

Lockhart River Aboriginal Shire Council
Financial Statements
for the year ended 30 June 2020

Lockhart River Aboriginal Shire Council

Financial statements

For the year ended 30 June 2020

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Lockhart River Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2020

	Note	Consolidated		Council	
		2020	2019	2020	2019
		\$	\$	\$	\$
Income					
Revenue					
Recurrent revenue					
Rates, levies and charges		156,455	147,459	156,455	147,459
Sales revenue	3(a)	6,361,259	5,255,454	5,457,580	4,171,695
Grants, subsidies, contributions and donations	3(c)	12,033,113	10,059,045	12,033,113	10,059,045
		<u>18,550,827</u>	<u>15,461,958</u>	<u>17,647,148</u>	<u>14,378,199</u>
Capital revenue					
Grants, subsidies, contributions and donations	3(c)	2,785,786	6,787,892	2,785,786	6,713,154
		<u>2,785,786</u>	<u>6,787,892</u>	<u>2,785,786</u>	<u>6,713,154</u>
Rental income		110,207	93,064	90,607	88,241
Interest received		157,638	209,604	154,791	203,079
Other income	3(b)	731,170	1,582,172	711,584	1,582,172
Other capital income	3(d)	12,575	-	12,575	-
Total income		<u>22,348,204</u>	<u>24,134,690</u>	<u>21,402,492</u>	<u>22,964,845</u>
Expenses					
Recurrent expenses					
Employee benefits	4	(5,697,603)	(5,217,842)	(5,251,383)	(4,780,942)
Materials and services	5	(12,529,115)	(8,916,384)	(12,234,373)	(8,357,578)
Finance costs		(6,915)	(34,643)	(2,961)	(2,313)
Depreciation and amortisation					
Property, plant and equipment	13	(2,404,325)	(2,239,745)	(2,155,962)	(1,998,675)
Right-of-use assets	11	(53,676)	-	(40,890)	-
		<u>(20,691,633)</u>	<u>(16,408,613)</u>	<u>(19,685,569)</u>	<u>(15,139,508)</u>
Capital expenses	6	(231,175)	(234,860)	(1,010,163)	(2,247,685)
Total expenses		<u>(20,922,808)</u>	<u>(16,643,473)</u>	<u>(20,695,732)</u>	<u>(17,387,193)</u>
Net result		<u>1,425,396</u>	<u>7,491,217</u>	<u>706,761</u>	<u>5,577,653</u>
Other comprehensive income					
Items that will not be reclassified to net result					
Increase/(decrease) in asset revaluation surplus	13	397,905	1,876,323	372,812	1,906,619
Total other comprehensive income for the year		<u>397,905</u>	<u>1,876,323</u>	<u>372,812</u>	<u>1,906,619</u>
Total comprehensive income for the year		<u>1,823,301</u>	<u>9,367,540</u>	<u>1,079,573</u>	<u>7,484,272</u>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Lockhart River Aboriginal Shire Council
Statement of Financial Position
As at 30 June 2020

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Current assets					
Cash and cash equivalents	7	14,065,912	12,420,924	12,866,503	11,452,733
Trade and other receivables	8	778,156	999,107	651,804	730,831
Inventories	9	309,163	313,882	257,075	232,124
Contract assets	10a	508,212	-	508,212	-
Lease receivable	11	301,137	292,701	301,137	292,701
Total current assets		15,962,580	14,026,613	14,584,731	12,708,389
Non-current assets					
Lease receivable	11	11,087,989	10,829,038	11,087,989	10,829,038
Investments	12	-	-	100	100
Property, plant and equipment	13	87,471,751	85,884,016	77,638,219	76,590,408
Right-of-use assets	11	116,843	-	23,573	-
Total non-current assets		98,676,583	96,713,055	88,749,882	87,419,546
Total assets		114,639,163	110,739,668	103,334,613	100,127,935
Current liabilities					
Trade and other payables	14	1,837,899	1,739,716	1,732,159	1,519,895
Contract liabilities	10b	3,655,008	-	3,655,008	-
Lease liabilities	11	35,070	-	21,706	-
Provisions	15	118,719	151,761	100,577	151,761
Total current liabilities		5,646,695	1,891,477	5,509,450	1,671,656
Non-current liabilities					
Lease liabilities	11	88,943	-	-	-
Provisions	15	1,844,777	1,617,356	1,840,920	1,601,455
Total non-current liabilities		1,933,720	1,617,356	1,840,920	1,601,455
Total liabilities		7,580,416	3,508,834	7,350,370	3,273,111
Net community assets		107,058,747	107,230,835	95,984,240	96,854,824
Community equity					
Asset revaluation surplus	13	34,076,146	33,678,242	33,537,756	33,164,944
Retained surplus		72,982,600	73,552,594	62,446,484	63,689,880
Total community equity		107,058,747	107,230,835	95,984,240	96,854,824

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Lockhart River Aboriginal Shire Council
Statement of Changes in Equity
For the year ended 30 June 2020

Consolidated		Asset revaluation surplus	Retained surplus	Total
Note	\$	\$	\$	\$
Balance as at 30 June 2019				
	33,678,242	73,552,594	107,230,835	
	-	(2,079,223)	(2,079,223)	
	-	(6,987)	(6,987)	
21	-	90,820	90,820	
	33,678,242	71,557,204	105,235,446	
	-	1,425,396	1,425,396	
	397,905	-	397,905	
Total comprehensive income for the year				
	397,905	1,425,396	1,823,301	
Balance as at 30 June 2020				
	34,076,146	72,982,600	107,058,747	
Balance as at 30 June 2018				
	31,801,919	63,027,794	94,829,713	
21	-	3,033,583	3,033,583	
	31,801,919	66,061,377	97,863,296	
	-	7,491,217	7,491,217	
	1,876,323	-	1,876,323	
Total comprehensive income for the year				
	1,876,323	7,491,217	9,367,540	
Balance as at 30 June 2019				
	33,678,242	73,552,594	107,230,835	
Council				
	Asset revaluation surplus	Retained surplus	Total	
	\$	\$	\$	
Balance as at 30 June 2019				
	33,164,944	63,689,880	96,854,824	
	-	(2,079,223)	(2,079,223)	
	-	2,487	2,487	
21	-	126,579	126,579	
	33,164,944	61,739,724	94,904,667	
	-	706,761	706,761	
	372,812	-	372,812	
Total comprehensive income for the year				
	372,812	706,761	1,079,573	
Balance as at 30 June 2020				
	33,537,756	62,446,484	95,984,240	
Balance as at 30 June 2018				
	31,258,325	55,124,045	86,382,370	
21	-	2,988,183	2,988,183	
	31,258,325	58,112,228	89,370,552	
	-	5,577,653	5,577,653	
	1,906,619	-	1,906,619	
Total comprehensive income for the year				
	1,906,619	5,577,653	7,484,272	
Balance as at 30 June 2019				
	33,164,944	63,689,880	96,854,824	

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 2020

	Note	Consolidated		Council	
		2020 \$	2019 \$	2020 \$	2019 \$
Cash flows from operating activities					
Receipts from customers		7,025,424	6,386,647	5,976,372	5,311,354
Payments to suppliers and employees		(17,253,372)	(15,234,549)	(16,408,116)	(14,371,957)
		<u>(10,227,948)</u>	<u>(8,847,902)</u>	<u>(10,431,743)</u>	<u>(9,060,603)</u>
Interest received		157,638	209,604	154,791	203,079
Rental income		110,207	93,064	90,607	88,241
Non capital grants and contributions	3	12,033,113	10,059,045	12,033,113	10,059,045
Net cash inflow/(outflow) from operating activities	19	<u>2,073,012</u>	<u>1,513,811</u>	<u>1,846,770</u>	<u>1,289,762</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(3,491,335)	(6,276,344)	(2,728,141)	(4,263,520)
Payments for property, plant and equipment transferred to subsidiary		-	-	(778,988)	(2,012,824)
Finance lease receipts	11	292,701	288,340	292,701	288,340
Proceeds from sale of property plant and equipment		35,909	4,000	35,909	4,000
Capital grants, subsidies, contributions and donations	3	2,785,786	6,713,154	2,785,786	6,713,154
Net cash inflow (outflow) from investing activities		<u>(376,939)</u>	<u>729,150</u>	<u>(392,733)</u>	<u>729,150</u>
Cash flows from financing activities					
Repayment made on leases (principle only)		(51,090)	-	(40,270)	-
Net cash inflow (outflow) from financing activities		<u>(51,090)</u>	<u>-</u>	<u>(40,270)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents held		<u>1,644,983</u>	<u>2,242,961</u>	<u>1,413,766</u>	<u>2,018,912</u>
Cash and cash equivalents at the beginning of the financial year		12,420,924	10,177,964	11,452,733	9,433,822
Cash and cash equivalents at end of the financial year	7	<u>14,065,907</u>	<u>12,420,924</u>	<u>12,866,499</u>	<u>11,452,733</u>

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

The comparatives have not been restated on adoption of AASB 15/1058 and AASB 16 and therefore the comparative information is presented using the previous standards relating to revenue and leases.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

1 Significant accounting policies

(a) Basis of preparation

These general purpose financial statements are for the period 1 July 2019 to 30 June 2020 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*.

These financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB). Council is a not-for-profit entity for financial reporting purposes and complies with Australian Accounting Standards as applicable to not-for-profit entities.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain classes of property, plant and equipment and finance leases 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 2020 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 adopted during the year

Lockhart River Aboriginal Shire Council adopted all the standards which became mandatorily effective for annual reporting periods beginning on 1 July 2019. The new standards which had an impact on reported position, performance and cash flows were those relating to revenue and leases.

Refer to the change in accounting policy Note 22 for transition disclosures for *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities* and *AASB 16 Leases*.

(e) Standards issued by the AASB not yet effective

The AASB has issued Australian Accounting Standards and Interpretations which are not effective at 30 June 2020. These standards have not been adopted by Council and will be included in the financial statements on their effective date. These standards are not expected to have a significant impact for Council.

(f) Estimates and judgements

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

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 24

(g) Rounding and comparatives

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

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

(h) Taxation

Council is exempt from income tax, however Council is subject to Fringe Benefits Tax, Goods and Services Tax ('GST') and payroll tax on certain activities. The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

(i) Impacts from the COVID-19 pandemic

Council has assessed the impact of the COVID-19 pandemic on its financial statements for the current year, and further impacts are expected to continue into 2020-21.

Council undertook the following key actions during the current year in response to the COVID-19 pandemic, some of which will also impact the financial results for the 20-21 financial year.

- Additional expenditure of \$29,948 was incurred to renovate 2 outstations for community members to isolate during the lockdown period and also engaged local casual security personnel to respond to the COVID-19 travel restrictions issues.

The impact of these measures is not material to the 2019-20 financial statements of Council and is not expected to be material for the 2020-21 financial year.

2. Analysis of results by function

(a) Components of Council functions

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

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 2020

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 2020

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	6,627,713	219,024	1,676,372	12,575	-	8,535,684	(9,287,594)	(426)	-	(9,288,020)	(2,440,858)	(752,337)	44,951,021
Building Services	-	4,934,905	-	-	-	4,934,905	(3,881,052)	-	-	(3,881,052)	1,053,853	1,053,853	-
Community Development	1,680,249	59,457	-	-	-	1,739,706	(1,947,062)	-	-	(1,947,062)	(207,356)	(207,356)	-
Corporate Services	3,529,071	1,197,646	716,946	-	-	5,443,662	(2,282,140)	(1,009,737)	-	(3,291,877)	2,444,576	2,151,785	50,291,162
Governance & Leadership	24,088	-	-	-	-	24,088	(1,204,444)	-	-	(1,204,444)	(1,180,356)	(1,180,356)	-
Environmental Management	171,992	159,986	392,468	-	-	724,446	(1,083,275)	-	-	(1,083,275)	(751,297)	(358,829)	8,092,430
Total Council	12,033,113	6,571,017	2,785,786	12,575	-	21,402,491	(19,685,567)	(1,010,163)	-	(20,695,730)	(1,081,438)	706,760	103,334,613
Controlled entity net of eliminations	-	2,125,364	-	-	(1,179,651)	945,713	(1,406,725)	-	1,179,651	(227,074)	718,639	718,639	11,304,550
Total consolidated	12,033,113	8,696,381	2,785,786	12,575	(1,179,651)	22,348,204	(21,092,292)	(1,010,163)	1,179,651	(20,922,804)	(362,799)	1,425,399	114,639,163

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				Recurring	Capital					
	Grants	Other	Grants	Other									
	\$	\$	\$	\$			\$	\$					
Engineering Services	4,305,723	4,045,699	2,951,479	-	-	11,302,900	(9,263,178)	(338,071)	-	(9,601,249)	(911,756)	1,701,652	46,220,212
Building Services	-	-	-	-	-	-	-	-	-	-	-	-	-
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	(2,375,332)	(1,909,614)	-	(4,284,946)	3,172,685	5,024,746	46,438,289
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	(14,933,085)	(2,247,685)	-	(17,180,770)	1,318,606	5,784,075	100,127,934
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
Total consolidated	10,040,045	9,530,570	6,713,154	-	(2,149,077)	24,134,691	(16,338,445)	(2,247,685)	2,149,077	(16,437,053)	3,232,169	7,697,638	110,739,666

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

3	Revenue	Consolidated 2020		Council 2020	
		AASB15	AASB1058	AASB15	AASB1058
		\$	\$	\$	\$
Revenue recognised at a point in time					
	Rates, levies and charges	-	156,455	-	156,455
	Sale of goods and services	3(a) 1,255,715	-	352,036	-
	Other income	3(b) -	-	-	-
	Grants, subsidies, donations and contributions	3(c) -	4,255,452	-	4,255,452
	Capital income	3(d) -	-	-	-
		<u>1,255,715</u>	<u>4,411,907</u>	<u>352,036</u>	<u>4,411,907</u>
Revenue recognised over time					
	Sale of goods and services	3(a) 5,105,544	-	5,105,544	-
	Other income	3(b) -	-	-	-
	Grants, subsidies, donations and contributions	3(c) 8,051,446	2,512,001	8,051,446	2,512,001
		<u>13,156,990</u>	<u>2,512,001</u>	<u>13,156,990</u>	<u>2,512,001</u>
		<u>14,412,706</u>	<u>6,923,908</u>	<u>13,509,027</u>	<u>6,923,908</u>

(a) Sales revenue

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

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 based on costs incurred 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.

	Consolidated		Council		
	2020	2019	2020	2019	
		\$	\$	\$	\$
Sale of services					
	Contract and recoverable works	5,125,567	3,826,208	5,125,567	3,826,208
	Accommodation	47,981	80,478	47,981	80,478
	Motor vehicle repairs	9,997	18,239	9,997	18,239
	Agency commissions	719	1,448	719	1,448
		<u>5,184,264</u>	<u>3,926,372</u>	<u>5,184,264</u>	<u>3,926,372</u>
Sale of goods					
	Gas bottles	220,252	207,135	220,252	207,135
	Post office	53,064	38,188	53,064	38,188
	Other sales	903,679	1,083,759	-	-
		<u>1,176,995</u>	<u>1,329,082</u>	<u>273,316</u>	<u>245,323</u>
Total sales revenue		<u>6,361,259</u>	<u>5,255,454</u>	<u>5,457,580</u>	<u>4,171,695</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) Other income

2020 accounting policy: Fees, charges and commissions are recognised when or as the performance obligation is completed and the customer receives the benefit of goods/services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

2019 accounting policy: 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.

	Gain on revaluation of finance leases	11	560,088	1,462,007	560,088	1,462,007
	Sundry income		151,103	120,165	151,103	120,165
	Gain on impairment reversed	8	19,979	-	393	-
			<u>731,170</u>	<u>1,582,172</u>	<u>711,584</u>	<u>1,582,172</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
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(c) Grants, subsidies, contributions and donations

2020 accounting policy

Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue is recognised when control of each performance obligation is satisfied.

The performance obligations are varied based on the agreement. Payment terms vary depending on the terms of the grant. Cash is received upfront for some grants and on the achievement of certain milestones for others.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract. Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Grant income under AASB 1058

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of property, plant and equipment to identified specifications which will be under Council's control and which are enforceable are recognised as revenue as and when the obligation to construct or purchase is completed. For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

Where assets are donated or purchased for significantly below the fair value, the revenue is recognised when the asset is acquired and controlled by the Council.

2019 accounting policy

Grants, subsidies and contributions that are non-reciprocal in nature are recognised as revenue in the year in which Council obtains control over them. Unspent non-reciprocal grants are accounted for using Council's internal management accounting system.

Where grants are received that are reciprocal in nature, revenue is recognised as the various performance obligations under the funding agreement are fulfilled. Council did not 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.

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Recurrent				
State government subsidies and grants	11,390,863	9,266,591	11,390,863	9,266,591
Commonwealth government subsidies and grants	637,554	773,453	637,554	773,453
Donations and contributions	4,696	19,000	4,696	19,000
	<u>12,033,113</u>	<u>10,059,045</u>	<u>12,033,113</u>	<u>10,059,045</u>
Capital				
State government subsidies and grants	2,705,043	5,841,986	2,705,043	5,841,986
Commonwealth government subsidies and grants	80,743	871,168	80,743	871,168
Non cash contributions	-	74,738	-	-
	<u>2,785,786</u>	<u>6,787,892</u>	<u>2,785,786</u>	<u>6,713,154</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

Conditions over contributions

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Grants for expenditure on services	1,618,340	1,282,391	1,618,340	1,282,391
Grants for expenditure on infrastructure	725,572	2,199,717	725,572	2,199,717
	<u>2,343,912</u>	<u>3,482,108</u>	<u>2,343,912</u>	<u>3,482,108</u>

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

Grants for expenditure on services	33,607	92,693	33,607	92,693
Grants for expenditure on infrastructure	753,070	10,000	753,070	10,000
	<u>786,677</u>	<u>102,693</u>	<u>786,677</u>	<u>102,693</u>

(d) Capital income

Proceeds from the sale of property, plant and equipment	35,909	-	35,909	-
Less: Book value of property, plant and equipment disposed of	(23,334)	-	(23,334)	-
Total capital income	<u>12,575</u>	<u>-</u>	<u>12,575</u>	<u>-</u>

4 Employee benefits

Total staff wages and salaries	4,449,876	4,034,222	4,044,494	3,633,340
Councillors' remuneration	330,093	311,217	330,093	311,217
Annual, sick and long service leave entitlements	430,227	499,502	430,227	499,502
Superannuation	502,935	459,228	464,919	424,593
	<u>5,713,131</u>	<u>5,304,169</u>	<u>5,269,733</u>	<u>4,868,652</u>
Other employee related expenses	67,372	77,778	64,550	76,396
	<u>5,780,502</u>	<u>5,381,948</u>	<u>5,334,283</u>	<u>4,945,048</u>
Less: Capitalised employee expenses	(82,900)	(164,106)	(82,900)	(164,106)
	<u>5,697,603</u>	<u>5,217,842</u>	<u>5,251,383</u>	<u>4,780,942</u>

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

Total Council employees at the reporting date:	2020	2019	2020	2019
Elected members	5	5	5	5
Administration staff	83	89	78	84
Total full time equivalent employees	<u>88</u>	<u>94</u>	<u>83</u>	<u>89</u>

5 Materials and services

Administration supplies and consumables	677,516	1,149,608	682,615	835,763
Audit of annual financial statements by the Auditor-General of Queensland*	106,177	106,471	79,177	80,000
Communications and IT	265,651	345,386	238,549	306,274
Consultants	218,570	159,571	209,654	148,155
Donations paid	132,741	111,932	132,741	111,932
Power	124,267	123,313	90,013	97,906
Repairs and maintenance	10,255,208	6,538,894	10,100,668	6,439,843
Rentals - operating leases (2019 only)	882	40,100	882	40,100
Subscriptions and registrations	65,033	57,036	65,033	57,036
Insurance	307,794	88,678	263,251	49,266
Legal fees	1,783	1,091	-	1,091
Travel	194,107	164,858	192,415	160,767
Other materials and services	179,386	29,445	179,375	29,445
Total materials and services	<u>12,529,115</u>	<u>8,916,384</u>	<u>12,234,373</u>	<u>8,357,578</u>

*Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$106,500 (2019: \$107,500).

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
6 Capital expenses				
Capital works transferred to controlled entity				
Water upgrade works	-	-	-	15,192
Old terminal building renovations	-	-	8,643	-
New toilet block-airport terminal building	-	-	70,541	-
Printing equipment	-	-	-	665
New accommodation cabins	-	-	473,448	-
Website development costs	-	-	-	6,917
Airport terminal building	-	-	44,525	443,889
Helicopter landing pad	-	-	181,831	931,926
Light aircraft parking area	-	-	-	477,697
Airport fencing	-	-	-	136,537
	<u>-</u>	<u>-</u>	<u>778,988</u>	<u>2,012,824</u>
Loss on disposal of non-current assets				
Book value of property, plant and equipment disposed of	426	342,071	426	342,071
Less: Proceeds from the sale of property, plant and equipment	-	(4,000)	-	(4,000)
	<u>426</u>	<u>338,071</u>	<u>426</u>	<u>338,071</u>
Refuse restoration				
Increase/(decrease) in provision	230,749	(103,210)	230,749	(103,210)
	<u>230,749</u>	<u>(103,210)</u>	<u>230,749</u>	<u>(103,210)</u>
Total capital expenses	<u>231,175</u>	<u>234,860</u>	<u>1,010,163</u>	<u>2,247,685</u>

7 Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows 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	4,614,566	1,126,944	3,933,336	674,087
Deposits at call	9,451,341	11,293,980	8,933,164	10,778,646
Balance per Statement of Cash Flows	<u>14,065,908</u>	<u>12,420,924</u>	<u>12,866,499</u>	<u>11,452,733</u>

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

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

Unspent government grants and subsidies	3,130,589	3,584,801	3,130,589	3,584,801
Total unspent restricted cash	<u>3,130,589</u>	<u>3,584,801</u>	<u>3,130,589</u>	<u>3,584,801</u>

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

Trust funds held for outside parties

In accordance with the *Local Government Act 2009* and *Local Government Regulation 2012*, a separate trust bank account and separate accounting records are maintained for funds held on behalf of outside parties. The Council performs only a custodian role in respect of these monies. As these funds cannot be used by the Council, they are not brought to account in these financial statements.

Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities

	4	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
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8 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 receivables 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.

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current				
Trade debtors	709,033	990,092	621,698	700,938
Less impairment	(14,865)	(34,844)	(3,286)	(3,679)
Accrued revenue	(280)	(100)	(280)	(100)
Prepayments	84,268	43,958	33,672	33,672
	<u>778,156</u>	<u>999,107</u>	<u>651,804</u>	<u>730,831</u>

No interest is charged on trade debtors.

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

Opening balance at 1 July	34,844	52,630	3,679	18,803
Additional impairments recognised	-	31,973	-	3,679
Impairments reversed	(19,979)	(49,759)	(393)	(18,803)
Closing balance at 30 June	<u>14,865</u>	<u>34,844</u>	<u>3,286</u>	<u>3,679</u>

9 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. Costs are assigned on the basis of weighted average costs.

Fuel and motel stock	52,088	81,758	-	-
	<u>52,088</u>	<u>81,758</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	257,075	232,124	257,075	232,124
	<u>257,075</u>	<u>232,124</u>	<u>257,075</u>	<u>232,124</u>
Total inventories	<u>309,163</u>	<u>313,882</u>	<u>257,075</u>	<u>232,124</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

10 Contract balances

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

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

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

	Consolidated 2020	Council 2020
	\$	\$
(a) Contract assets	508,212	508,212
	<u>508,212</u>	<u>508,212</u>
(b) Contract liabilities		
Funds received upfront to construct Council controlled assets	1,462,789	1,462,789
Deposits received in advance of services provided	2,192,219	2,192,219
	<u>3,655,008</u>	<u>3,655,008</u>
Current contract liabilities	3,655,008	3,655,008
Non-current contract liabilities	-	-
	<u>3,655,008</u>	<u>3,655,008</u>
Revenue recognised that was included in the contract liability balance at the beginning of the year		
Funds to construct Council controlled assets	1,099,341	1,099,341
Deposits received in advance of services provided	858,183	858,183
	<u>1,957,524</u>	<u>1,957,524</u>

11 Leases

Council as a lessee

Council has leases in place over airport land, Cairns office space, vehicles and equipment. Council has applied the exception to lease accounting for leases of low-value and short-term leases.

Where Council assesses that an agreement contains a lease, a right-of-use asset and lease liability are recognised on inception of the lease. Council does not separate lease and non-lease components for any class of assets and has accounted for lease payments as a single component.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council incremental borrowing rate for a similar term with similar security is used.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (with lease terms of less than 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value/concessionary leases.

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

Terms and conditions of leases

Lockhart River Airport Land

The controlled entity of the Council leases 100.4ha of land at Lockhart River used for Lockhart River Aerodrome services and motel accommodation. The lease period is for 20 years and the lease amount is calculated and paid in accordance with the Land Act 1994.

Cairns Office Building

Council leases one building in Cairns used for office space. The lease is for 2 years without any renewal option. This lease is subject to annual CPI increases.

Lockhart River Aboriginal Shire Council
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Right-of-use assets

	Consolidated	Council
	2020	2020
	\$	\$
Gross amount - Right-of-use asset	321,731	81,557
Accumulated depreciation - Right of use asset	151,213	17,093
Adoption of AASB 16 at 1 July 2019	<u>170,518</u>	<u>64,464</u>
Depreciation charge	53,676	40,890
Balance at 30 June 2020	<u><u>116,843</u></u>	<u><u>23,573</u></u>

Lease liabilities

The table below shows the maturity analysis of the lease liabilities based on contractual cashflows and therefore the amounts will not be the same as the recognised lease liability in the statement of financial position.

Council and Consolidated	\$	\$
<1 year	38,185	23,785
1 - 5 years	57,600	-
>5 years	33,495	-
Total	<u><u>129,280</u></u>	<u><u>23,785</u></u>
Current lease liability	35,070	21,706
Non current lease liability	88,943	-
Total per statement of financial position	<u><u>124,013</u></u>	<u><u>21,706</u></u>

Amounts included in the statement of comprehensive income related to leases

The following amounts have been recognised in the statement of comprehensive income for leases where Council is the lessee

Council and Consolidated	\$	\$
Interest on lease liabilities	2,059	882
Depreciation of right-of-use assets	53,676	40,890
	<u><u>52,666</u></u>	<u><u>51,488</u></u>
Total cash outflows for leases	<u><u>51,090</u></u>	<u><u>40,270</u></u>

Leases at significantly below market value - Concessionary/peppercorn leases

Council has a lease at significantly below market for the Women's Shelter building used to provide crisis accommodation for women and children experiencing domestic violence.

The lease is generally for 3 years with no extension option and requires payment of \$1 per annum. The use of the right-of-use asset is restricted by the lessor to crisis accommodation which Council must provide.

Council does not believe that this lease is individually material.

Council as a lessor

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

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2020

Finance leases

Council has leased 98 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$3,073 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 (written 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.

Finance leases	Consolidated 2020	Council 2020
	\$	\$
Finance income on the net investment in the lease	133,056	133,056
Total income relating to finance leases	<u>133,056</u>	<u>133,056</u>

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current other financial assets				
Finance leases	301,137	292,701	301,137	292,701
	<u>301,137</u>	<u>292,701</u>	<u>301,137</u>	<u>292,701</u>
Non-current other financial assets				
Finance leases	11,087,989	10,829,038	11,087,989	10,829,038
	<u>11,087,989</u>	<u>10,829,038</u>	<u>11,087,989</u>	<u>10,829,038</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	301,137	292,701	301,137	292,701
Later than one year but not later than five years	1,204,549	1,170,804	1,204,549	1,170,804
Later than five years	8,803,420	8,848,425	8,803,420	8,848,425
	<u>10,309,106</u>	<u>10,311,929</u>	<u>10,309,106</u>	<u>10,311,929</u>
Add: Estimated contingent rent	3,776,907	4,459,123	3,776,907	4,459,123
Less: Present value adjustment	(2,696,886)	(3,649,313)	(2,696,886)	(3,649,313)
Fair value of lease payments	<u>11,389,127</u>	<u>11,121,739</u>	<u>11,389,127</u>	<u>11,121,739</u>

The fair value of lease payments is receivable as follows:

Not later than one year	301,137	292,701	301,137	292,701
Later than one year but not later than five years	1,222,445	1,183,641	1,222,445	1,183,641
Later than five years	9,865,545	9,645,397	9,865,545	9,645,397
	<u>11,389,127</u>	<u>11,121,739</u>	<u>11,389,127</u>	<u>11,121,739</u>

Movements in finance leases were as follows:

Opening balance	11,121,739	9,948,073	11,121,739	9,948,073
Add: Initial recognition of new leases of Council houses	-	-	-	-
Less: Lease receipts	(292,701)	(288,340)	(292,701)	(288,340)
Add: Gain/(loss) on revaluation	3(b) 560,088	1,462,007	560,088	1,462,007
Closing balance	<u>11,389,127</u>	<u>11,121,739</u>	<u>11,389,127</u>	<u>11,121,739</u>

The calculation of fair value has included an estimate of average annual CPI increases of 1.8% (2019: 2.00%) and a discount rate of 1.2% (2019: 1.56%).

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
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13 Property, plant and equipment

Consolidated - 30 June 2020

	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		
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2019	1,000,000	15,965,668	15,881,062	4,080,381	1,465,581	61,527,865	6,488,916	6,029,388	4,473,052	1,255,247	118,167,161
Adjustment to opening value	-	184,325	3,008	-	57,800	195,968	(13,400)	(17,918)	(228,833)	-	180,950
Additions	-	89,721	13,800	420,333	-	346,807	-	-	208,693	2,411,981	3,491,335
Disposals	-	-	(8,511)	(75,343)	-	-	-	-	-	-	(83,854)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	382,603	601,972	-	-	1,637,453	66,310	60,115	103,097	-	2,851,550
Transfers between classes	-	477,658	-	-	(154,000)	-	154,000	-	26,028	(503,686)	-
Closing gross value as at 30 June 2020	1,000,000	17,099,975	16,491,331	4,425,371	1,369,381	63,708,092	6,695,826	6,071,585	4,582,038	3,163,542	124,607,141

Accumulated depreciation and impairment

Opening balance as at 1 July 2019	-	4,697,218	5,469,270	2,780,553	1,127,379	12,831,337	2,848,599	2,007,476	521,312	-	32,283,144
Adjustment to opening value	-	(53,509)	(90,970)	-	-	74,563	(8,278)	(18,056)	150,621	-	54,370
Depreciation provided in period	-	285,638	248,491	291,247	46,405	1,240,065	107,169	64,260	121,050	-	2,404,325
Depreciation on disposals	-	-	(8,085)	(52,010)	-	-	-	-	-	-	(60,095)
Revaluation adjustment to asset revaluation surplus	-	699,789	370,997	-	-	1,499,438	65,800	(572,286)	389,908	-	2,453,645
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2020	-	5,629,136	5,989,702	3,019,790	1,173,783	15,645,403	3,013,289	1,481,394	1,182,891	-	37,135,390

Consolidated book value as at 30 June 2020

	1,000,000	11,470,839	10,501,629	1,405,580	195,598	48,062,689	3,682,537	4,590,190	3,399,147	3,163,542	87,471,751
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	-	58,079	13,800	-	-	-	-	-	-	1,176,914	1,248,793
Other additions	-	31,642	-	420,333	-	346,807	-	-	208,693	1,235,067	2,242,541
Total additions	-	89,721	13,800	420,333	-	346,807	-	-	208,693	2,411,981	3,491,335

Movements in the asset revaluation surplus were as follows:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning 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
Increase (decrease) in revaluation surplus	-	(317,186)	230,975	-	-	138,015	510	632,401	(286,810)	-	397,905
Balance at end of financial year	700,000	4,881,026	18,080,109	-	-	4,814,489	2,764,236	2,380,767	455,519	-	34,076,145

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		
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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)	-
Closing gross value as at 30 June 2019	1,000,000	15,965,668	15,881,062	4,080,381	1,465,581	61,527,865	6,488,916	6,029,388	4,473,052	1,255,247	118,167,161

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	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2019	-	4,697,218	5,469,270	2,780,553	1,127,379	12,831,337	2,848,599	2,007,476	521,312	-	32,283,144

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 2020

13 Property, plant and equipment

Council - 30 June 2020

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		
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening gross value as at 1 July 2019	1,000,000	12,290,517	15,881,062	3,738,913	845,926	53,883,840	6,159,716	5,828,608	4,150,191	661,744	104,440,518
Adjustment to opening value	-	184,325	3,008	-	57,800	195,968	(13,400)	(17,918)	(228,833)	-	180,950
Additions	-	58,079	13,800	414,601	-	164,976	-	-	208,693	1,867,992	2,728,141
Disposals	-	-	(8,511)	(75,343)	-	-	-	-	-	-	(83,854)
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	-	292,105	601,972	-	-	1,550,111	63,018	58,107	101,404	-	2,666,718
Transfers between classes	-	25,381	-	-	(154,000)	-	154,000	-	26,028	(51,409)	-
Closing gross value as at 30 June 2020	1,000,000	12,850,408	16,491,331	4,078,171	749,726	55,794,895	6,363,334	5,868,797	4,257,483	2,478,328	109,932,472

Accumulated depreciation and impairment

Opening balance as at 1 July 2019	-	3,042,607	5,469,271	2,445,261	560,261	11,299,018	2,635,350	1,883,541	514,801	-	27,850,110
Adjustment to opening value	-	(53,509)	(90,970)	-	-	74,563	(8,278)	(18,056)	150,621	-	54,370
Depreciation provided in period	-	218,341	248,491	288,235	38,884	1,089,577	98,119	58,410	115,904	-	2,155,962
Depreciation on disposals	-	-	(8,085)	(52,010)	-	-	-	-	-	-	(60,095)
Revaluation adjustment to asset revaluation surplus	-	575,422	370,997	-	-	1,471,715	64,215	(573,600)	385,157	-	2,293,906
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2020	-	3,782,861	5,989,703	2,681,487	599,145	13,934,873	2,789,405	1,350,295	1,166,484	-	32,294,253

Total written down value as at 30 June 2020

	1,000,000	9,067,547	10,501,628	1,396,684	150,581	41,860,022	3,573,928	4,518,502	3,091,000	2,478,328	77,638,219
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	-	58,079	13,800	-	-	-	-	-	-	1,176,914	1,248,793
Other additions	-	-	-	414,601	-	164,976	-	-	208,693	691,078	1,479,348
Total additions	-	58,079	13,800	414,601	-	164,976	-	-	208,693	1,867,992	2,728,141

Movements in the asset revaluation surplus were as follows:

	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at beginning 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
Increase (decrease) in revaluation surplus	-	(283,316)	230,975	-	-	78,396	(1,197)	631,707	(283,753)	-	372,812
Balance at end of financial year	700,000	4,293,556	18,080,108	-	-	5,255,739	2,555,924	2,374,908	277,521	-	33,537,755

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

13 Property, plant and equipment

Council - 30 June 2019

Note	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		
Asset values	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
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
Revaluation adjustment to income (capital income)	-	-	-	-	-	-	-	-	-	-	-
Transfers between classes	-	-	-	-	-	278,276	-	-	2,109	(280,385)	-
Closing gross value as at 30 June 2019	1,000,000	12,290,517	15,881,062	3,738,913	845,926	53,883,840	6,159,716	5,828,608	4,150,191	661,744	104,440,518

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)
Transfers between classes	-	-	-	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2019	-	3,042,607	5,469,271	2,445,261	560,261	11,299,018	2,635,350	1,883,541	514,801	-	27,850,110

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

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 Disaster Recovery Funding 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.

Council last undertook a full comprehensive valuation of all asset classes held at fair value as at 30 June 2019. The valuation was undertaken by APV Valuers and Asset Management. As at 30 June 2020, desktop revaluation by applying indices was undertaken for all asset classes held at fair value by APV Valuers and Asset Management. The desktop revaluation resulted in increases to gross values for Council and the consolidated entity as follows:

- Land - nil
- Buildings and other structures - 3.1%
- Infrastructure assets - 2.9%

Accumulated depreciation was also revised accordingly as part of the desktop valuation based on the valuer's and Council's estimates of expired service potential and remaining useful lives.

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 are 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 is no observable market evidence of sales prices for comparable sites in close proximity. This is why the land is valued at the level 3 valuation input hierarchy by using the professional judgement of a registered valuer who adjusts the price per square metre of sales from sites not in close proximity which provide only a low level of comparability.

Buildings - Commercial and residential (level 3)

Current replacement cost

The approach estimates 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) require extensive professional judgement and impact significantly on the final determination of fair value. As such these assets are classified as having been valued using level 3 valuation inputs.

Fair values are 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 is 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 are 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 determines the gross cost of replacing the full service potential of the asset and then adjusts this amount to take account of the expired service potential of the asset.

Current replacement cost is 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 are over designed, have excess capacity, or are redundant an adjustment is made so that the resulting valuation reflects 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 are valued using level 3 inputs using the cost approach. The approach estimates 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) require extensive professional judgement and impact significantly on the final determination of fair value. As such these assets are classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

In determining the level of physical obsolescence, 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.

Allowance has been made for the typical asset life cycle and renewal treatments of each component and condition of the asset in determining expired service potential and remaining useful lives. Condition is assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability and obsolescence.

Estimated useful lives are disclosed above.

2) Bridges

Current replacement cost

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

The bridge network assets are valued using level 3 inputs using the cost approach. The approach estimates 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) require extensive professional judgement and impact significantly on the final determination of fair value. As such these assets are classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

In determining the level of physical obsolescence, remaining useful lives are determined based on condition assessments.

Allowance has been made for the typical asset life cycle and renewal treatments of each component and condition of the asset in determining expired service potential and remaining useful lives. Condition is assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability and obsolescence.

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 are determined on a similar basis to sewerage.

All the drainage infrastructure assets are valued using level 3 inputs using the cost approach. The approach estimates 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) require extensive professional judgement and impact significantly on the final determination of fair value. As such these assets are classified as having been valued using level 3 valuation inputs.

Accumulated depreciation

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

Allowance has been made for the typical asset life cycle and renewal treatments of each component and condition of the asset in determining expired service potential and remaining useful lives. Condition is assessed taking into account both physical characteristics as well as holistic factors such as functionality, capability and obsolescence.

Estimated useful lives are disclosed above.

4) Water and sewerage

Current replacement cost

Current replacement cost is calculated based on expected replacement costs. In all cases the assets are 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 are valued using level 3 inputs using the cost approach. The approach estimates 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) require extensive professional judgement and impact significantly on the final determination of fair value. As such these assets are classified as having been valued using level 3 valuation inputs.

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

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

Accumulated depreciation

In determining physical obsolescence, assets are either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections are conducted (i.e. for active assets), the assets are allocated a condition assessment, which is used to estimate remaining useful life.

Where site inspections are not conducted (i.e. for passive assets and active assets for which no site inspections are undertaken), the remaining useful life is 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 is determined based on replacement by trench excavation, useful life is determined as the pipe useful life plus the reline useful life, and the pipe fair value is 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	
	2020	2019	2020	2019
	\$	\$	\$	\$
Current				
Creditors and accruals	1,395,388	1,444,542	1,310,710	1,275,105
Annual leave	239,194	233,534	221,975	200,920
GST payable	194,900	49,837	192,931	37,034
Other entitlements	8,417	11,803	6,543	6,837
	<u>1,837,899</u>	<u>1,739,716</u>	<u>1,732,159</u>	<u>1,519,895</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	
	2020 \$	2019 \$	2020 \$	2019 \$
Current				
Long service leave	118,719	151,761	100,577	151,761
	<u>118,719</u>	<u>151,761</u>	<u>100,577</u>	<u>151,761</u>
Non-current				
Long service leave	123,921	127,249	120,064	111,348
Refuse restoration	1,720,856	1,490,107	1,720,856	1,490,107
	<u>1,844,777</u>	<u>1,617,356</u>	<u>1,840,920</u>	<u>1,601,455</u>

Details of movements in provisions:

Long service leave

Balance at beginning of financial year	279,011	232,725	263,109	219,724
Long service leave entitlement arising	108,722	84,188	102,624	81,287
Long service entitlement paid	(145,091)	(37,902)	(145,091)	(37,902)
Balance at end of financial year	<u>242,642</u>	<u>279,011</u>	<u>220,641</u>	<u>263,109</u>

Refuse restoration

Balance at beginning of financial year	1,490,107	1,593,317	1,490,107	1,593,317
Increase in provision due to unwinding of discount	2,522	-	2,522	-
Increase in provision due to change in discount rate	269,847	-	269,847	-
Decrease in provision	(41,621)	(103,210)	(41,621)	(103,210)
Balance at end of financial year	<u>1,720,856</u>	<u>1,490,107</u>	<u>1,720,856</u>	<u>1,490,107</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.

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16 Commitments for expenditure	Consolidated		Council	
	2019		2019	
	\$		\$	
Operating leases (2019 only)				
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		40,800	
One to five years	81,400		23,800	
More than five years	43,200		-	
	<u>179,800</u>		<u>64,600</u>	

2019: The Council 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 an additional term of 20 years.

In the year 2019 \$55,200 was recognised as an expense in the Statement of Comprehensive Income in respect of operating leases.

Refer to Note 11 for information on leases for 2020.

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 2020 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.

Australia Post potential compensation

The Council entered into a contractual relationship with Australia Post to operate a post office and bank agency services at Lockhart River. In accordance with the agreement, Australia Post is to be compensated for any cash loss that occurs when Council employees are on duty. As at 30 June 2020, the Council was issued with demand notice to compensate Australia Post for cash loss of \$37,533.78 but the Council has transferred the risk to its infidelity insurance cover and this claim is highly likely to be successful.

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	
		2020	2019	2020	2019
		\$	\$	\$	\$
Superannuation contributions made to the Accumulated Benefits Fund	4	502,935	459,228	464,919	424,593
Other superannuation contributions for employees		-	-	-	-
Total superannuation contributions paid by Council for employees:		<u>502,935</u>	<u>459,228</u>	<u>464,919</u>	<u>424,593</u>

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

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Net result	1,425,396	7,491,217	706,761	5,577,653
Non-cash items:				
Depreciation and amortisation	2,458,000	2,239,745	2,196,852	1,998,675
Impairment provision for doubtful debts	(19,980)	(17,786)	(393)	(15,124)
Refuse restoration provision	230,749	(103,210)	230,749	(103,210)
Non cash operating expenditure	-	27,725	-	-
Non cash contribution	(3,580)	-	-	-
Gain/loss on revaluation of finance leases	(560,088)	(1,462,007)	(560,088)	(1,462,007)
	<u>2,105,102</u>	<u>684,466</u>	<u>1,867,120</u>	<u>418,334</u>
Investing and development activities:				
Net loss/(gain) on disposal of non-current assets	(12,150)	338,071	(12,150)	338,071
Runway pavement works contributed to controlled entity	-	-	778,988	2,012,824
Capital grants and contributions	(2,785,786)	(6,787,892)	(2,785,786)	(6,713,154)
	<u>(2,797,936)</u>	<u>(6,449,821)</u>	<u>(2,018,948)</u>	<u>(4,362,259)</u>
Changes in operating assets and liabilities:				
(Increase)/decrease in accrued revenue	180	-	180	-
(Increase)/decrease in receivables	198,523	911,780	79,239	904,482
(Increase)/decrease in contract assets	156,766	-	156,766	-
(Increase)/decrease in inventory	4,719	(7,506)	(24,951)	(17,969)
Increase/(decrease) in payables	121,219	(1,162,612)	212,264	(1,273,865)
Increase/(decrease) in contract liabilities	910,806	-	910,806	-
Increase/(decrease) in other provisions	(51,764)	46,286	(42,467)	43,385
	<u>1,340,450</u>	<u>(212,052)</u>	<u>1,291,838</u>	<u>(343,967)</u>
Net cash inflow/(outflow) from operating activities	<u>2,073,012</u>	<u>1,513,810</u>	<u>1,846,769</u>	<u>1,289,761</u>

20 Reconciliation of liabilities arising from financing activities

2020 - Consolidated	As at June 2019	Change in accounting policy		Non-cash changes (new leases)	As at 30 June 2020
			Cash flows		
Lease liability	-	175,103	(51,090)	-	124,013
	-	175,103	(51,090)	-	124,013
2020 - Council					
	As at June 2019	Change in accounting policy	Cash flows	Non-cash changes (new leases)	As at 30 June 2020
Lease liability	-	61,976	(40,270)	-	21,706
	-	61,976	(40,270)	-	21,706

21 Opening balance adjustment

Upon inspection and comprehensive revaluation of the Council's non current assets as at 30 June 2020, 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.

There have been reconciliation adjustments for a number of projects that were in progress and classified as work in progress at 30 June 2018 which 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		Council	
	As at 1 July 2019	As at 1 July 2018	As at 1 July 2019	As at 1 July 2018
	\$	\$	\$	\$
Furniture and office equipment	57,800	154,000	57,800	154,000
Road infrastructure	121,405	2,378,894	121,405	2,378,894
Water	(5,122)	342,900	(5,122)	342,900
Sewerage	138	428,180	138	428,180
Other infrastructure	(379,454)	259,572	(379,454)	214,172
Buildings	237,834	-	237,834	-
Housing	93,978	-	93,978	-
Aerodrome company balances adjustments	(35,759)	-	-	-
Work in progress expensed	-	(529,964)	-	(529,964)
Net value	<u>90,820</u>	<u>3,033,583</u>	<u>126,579</u>	<u>2,988,183</u>
Net increase in non current assets	126,579	3,033,583	126,579	2,988,183
Net decrease in current assets	(35,759)	-	-	-
Net increase in retained surplus	<u>90,820</u>	<u>3,033,583</u>	<u>126,579</u>	<u>2,988,183</u>

22 Changes in accounting policy

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

Adjustments on adoption of AASB 15, AASB 1058 and AASB 16 have been taken to retained surplus at 1 July 2019.

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

(a) Revenue standards AASB 15 and AASB 1058

Opening contract balances on transition at
1 July 2019

	Consolidated and Council Balance at 1 July 2019
Contract assets	\$
Under AASB 15	396,751
Under AASB 1058	268,228
Total contract assets	664,979
Contract liabilities	
Under AASB 15	891,791
Under AASB 1058	1,852,411
Total contract liabilities	2,744,202

The following table shows the amount by which the financial statement line item is affected by the application of AASB 15 and AASB 1058 as compared to the previous revenue standards. The effects were the same for Council and the Consolidated entity.

	Consolidated and Council		
<i>Statement of financial position at 30 June 2020</i>	Carrying amount per Statement of Financial Position Dr/(Cr)	Adjustments Dr/(Cr)	Carrying amount if previous standards had been applied
Contract assets	\$ 508,212	\$ (508,212)	\$ -
Contract liabilities - current	(3,655,008)	3,655,008	-
Retained surplus	(72,982,600)	(3,146,796)	(76,129,396)
	<u>(76,129,396)</u>	<u>-</u>	<u>(76,129,396)</u>
<i>Statement of comprehensive income for the year ended 30 June 2020</i>	Balance per Statement of Comprehensive Income Dr/(Cr)	Adjustments Dr/(Cr)	Carrying amount if previous standards had been applied
Revenue - operating grants	\$ 12,033,113	\$ 1,059,919	\$ 13,093,032
Revenue - capital grants	2,785,786	(638,753)	2,147,033
	<u>14,818,899</u>	<u>421,166</u>	<u>15,240,065</u>

The adjustments above relate to the recognition of contract assets and contract liabilities for the revenue streams where the revenue is recognised over time rather than on receipt of funding under AASB 1004.

Statement of cash flows for the year ended 30 June 2020

The adoption of AASB 15 and AASB 1058 has not caused a material change to the Statement of Cash Flows for the year ended 30 June 2020

(b) Lease standard - AASB 16

Council as a lessee

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

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Statement of Comprehensive Income on a straight-line basis.

Practical expedients used on transition

AASB 16 includes some practical expedients that were used by the Council on transition as follows:

Contracts which had previously been assessed as not containing a lease under AASB 117 were not re-assessed on transition to AASB 16.

Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019

Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability

A single discount rate was applied to all leases with similar characteristics

Excluded leases with an expiry date prior to 30 June 2020

Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease

Impact of adopting AASB 16 as 1 July 2019

Consolidated entity has recognised right-of-use assets \$170,518 and lease liability \$177,505 (Council's right-of-use assets \$64,464 and lease liability \$61,976) at 1 July 2019 for leases previously classified as operating leases.

The weighted average lessee's incremental borrowing rate applied to lease liabilities as 1 July 2019 was 1.88%

	Consolidated \$	Council \$
Operating lease commitment as 30 June 2019 per Council financial statements Note 16	<u>179,800</u>	<u>64,600</u>
Discounted using incremental borrowing rate at 1 July 2019	<u>177,505</u>	<u>61,976</u>
Lease liabilities recognised at 1 July 2019	<u><u>177,505</u></u>	<u><u>61,976</u></u>

23 Events after the reporting period

There were no material adjusting events after the balance date.

24 Financial instruments and financial risks management

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

- credit risk
- liquidity risk
- market risk

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

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

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

Lockhart River Aboriginal Shire Council does not enter into derivatives.

Credit risk

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

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

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

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

The 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 2020, the exposure to credit risk for the trade receivables by type of counterparty was as follows:

	Consolidated		Council	
	2020	2019	2020	2019
	\$	\$	\$	\$
Government Departments & Agencies	465,618	672,388	459,806	654,104
Local debtors	11,984	14,882	4,131	412
Other debtors	231,432	302,822	157,762	46,422
	<u>709,033</u>	<u>990,092</u>	<u>621,698</u>	<u>700,938</u>

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

	Consolidated			Council		
	2020		2019	2020		2019
	Not credit impaired	Credit impaired		Not credit impaired	Credit impaired	
	\$	\$	\$	\$	\$	\$
Not past due	636,346	-	832,015	589,898	-	675,792
Past due 31-60 days	31,541	-	39,751	30,344	-	12,851
Past due 61-90 days	13,680	-	48,595	-	-	11,880
More than 90 days	27,466	-	69,731	1,456	-	415
Total	709,033	-	990,092	621,698	-	700,938
Loss allowance	(14,837)	-	(34,844)	(3,286)	-	(3,679)
	694,196	-	955,248	618,412	-	697,259

Expected credit loss assessment as at 1 July 2019 and 30 June 2020

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 2020:

Consolidated	Weighted-average loss rate	2020		2019	
		Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
		\$	\$	\$	\$
Not past due	0.40	636,346	2,545	832,015	3,304
Past due 31-60 days	1.10	31,541	347	39,751	437
Past due 61-90 days	5.60	13,680	766	48,595	2,721
More than 90 days	40.70	27,466	11,179	69,731	28,381
Total		709,033	14,837	990,092	34,844

Council	Weighted-average loss rate	2020		2019	
		Gross carrying amount	Loss Allowance	Gross carrying amount	Loss Allowance
		\$	\$	\$	\$
Not past due	0.40	589,898	2,360	675,792	2,703
Past due 31-60 days	1.10	30,344	334	12,851	141
Past due 61-90 days	5.60	-	-	11,880	665
More than 90 days	40.70	1,456	593	415	169
Total		621,698	3,286	700,938	3,679

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 \$19,979 for the Consolidated entity and \$393 for the Council.

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 (excluding lease liabilities for 2020) held by the Council. It represents the remaining contractual cashflows (principal and interest) of financial liabilities at the end of the reporting period, excluding the impact of netting agreements:

Consolidated					
	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2020					
Trade and other payables	1,598,705	-	-	1,598,705	1,598,705
	1,598,705	-	-	1,598,705	1,598,705
2019					
Trade and other payables	1,506,182	-	-	1,506,182	1,506,182
	1,506,182	-	-	1,506,182	1,506,182
Council					
	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2020					
Trade and other payables	1,510,185	-	-	1,510,185	1,510,185
	1,510,185	-	-	1,510,185	1,510,185
2019					
Trade and other payables	1,318,975	-	-	1,318,975	1,318,975
	1,318,975	-	-	1,318,975	1,318,975

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 2020

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
	\$	\$	\$	\$	\$
Consolidated					
2020					
QTC cash fund	8,899,580	88,996	(88,996)	88,996	(88,996)
Commonwealth Bank	33,584	336	(336)	336	(336)
Macquarie Bank cash fund	518,178	5,182	(5,182)	5,182	(5,182)
Total	9,451,341	94,513	(94,513)	94,513	(94,513)
2019					
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)
Total	11,293,980	112,940	(112,940)	112,940	(112,940)

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
Council					
2020					
QTC cash fund	8,899,580	88,996	(88,996)	88,996	(88,996)
Commonwealth Bank	33,584	336	(336)	336	(336)
Total	8,933,164	89,332	(89,332)	89,332	(89,332)
2019					
QTC cash fund	10,745,352	107,454	(107,454)	107,454	(107,454)
Commonwealth Bank	33,295	333	(333)	333	(333)
Total	10,778,646	107,786	(107,786)	107,786	(107,786)

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 2020

25 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 12).

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

Type of transaction	Amount \$ 2020	Amount \$ 2019
Grants and subsidies provided by Council	778,988	2,087,562
Supply of building and mechanical materials and services by Council	264,825	3,155
Purchases of diesel fuel and motel accommodation by Council	142,282	133,099
Total	1,186,095	2,223,816

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 2019-20 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 2019-20 comprises:

Type of compensation	2020	2019
	\$	\$
Short-term employee benefits	748,422	690,249
Post-employment benefits	86,596	77,981
Long-term benefits	14,544	11,344
Total	849,562	779,573

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	2020	2019
		\$	\$
Employee expenses for close family members of key management personnel	25(c)(i)	110,689	172,430
Purchase of materials and services from entities controlled by key management personnel	25(c)(ii)	630,704	371,737
Sales of materials and services to entities controlled by key management personnel	25(c)(iii)	14,305	16,325

(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 83 staff of which 2 are close family members of key management personnel.

Lockhart River Aboriginal Shire Council**Notes to the financial statements****For the year ended 30 June 2020**

(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	2020	2019
		\$	\$
Road construction services	D&C Contracting Services	242,154	180,120
Road construction services	Gray Ochre	274,805	190,540
Building services	Far Away Fishing	113,745	1,077
Conference facilities services	Puuya Centre	-	-
Total		630,704	371,737

(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	\$	\$
Accommodation services	Puuya Foundation	10,899	6,447
Sale of materials	Far Away Fishing	3,406	-
Sale of diesel	Gray Ochre (Norman Bally)	-	5,609
Sale of diesel	D & C Contracting Services	-	4,269
Total		14,305	16,325

(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	
	\$	\$
Past due 31-60 days	-	-
Past due 61-90 days	-	-
More than 90 days overdue	-	3,087
Total owing	-	3,087

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

(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 (Shell)
For the year ended 30 June 2020

Management Certificate
For the year ended 30 June 2020

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

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

- (i) the prescribed requirements of the *Local Government Act 2009* and *Local Government Regulation 2012* for the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the general purpose financial statements, as set out on pages 1 to 36, 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

Date: 30 / 10 / 2020



Chief Executive Officer
Name

Date: 30 / 10 / 2020

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 2020, 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 2020, 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 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 Auditing Standards*.

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

Other information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the financial report

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

The councillors are also responsible for assessing the council's 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 opinions.

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

Report on other legal and regulatory requirements

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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



Sri Narasimhan
as delegate of the Auditor-General

30 October 2020

Queensland Audit Office
Brisbane

Lockhart River Aboriginal Shire Council
Current-year Financial Sustainability
For the year ended 30 June 2020

Measures of Financial Sustainability

	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2020 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-6%	-6%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	60%	68%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-43%	-39%	not greater than 60%


Note 1 - Basis of Preparation

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


Certificate of Accuracy
For the year ended 30 June 2020

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

In accordance with 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: *30 / 10 / 2020*



Chief Executive Officer
Name *DAVID CLARKE*
Date: *30 / 10 / 2020*

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 2020, comprising the statement, explanatory notes, and the certificate of accuracy given by the Mayor and the Chief Executive Officer.

In accordance with section 212 of the Local Government Regulation 2012, in my opinion, in all material respects, the current year financial sustainability statement of Lockhart River Aboriginal Shire Council for the year ended 30 June 2020 has been accurately calculated.

Basis of opinion

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

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

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

Emphasis of matter – basis of accounting

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

Other Information

Other information comprises financial and non-financial information (other than the audited financial report) in an entity's annual report.

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

The councillors are responsible for the other information.

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

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

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

Responsibilities of the councillors for the current year financial sustainability statement

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the statement, including the disclosures, and whether the statement represents the underlying transactions and events in a manner that achieves fair presentation.

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



30 October 2020

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

Lockhart River Aboriginal Shire Council
Unaudited Long-Term Financial Sustainability Statement
Prepared as at 30 June 2020

Measures of Financial Sustainability	Measure	Target	Actuals at 30 June 2020	Projected for the years ended									
				30 June 2021	30 June 2022	30 June 2023	30 June 2024	30 June 2025	30 June 2026	30 June 2027	30 June 2028	30 June 2029	
Consolidated													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-6%	0%	-1%	0%	0%	0%	0%	1%	2%	2%	3%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	60%	199%	68%	82%	105%	46%	77%	81%	105%	48%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-43%	-38%	-39%	-40%	-39%	-41%	-44%	-42%	-42%	-37%	
Council													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-6%	0%	-1%	0%	0%	0%	0%	1%	2%	2%	2%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	68%	158%	72%	81%	103%	36%	70%	69%	108%	33%	
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue	not greater than 60%	-39%	-37%	-37%	-38%	-36%	-37%	-39%	-37%	-36%	-31%	

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 2020

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

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



Mayor
Name *Cr Wayne Butcher*

Date: *30/10/2020*



Chief Executive Officer
Name *DAVID CLARKE*

Date: *30/10/2020*