				
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	1,282,391	550,152	1,282,391	550,152
Non-reciprocal grants for expenditure on infrastructure	2,199,717	1,621,850	2,199,717	1,621,850
	<u>3,482,108</u>	<u>2,172,002</u>	<u>3,482,108</u>	<u>2,172,002</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	92,693	161,267	92,693	161,267
Non-reciprocal grants for expenditure on infrastructure	10,000	1,252,944	10,000	1,252,944
	<u>102,693</u>	<u>1,414,211</u>	<u>102,693</u>	<u>1,414,211</u>
<b>5 Employee benefits</b>				
Total staff wages and salaries	4,034,222	3,882,554	3,633,340	3,546,698
Councillors' remuneration	311,217	306,364	311,217	306,364
Annual, sick and long service leave entitlements	499,502	448,134	499,502	448,134
Superannuation	459,228	450,658	424,593	418,686
	<u>5,304,169</u>	<u>5,087,710</u>	<u>4,868,652</u>	<u>4,719,883</u>
Other employee related expenses	77,778	68,308	76,396	67,750
	<u>5,381,948</u>	<u>5,156,017</u>	<u>4,945,048</u>	<u>4,787,633</u>
Less: Capitalised employee expenses	(164,106)	(571,836)	(164,106)	(571,836)
	<u>5,217,842</u>	<u>4,584,181</u>	<u>4,780,942</u>	<u>4,215,797</u>
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.				
Total Council employees at the reporting date:				
Elected members	5	5	5	5
Administration staff	68	68	63	63
Total full time equivalent employees	<u>73</u>	<u>73</u>	<u>68</u>	<u>68</u>
<b>6 Materials and services</b>				
Administration supplies and consumables	1,149,608	1,308,639	835,763	1,047,457
Audit of annual financial statements by the Auditor-General of Queensland	106,471	79,140	80,000	79,140
Communications and IT	345,386	102,906	306,274	67,924
Consultants	159,571	355,070	148,155	338,478
Donations paid	111,932	130,794	111,932	130,794
Power	123,313	127,442	97,906	95,438
Repairs and maintenance	6,538,894	4,014,465	6,439,843	3,926,823
Rentals - operating leases	40,100	39,300	40,100	39,300
Subscriptions and registrations	57,036	48,999	57,036	48,999
Insurance	88,678	82,003	49,266	60,120
Legal fees	1,091	15,568	1,091	15,568
Travel	164,858	135,067	160,767	134,385
Other materials and services	29,445	14,988	29,445	14,988
Total materials and services	<u>8,916,384</u>	<u>6,454,383</u>	<u>8,357,578</u>	<u>5,999,414</u>

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>7 Capital expenses</b>				
<b>40 year leases</b>				
Book value of houses transferred	-	252,118	-	252,118
Less: Initial recognition of finance leases	-	(110,738)	-	(110,738)
	-	141,380	-	141,380
<b>Capital works transferred to controlled entity</b>				
Water upgrade works	-	-	15,192	-
Runway pavement rehabilitation works	-	-	-	42,273
Fibre optic infrastructure	-	-	-	27,237
Printing equipment	-	-	665	10,621
WiFi infrastructure	-	-	-	7,887
Website development costs	-	-	6,917	4,950
Airport terminal & cabins building	-	-	443,889	13,081
Helicopter landing pad	-	-	931,926	12,483
Light Aircraft Parking Area	-	-	477,697	-
Airport Fencing	-	-	136,537	-
	-	-	2,012,824	118,532
<b>Loss on disposal of non-current assets</b>				
Book value of property, plant and equipment disposed of	342,071	568,055	342,071	568,055
Less: Proceeds from the sale of property, plant and equipment	(4,000)	-	(4,000)	-
	338,071	568,055	338,071	568,055
<b>Refuse restoration</b>				
Increase/(decrease) in provision	(103,210)	364,461	(103,210)	364,461
	(103,210)	364,461	(103,210)	364,461
<b>Total capital expenses</b>	<b>234,860</b>	<b>1,073,896</b>	<b>2,247,684</b>	<b>1,192,429</b>

**8 Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, all cash and cheques receipted but not banked at the year end, deposits held at call with financial institutions, other short-term, highly liquid investments with original 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	1,133,392	2,100,825	674,087	1,855,733
Deposits at call	11,293,980	8,086,919	10,778,646	7,578,090
Balance per Statement of Cash Flows	12,427,372	10,187,745	11,452,733	9,433,822

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	3,584,801	3,506,315	3,584,801	3,506,315
Total unspent restricted cash	3,584,801	3,506,315	3,584,801	3,506,315

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
	4	4	4	4

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$

**9 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 an allowance is made, where appropriate 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 *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

**Current**

Trade debtors	983,644	1,728,669	700,938	1,439,885
Less impairment	(34,844)	(52,629)	(3,679)	(18,803)
Accrued revenue	(100)	169,967	(100)	169,967
Prepayments	43,958	37,315	33,672	29,140
	<u>992,659</u>	<u>1,883,322</u>	<u>730,831</u>	<u>1,620,189</u>

No interest is charged on trade debtors.

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

Opening balance at 1 July	52,630	75,795	18,803	41,968
Adjustment to opening balance upon application of AASB 9*	-	-	-	-
Additional impairments recognised	31,973	16,239	3,679	16,239
Impairments reversed	(49,759)	(39,405)	(18,803)	(39,405)
Closing balance at 30 June	<u>34,844</u>	<u>52,630</u>	<u>3,679</u>	<u>18,803</u>

\*Council applied AASB 9 for the first time this year. As a result Council has calculated the impairment of receivables in a different way for 2019, using a lifetime expected loss allowance. The opening balance of impairment, as at 1 July 2018, has been recalculated using this new methodology. No adjustment has been made to the opening balance. Further details of Council's expected credit loss assessment are contained in Note 22.

**10 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	81,758	92,221	-	-
	<u>81,758</u>	<u>92,221</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	232,124	214,155	232,124	214,155
	<u>232,124</u>	<u>214,155</u>	<u>232,124</u>	<u>214,155</u>
Total inventories	<u>313,882</u>	<u>306,376</u>	<u>232,124</u>	<u>214,155</u>

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>11 Other financial assets</b>				
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 \$2,973 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 (witten down current 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	292,701	288,340	292,701	288,340
	<u>292,701</u>	<u>288,340</u>	<u>292,701</u>	<u>288,340</u>
Non-current				
Finance leases	10,829,038	9,659,733	10,829,038	9,659,733
	<u>10,829,038</u>	<u>9,659,733</u>	<u>10,829,038</u>	<u>9,659,733</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	292,701	288,340	292,701	288,340
Later than one year but not later than five years	1,170,804	1,153,360	1,170,804	1,153,360
Later than five years	8,848,425	9,004,930	8,848,425	9,004,930
	<u>10,311,929</u>	<u>10,446,629</u>	<u>10,311,929</u>	<u>10,446,629</u>
Add: Estimated contingent rent	4,459,123	6,241,329	4,459,123	6,241,329
Less: Present value adjustment	(3,649,313)	(6,739,886)	(3,649,313)	(6,739,886)
Fair value of lease payments	<u>11,121,739</u>	<u>9,948,073</u>	<u>11,121,739</u>	<u>9,948,073</u>
The fair value of lease payments is receivable as follows:				
Not later than one year	292,701	288,340	292,701	288,340
Later than one year but not later than five years	1,183,641	1,145,323	1,183,641	1,145,323
Later than five years	9,645,397	8,514,410	9,645,397	8,514,410
	<u>11,121,739</u>	<u>9,948,073</u>	<u>11,121,739</u>	<u>9,948,073</u>
Movements in finance leases were as follows:				
Opening balance	9,948,073	9,745,065	9,948,073	9,745,065
Add: Initial recognition of new leases of Council houses	-	-	-	-
Less: Lease receipts	(288,340)	(283,545)	(288,340)	(283,545)
Add: Gain/(loss) on revaluation	1,462,007	486,553	1,462,007	486,553
Closing balance	<u>11,121,739</u>	<u>9,948,073</u>	<u>11,121,739</u>	<u>9,948,073</u>
The calculation of fair value has included an estimate of average annual CPI increases of 2.00% (2018: 2.50%) and a discount rate of 1.56% (2018: 2.79%).				

**12 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 2019

13 Property, plant and equipment

Consolidated - 30 June 2019

Note	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
Basis of measurement	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category	Level 2	Leve 2 & 3	Leve 2 & 3			Level 3	Level 3	Level 3	Level 3		
<b>Asset values</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2018	1,100,000	15,701,319	14,808,550	3,972,292	1,301,964	55,619,814	5,934,138	5,278,400	3,805,218	937,822	108,459,517
Adjustment to opening value	-	-	-	-	154,000	2,378,894	342,900	428,180	259,572	(529,964)	3,033,583
Additions	-	-	-	139,249	9,617	4,794,978	-	3,080	248,659	1,127,775	6,323,358
Disposals	-	(640,763)	-	(31,160)	-	(452,376)	-	-	(28,598)	-	(1,152,896)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	(100,000)	905,111	1,072,512	-	-	(1,091,721)	211,878	319,728	186,092	-	1,503,600
Transfers between classes	-	-	-	-	-	278,276	-	-	2,109	(280,385)	-
<b>Closing gross value as at 30 June 2019</b>	<b>1,000,000</b>	<b>15,965,668</b>	<b>15,881,062</b>	<b>4,080,381</b>	<b>1,465,581</b>	<b>61,527,865</b>	<b>6,488,916</b>	<b>6,029,388</b>	<b>4,473,052</b>	<b>1,255,247</b>	<b>118,167,161</b>

Accumulated depreciation and impairment

Opening balance as at 1 July 2018	-	5,272,788	6,722,596	2,525,207	1,072,122	11,052,650	2,542,443	1,712,291	326,851	-	31,226,949
Adjustment to opening value	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	-	230,056	230,800	281,507	55,256	1,215,342	100,004	60,517	66,263	-	2,239,745
Depreciation on disposals	-	(518,969)	-	(26,160)	-	(262,224)	-	-	(3,473)	-	(810,826)
Revaluation adjustment to asset revaluation surplus	-	(286,657)	(1,484,126)	-	-	825,568	206,152	234,668	131,671	-	(372,723)
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2019</b>	<b>-</b>	<b>4,697,218</b>	<b>5,469,270</b>	<b>2,780,553</b>	<b>1,127,379</b>	<b>12,831,337</b>	<b>2,848,599</b>	<b>2,007,476</b>	<b>521,312</b>	<b>-</b>	<b>32,283,144</b>

Consolidated book value as at 30 June 2019

	1,000,000	11,268,450	10,411,792	1,299,828	338,203	48,696,528	3,640,317	4,021,912	3,951,740	1,255,247	85,884,016
Range of estimated useful life in years	Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	-	-	-	-
Other additions	-	-	-	139,249	9,617	4,794,978	-	3,080	248,659	1,127,775	6,323,358
Total additions	-	-	-	139,249	9,617	4,794,978	-	3,080	248,659	1,127,775	6,323,358

Movements in the asset revaluation surplus were as follows:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of financial year	800,000	4,006,444	15,292,496	-	-	6,593,764	2,758,000	1,663,306	687,909	-	31,801,918
Increase (decrease) in revaluation surplus	(100,000)	1,191,769	2,556,638	-	-	(1,917,290)	5,726	85,060	54,421	-	1,876,323
Balance at end of financial year	700,000	5,198,212	17,849,133	-	-	4,676,474	2,763,726	1,748,366	742,329	-	33,678,241

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2018**

**13 Property, plant and equipment**

**Consolidated - 30 June 2018**

Note	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
Basis of measurement	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category	Level 2	Leve 2 & 3	Leve 2 & 3			Level 3	Level 3	Level 3	Level 3		
<b>Asset values</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 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
Adjustment to opening value	-	-	-	-	-	1,920,996	-	-	-	-	1,920,996
Additions	-	306,142	257,265	681,635	157,836	8,622,710	96,686	-	932,082	708,826	11,763,183
Disposals	-	-	(407,540)	-	-	(684,107)	-	-	-	-	(1,091,647)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	55,042	263,777	-	-	424,630	-	-	245,263	(988,713)	-
<b>Closing gross value as at 30 June 2018</b>	<b>1,100,000</b>	<b>15,701,319</b>	<b>14,808,550</b>	<b>3,972,292</b>	<b>1,301,964</b>	<b>55,619,814</b>	<b>5,934,138</b>	<b>5,278,400</b>	<b>3,805,218</b>	<b>937,822</b>	<b>108,459,517</b>

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2017	-	5,017,017	6,639,250	2,282,978	1,039,375	9,240,079	2,446,602	1,656,044	281,169	-	28,602,514
Adjustment to opening value	-	-	-	-	-	833,175	-	-	-	-	833,175
Depreciation provided in period	-	255,771	238,767	242,229	32,747	1,095,448	95,841	56,248	45,683	-	2,062,734
Depreciation on disposals	-	-	(155,422)	-	-	(116,052)	-	-	-	-	(271,474)
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2018</b>	<b>-</b>	<b>5,272,788</b>	<b>6,722,596</b>	<b>2,525,207</b>	<b>1,072,122</b>	<b>11,052,650</b>	<b>2,542,443</b>	<b>1,712,291</b>	<b>326,851</b>	<b>-</b>	<b>31,226,949</b>

**Consolidated book value as at 30 June 2018**

	1,100,000	10,428,531	8,085,954	1,447,085	229,842	44,567,164	3,391,695	3,566,109	3,478,367	937,822	77,232,568
Range of estimated useful life in years	Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

**Additions comprise:**

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	33,728	188,835	-	-	3,400,883	-	-	-	-	3,623,445
Other additions	-	272,414	68,431	681,635	157,836	5,221,827	96,686	-	932,082	708,826	8,139,737
Total additions	-	306,142	257,265	681,635	157,836	8,622,710	96,686	-	932,082	708,826	11,763,182

**Movements in the asset revaluation surplus were as follows:**

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of financial year	800,000	4,006,444	15,292,496	-	-	6,593,764	2,758,000	1,663,306	687,909	-	31,801,918
Increase (decrease) in revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Balance at end of financial year	800,000	4,006,444	15,292,496	-	-	6,593,764	2,758,000	1,663,306	687,909	-	31,801,918

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13 Property, plant and equipment

Council - 30 June 2019

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
Basis of measurement	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category	Level 2	Leve 2 & 3	Leve 2 & 3			Level 3	Level 3	Level 3	Level 3		
<b>Asset values</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2018	1,100,000	12,224,078	14,808,550	3,630,824	682,309	49,555,640	5,571,448	5,106,190	3,587,425	907,313	97,173,777
Adjustment to opening value					154,000	2,378,894	342,900	428,180	214,172	(529,964)	2,988,183
Additions	-	-	-	139,249	9,617	3,326,554	-	3,080	220,239	564,781	4,263,520
Disposals	-	(640,763)	-	(31,160)	-	(452,376)	-	-	(28,598)	-	(1,152,896)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	(100,000)	707,202	1,072,512	-	-	(1,203,149)	245,368	291,158	154,844	-	1,167,934
Transfers between classes	-	-	-	-	-	278,276	-	-	2,109	(280,385)	-
<b>Closing gross value as at 30 June 2019</b>	<b>1,000,000</b>	<b>12,290,517</b>	<b>15,881,062</b>	<b>3,738,913</b>	<b>845,926</b>	<b>53,883,840</b>	<b>6,159,716</b>	<b>5,828,608</b>	<b>4,150,191</b>	<b>661,744</b>	<b>104,440,518</b>

**Accumulated depreciation and impairment**

Opening balance as at 1 July 2018	-	3,575,501	6,722,597	2,192,926	516,928	10,106,337	2,317,323	1,621,267	348,066	-	27,400,946
Adjustment to opening value	-	-	-	-	-	-	-	-	-	-	-
Depreciation provided in period	-	163,265	230,800	278,495	43,332	1,079,289	89,808	55,597	58,089	-	1,998,675
Depreciation on disposals	-	(518,969)	-	(26,160)	-	(262,224)	-	-	(3,473)	-	(810,826)
Revaluation adjustment to asset revaluation surplus	-	(177,190)	(1,484,126)	-	-	375,615	228,219	206,677	112,120	-	(738,685)
0	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2019</b>	<b>-</b>	<b>3,042,607</b>	<b>5,469,271</b>	<b>2,445,261</b>	<b>560,261</b>	<b>11,299,018</b>	<b>2,635,350</b>	<b>1,883,541</b>	<b>514,801</b>	<b>-</b>	<b>27,850,110</b>

**Total written down value as at 30 June 2019**

	1,000,000	9,247,910	10,411,791	1,293,652	285,665	42,584,823	3,524,366	3,945,067	3,635,389	661,744	76,590,408
Range of estimated useful life in years	Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

**Additions comprise:**

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	-	-	-	-	-	-	-	-	-	-
Other additions	-	-	-	139,249	9,617	3,326,554	-	3,080	220,239	564,781	4,263,520
Total additions	-	-	-	139,249	9,617	3,326,554	-	3,080	220,239	564,781	4,263,520

**Movements in the asset revaluation surplus were as follows:**

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of financial year	800,000	3,692,480	15,292,495	-	-	6,756,107	2,539,972	1,658,720	518,550	-	31,258,324
Increase (decrease) in revaluation surplus	(100,000)	884,392	2,556,638	-	-	(1,578,764)	17,149	84,480	42,724	-	1,906,619
Balance at end of financial year	700,000	4,576,872	17,849,133	-	-	5,177,343	2,557,121	1,743,200	561,274	-	33,164,943

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13 Property, plant and equipment

Council - 30 June 2018

	Land	Buildings	Housing	Plant and Equipment	Furniture and office	Road, drainage and bridge	Water	Sewerage	Other infrastructure	Work in progress	Total
Basis of measurement	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Fair value category	Level 2	Leve 2 & 3	Leve 2 & 3			Level 3	Level 3	Level 3	Level 3		
<b>Asset values</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2017	1,100,000	11,862,893	14,695,048	2,949,189	542,981	39,340,922	5,474,762	5,106,190	2,410,079	1,217,712	84,699,776
Adjustment to opening value	-	-	-	-	-	1,920,996	-	-	-	-	1,920,996
Additions	-	306,142	257,265	681,635	139,327	8,553,200	96,686	-	932,082	678,314	11,644,652
Disposals	-	-	(407,540)	-	-	(684,107)	-	-	-	-	(1,091,647)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	-	-	-	-	-	-	-	-	-	-
Revaluation adjustment to income (capital income)	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	55,042	263,777	-	-	424,630	-	-	245,263	(988,713)	-
<b>Closing gross value as at 30 June 2018</b>	<b>1,100,000</b>	<b>12,224,078</b>	<b>14,808,550</b>	<b>3,630,824</b>	<b>682,309</b>	<b>49,555,640</b>	<b>5,571,448</b>	<b>5,106,190</b>	<b>3,587,425</b>	<b>907,313</b>	<b>97,173,777</b>

Accumulated depreciation and impairment

Opening balance as at 1 July 2017	-	3,386,521	6,639,252	1,953,848	497,551	8,419,860	2,231,678	1,569,939	310,557	-	25,009,206
Adjustment to opening value	-	-	-	-	-	833,175	-	-	-	-	833,175
Depreciation provided in period	-	188,980	238,767	239,079	19,377	969,354	85,645	51,328	37,509	-	1,830,040
Depreciation on disposals	-	-	(155,422)	-	-	(116,052)	-	-	-	-	(271,474)
Revaluation adjustment to asset revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
<b>Accumulated depreciation as at 30 June 2018</b>	<b>-</b>	<b>3,575,501</b>	<b>6,722,597</b>	<b>2,192,926</b>	<b>516,928</b>	<b>10,106,337</b>	<b>2,317,323</b>	<b>1,621,267</b>	<b>348,066</b>	<b>-</b>	<b>27,400,946</b>

Total written down value as at 30 June 2018

	1,100,000	8,648,577	8,085,953	1,437,898	165,380	39,449,304	3,254,125	3,484,924	3,239,359	907,313	69,772,831
Range of estimated useful life in years	Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

Additions comprise:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renewals	-	33,728	188,835	-	-	3,400,883	-	-	-	-	3,623,446
Other additions	-	272,414	68,431	681,635	139,327	5,152,317	96,686	-	932,082	678,314	8,021,206
Total additions	-	306,142	257,265	681,635	139,327	8,553,200	96,686	-	932,082	678,314	11,644,652

Movements in the asset revaluation surplus were as follows:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning of financial year	800,000	3,692,480	15,292,495	-	-	6,756,107	2,539,972	1,658,720	518,550	-	31,258,324
Increase (decrease) in revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Balance at end of financial year	800,000	3,692,480	15,292,495	-	-	6,756,107	2,539,972	1,658,720	518,550	-	31,258,324

### 13 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 are 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, Mines and Energy 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.

**e) Valuation**

**(i) Valuation processes**

Council engages 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 2019, a comprehensive revaluation was undertaken for all asset classes held at fair value 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.

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 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)**

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 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). Since 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 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.

#### **1) Runway and roads**

##### *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**

##### *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 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**

*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.

**4) Water and sewerage**

*Current replacement cost*

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.

<b>APV's cost models were derived from the following sources:</b>
• 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.

**14 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 include 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	
	2019	2018	2019	2018
	\$	\$	\$	\$
<b>Current</b>				
Creditors and accruals	1,444,542	2,569,195	1,275,105	2,491,583
Annual leave	233,534	270,345	200,920	251,727
GST payable	49,837	50,098	37,034	37,760
Other entitlements	11,803	12,690	6,837	12,690
	<u>1,739,716</u>	<u>2,902,328</u>	<u>1,519,895</u>	<u>2,793,760</u>

15 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 2026 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.

	Consolidated		Council	
	2019 \$	2018 \$	2019 \$	2018 \$
<b>Current</b>				
Long service leave	151,761	69,938	151,761	69,938
	<u>151,761</u>	<u>69,938</u>	<u>151,761</u>	<u>69,938</u>
<b>Non-current</b>				
Long service leave	127,249	162,787	111,348	149,786
Refuse restoration	1,490,107	1,593,317	1,490,107	1,593,317
	<u>1,617,356</u>	<u>1,756,104</u>	<u>1,601,455</u>	<u>1,743,103</u>

Details of movements in provisions:

**Long service leave**

Balance at beginning of financial year	232,725	217,603	219,724	202,448
Long service leave entitlement arising	84,188	59,403	81,287	59,403
Long service entitlement paid	(37,902)	(44,281)	(37,902)	(42,127)
Balance at end of financial year	<u>279,011</u>	<u>232,725</u>	<u>263,109</u>	<u>219,724</u>

**Refuse restoration**

Balance at beginning of financial year	1,593,317	1,228,856	1,593,317	1,228,856
Decrease in provision due to unwinding of discount	-	(3,117)	-	(3,117)
Decrease in provision due to change in discount rate	-	(7,170)	-	(7,170)
Increase/(decrease) in provision	<u>(103,210)</u>	<u>374,748</u>	<u>(103,210)</u>	<u>374,748</u>
Balance at end of financial year	<u>1,490,107</u>	<u>1,593,317</u>	<u>1,490,107</u>	<u>1,593,317</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 \$1,523,605 and this cost is expected to be incurred in 2028 after closing the site in 2026 and allowing a period for settlement.

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

16	Commitments for expenditure	Consolidated		Council	
		2019	2018	2019	2018
		\$	\$	\$	\$
	<b>Operating leases</b>				
	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	55,200	37,500	40,800	23,100
	One to five years	81,400	57,600	23,800	-
	More than five years	43,200	57,600	-	-
		<u>179,800</u>	<u>152,700</u>	<u>64,600</u>	<u>23,100</u>

The Council has entered into operating leases on Office Space in Cairns and Airport Land in Lockhart River, with lease terms between two and 20 years. The Council has the option, under Airport Land lease, to lease the assets for additional term of 20 years.

During the year an amount of \$55,200 (2018: \$37,500) was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

**17 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 2018 the LGM 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.

**18 Superannuation**

Council contributes to the LGIASuper previously known as Local Government Superannuation Scheme (Qld) (the scheme). LGIASuper is a Multi-employer Plan as defined in Australian Accounting Standard AASB 119 Employee Benefits. The scheme has a number of elements including defined benefits funds and an accumulated benefits fund. Council does not have any employees who are members of the defined benefits funds and so is not exposed to the obligations, assets or costs associated with these funds. Council has employees who are members of the accumulated benefits fund.

	Note	Consolidated		Council	
		2019	2018	2019	2018
		\$	\$	\$	\$
Superannuation contributions made to the Accumulated Benefits Fund	5	459,228	450,658	424,593	418,686
Other superannuation contributions for employees		-	-	-	-
Total superannuation contributions paid by Council for employees:		<u>459,228</u>	<u>450,658</u>	<u>424,593</u>	<u>418,686</u>

**19 Reconciliation of net result for the year to net cash inflow from operating activities**

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
Net result	7,491,217	9,357,150	5,577,653	9,343,365
Non-cash items:				
Depreciation and amortisation	2,239,745	2,062,734	1,998,675	1,830,040
Impairment provision for doubtful debts	(17,786)	(23,165)	(15,124)	(23,165)
Refuse restoration provision	(103,210)	364,461	(103,210)	364,461
Non cash operating expenditure	27,725	-	-	-
Gain/loss on revaluation of finance leases	(1,462,007)	(375,813)	(1,462,007)	(375,813)
	684,466	2,028,217	418,334	1,795,522
Investing and development activities:				
Net loss on disposal of non-current assets	338,071	709,435	338,071	709,435
Runway pavement works contributed to controlled entity	-	-	2,012,824	118,532
Capital grants and contributions	(6,787,892)	(9,626,351)	(6,713,154)	(9,626,351)
	(6,449,821)	(8,916,916)	(4,362,259)	(8,798,384)
Changes in operating assets and liabilities:				
(Increase)/decrease in accrued revenue	-	(368,595)	-	(368,595)
(Increase)/decrease in receivables	908,448	(458,016)	904,482	(520,311)
(Increase)/decrease in inventory	(7,506)	(21,028)	(17,969)	(15,238)
Increase/(decrease) in payables	(1,162,612)	(1,751,616)	(1,273,865)	(1,761,114)
Increase/(decrease) in other provisions	46,286	15,121	43,385	17,276
	(215,384)	(2,584,134)	(343,967)	(2,647,982)
Net cash inflow/(outflow) from operating activities	1,510,478	(115,683)	1,289,760	(307,477)

**20 Opening balance adjustment**

Upon inspection and comprehensive revaluation of the Council's non current assets as at 30 June 2019, information came to light that would indicate that some existing assets have not been previously recognised in the assets register. These assets were recognised at fair value.

A number of projects that were in progress and classified as work in progress at 30 June 2018 were not relating to assets of the Council. This has been corrected at 1 July 2018.

The adjustments that have been made to the opening balances are as follows:

	Consolidated As at 1 July 2018	Consolidated As at 1 July 2017	Council As at 1 July 2018	Council As at 1 July 2017
Plant & equipment	154,000	-	154,000	-
Runway, road, drainage and bridge	2,378,894	1,087,822	2,378,894	1,087,822
Water	342,900	-	342,900	-
Sewerage	428,180	-	428,180	-
Other infrastructure	259,572	-	214,172	-
Accrued revenue	-	(368,595)	-	(368,595)
Work in progress expensed	(529,964)	-	(529,964)	-
Net value	3,033,583	719,227	2,988,183	719,227
Net increase in non current assets	3,033,583	1,087,822	2,988,183	1,087,822
Net increase in current assets	-	(368,595)	-	(368,595)
Net increase in retained surplus	3,033,583	719,227	2,988,183	719,227

**21 Events after the reporting period**

There were no material adjusting events after the balance date.

**22 Financial instruments and financial risks management**

The effect of initially applying AASB 9 on the Council's financial instruments is described in Note 1(d). Comparative information has not been restated to reflect the requirements.

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 carrying amounts of financial assets at the end of the reporting period represent the maximum exposure to credit risk for the Council

*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 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.

*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.

The Council does not require collateral in respect of trade and other receivables. The Council does not have trade receivables for which no loss allowance is recognised because of collateral.

As at 30 June 2019, the exposure to credit risk for the trade receivables by type of counterparty was as follows:

	Consolidated		Council	
	2019	2018	2019	2018
	\$	\$	\$	\$
Government Departments & Agencies	672,388	1,369,414	654,104	1,355,640
Local debtors	14,882	50,470	412	25,706
Other debtors	296,374	308,785	46,422	58,539
	<u>983,644</u>	<u>1,728,669</u>	<u>700,938</u>	<u>1,439,885</u>

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A summary of the Council's exposure to credit risk for trade receivables is as follows:

	Consolidated			Council		
	2019		2018	2019		2018
	Not credit impaired	Credit impaired		Not credit impaired	Credit impaired	
	\$	\$	\$	\$	\$	\$
Not past due	825,568	-	1,486,671	675,792	-	1,382,346
Past due 31-60 days	39,751	-	57,977	12,851	-	33,882
Past due 61-90 days	48,595	-	41,579	11,880	-	4,156
More than 90 days	69,731	-	142,443	415	-	19,502
<b>Total</b>	<b>983,645</b>	<b>-</b>	<b>1,728,669</b>	<b>700,938</b>	<b>-</b>	<b>1,439,885</b>
Loss allowance	(34,844)	-	(52,628)	(3,679)	-	(18,802)
	<b>948,801</b>	<b>-</b>	<b>1,676,041</b>	<b>697,259</b>	<b>-</b>	<b>1,421,083</b>

*Expected credit loss assessment as at 1 July 2018 and 30 June 2019*

The Council uses an allowance matrix to measure the expected credit losses of trade receivables from individual customers, which comprise a very large number of small balances.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off.

The following table provides information about the exposure to credit risk and expected losses for trade receivables from individual customers as at 30 June 2019:

Consolidated - 2019	Weighted-average loss rate	Gross carrying	Loss Allowance
	%	\$	\$
	Not past due	0.40	825,568
Past due 31-60 days	1.10	39,751	437
Past due 61-90 days	5.60	48,595	2,721
More than 90 days	40.70	69,731	28,381
<b>Total</b>		<b>983,645</b>	<b>34,844</b>

Council - 2019	Weighted-average loss rate	Gross carrying	Loss Allowance
	%	\$	\$
	Not past due	0.40	675,792
Past due 31-60 days	1.10	12,851	141
Past due 61-90 days	5.60	11,880	665
More than 90 days	40.70	415	169
<b>Total</b>		<b>700,938</b>	<b>3,679</b>

Loss rates are based on actual credit loss experience over the past ten years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Council's view of economic conditions over the expected lives of the receivables. Management consider the expected credit loss to be immaterial and have not raised a loss allowance.

The movement in the allowance for impairment in respect of trade receivable during the year was \$17,786.

**Lockhart River Aboriginal Shire Council**  
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**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's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Council's reputation.

*Exposure to liquidity risk*

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:

	<b>Consolidated</b>				
	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2019</b>					
Trade and other payables	1,506,182	-	-	1,506,182	1,506,182
	1,506,182	-	-	1,506,182	1,506,182
<b>2018</b>					
Trade and other payables	2,631,984	-	-	2,631,984	2,631,984
	2,631,984	-	-	2,631,984	2,631,984
	<b>Council</b>				
	<b>0 to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total contractual cash flows</b>	<b>Carrying amount</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>2019</b>					
Trade and other payables	1,318,975	-	-	1,318,975	1,318,975
	1,318,975	-	-	1,318,975	1,318,975
<b>2018</b>					
Trade and other payables	2,542,034	-	-	2,542,034	2,542,034
	2,542,034	-	-	2,542,034	2,542,034

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

**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.

**Lockhart River Aboriginal Shire Council**  
**Notes to the financial statements**  
**For the year ended 30 June 2019**

*Sensitivity*

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

The Council does not account for any fixed-rate financial assets or financial liabilities at Fair Value through Profit or Loss, therefore a change in interest rates at the reporting date would not affect the net result.

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
<b>Consolidated</b>	\$	\$	\$	\$	\$
<b>2019</b>					
QTC cash fund	10,745,352	107,454	(107,454)	107,454	(107,454)
Commonwealth Bank	33,295	333	(333)	333	(333)
Macquarie Bank cash fund	515,334	5,153	(5,153)	5,153	(5,153)
<b>Total</b>	<b>11,293,980</b>	<b>112,940</b>	<b>(112,940)</b>	<b>112,940</b>	<b>(112,940)</b>
<b>2018</b>					
QTC cash fund	7,545,257	75,453	(75,453)	75,453	(75,453)
Commonwealth Bank	32,832	328	(328)	328	(328)
Macquarie Bank cash fund	508,829	5,088	(5,088)	5,088	(5,088)
<b>Total</b>	<b>8,086,918</b>	<b>80,869</b>	<b>(80,869)</b>	<b>80,869</b>	<b>(80,869)</b>

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
<b>Council</b>	\$	\$	\$	\$	\$
<b>2019</b>					
QTC cash fund	10,745,352	107,454	(107,454)	107,454	(107,454)
Commonwealth Bank	33,295	333	(333)	333	(333)
<b>Total</b>	<b>10,778,646</b>	<b>107,786</b>	<b>(107,786)</b>	<b>107,786</b>	<b>(107,786)</b>
<b>2018</b>					
QTC cash fund	7,545,257	75,453	(75,453)	75,453	(75,453)
Commonwealth Bank	32,832	328	(328)	328	(328)
<b>Total</b>	<b>7,578,089</b>	<b>75,781</b>	<b>(75,781)</b>	<b>75,781</b>	<b>(75,781)</b>

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

### Notes to the financial statements

For the year ended 30 June 2019

#### 23 Transactions with related parties

##### (a) Subsidiaries

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

The following transactions occurred with the Lockhart River Aerodrome Company Pty Ltd under normal business terms and conditions:

Type of transaction	Amount \$ 2019	Amount \$ 2018
Grants and subsidies provided by Council	2,087,562	118,532
Supply of building and mechanical materials and services by Council	3,155	31,581
Purchases of diesel fuel and motel accommodation by Council	133,099	137,799
<b>Total</b>	<b>2,223,816</b>	<b>287,912</b>

Council provides free general administrative support to the Lockhart River Aerodrome Company Pty Ltd and any funding given to the Company was agreed to by the Council for the 2018-19 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 2018-19 comprises:

Type of compensation	2019	2018
	\$	\$
Short-term employee benefits	690,249	714,308
Post-employment benefits	77,981	77,569
Long-term benefits	11,344	8,706
<b>Total</b>	<b>779,573</b>	<b>800,583</b>

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	2019	2018
		\$	\$
Employee expenses for close family members of key management personnel	23(c)(i)	172,430	185,626
Purchase of materials and services from entities controlled by key management personnel	23(c)(ii)	371,737	451,058
Sales of materials and services to entities controlled by key management personnel	23(c)(iii)	16,325	51,603

(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 68 staff of which 3 are close family members of key management personnel.

**Lockhart River Aboriginal Shire Council****Notes to the financial statements****For the year ended 30 June 2019**

(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	2019	2018
		\$	\$
Car hire services	Lockhart River Car Hire	-	13,112
Road construction services	W&P Machine Hire	-	288,633
Road construction services	D&C Contracting Services	180,120	-
Road construction services	Gray Ochre	190,540	96,585
Building services	Far Away Fishing	1,077	52,364
Conference facilities services	Puuya Centre	-	364
<b>Total</b>		<b>371,737</b>	<b>451,058</b>

(iii) The consolidated entity sold the following materials 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	2019	2018
		\$	\$
Accommodation services	Puuya Foundation	6,447	21,970
Building consumables and services	Jamie's Store	-	2,244
Sale of diesel	Jamie's Store	-	2,485
Sale of diesel	Lockhart River Car Hire	-	846
Sale of diesel	Warradoo & Piva	-	17,074
Sale of diesel	Gray Ochre (Norman Bally)	5,609	4,463
Sale of diesel	D & C Contracting Services	4,269	2,521
<b>Total</b>		<b>16,325</b>	<b>51,603</b>

**(d) Outstanding balances**

The following consolidated entity 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	
	2019	2018
	\$	\$
Past due 31-60 days	-	3,047
Past due 61-90 days	-	10
More than 90 days overdue	3,087	5,639
<b>Total owing</b>	<b>3,087</b>	<b>8,696</b>

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 2019**

**Management Certificate**  
**For the year ended 30 June 2019**

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 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 BUTCHER

Date: 28/10/19



Chief Executive Officer  
Name DAVID CLARKE

Date: 28/10/19

## 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 2019, 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 2019, 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 Officer.

#### Basis for opinion

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

I am independent of the council 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 2019, but does not include the financial report and my auditor's report thereon. At the date of this auditor's report, the other information was the current year financial sustainability statement and long-term financial sustainability statement.

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

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

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

### **Responsibilities of the council for the financial report**

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

The council is also responsible for assessing the council's 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 2019:

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



Sri Narasimhan  
as delegate of the Auditor-General

30 October 2019

Queensland Audit Office  
Brisbane

**Lockhart River Aboriginal Shire Council**  
**Current-year Financial Sustainability**  
**For the year ended 30 June 2019**

**Measures of Financial Sustainability**

	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2019 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	5%	7%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	0%	0%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-61%	-58%	not greater than 60%

**Note 1 - Basis of Preparation**

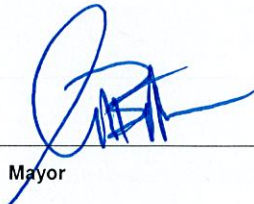
The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2019.

**Certificate of Accuracy**

For the year ended 30 June 2019

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

In accordance with 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: *28/10/19*

  
 \_\_\_\_\_  
 Chief Executive Officer

Name *DAVID CLARKE*

Date: *28/10/2019*

## 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 Lockhart River Aboriginal Shire Council (the council) for the year ended 30 June 2019, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Lockhart River Aboriginal Shire Council for the year ended 30 June 2019 has been accurately calculated.

#### Basis of opinion

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

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

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

#### Emphasis of matter – basis of accounting

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

#### Other Information

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



Sri Narasimhan  
as delegate of the Auditor-General

30 October 2019

Queensland Audit Office  
Brisbane

**Lockhart River Aboriginal Shire Council**  
**Unaudited Long-Term Financial Sustainability Statement**  
**Prepared as at 30 June 2019**

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2019	Projected for the years ended									
				30 June 2020	30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	
<b>Consolidated</b>													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	5%	-7%	-9%	-7%	-6%	-5%	-3%	-1%	0%	1%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by	greater than 90%	0%	229%	67%	85%	104%	46%	77%	80%	105%	48%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-61%	-45%	-40%	-34%	-27%	-22%	-27%	-26%	-35%	-37%	
<b>Council</b>													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	7%	-7%	-9%	-7%	-7%	-6%	-4%	-3%	-2%	0%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by	greater than 90%	0%	173%	71%	80%	101%	36%	68%	68%	106%	32%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-58%	-49%	-42%	-37%	-27%	-19%	-24%	-23%	-32%	-34%	

**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 2019**

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

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



Mayor

Name

Date: 28/10/19



Chief Executive Officer

Name **DAVID CLARKE**

Date: 28/10/2019