

Lockhart River Aboriginal Shire Council
Financial Statements
for the year ended 30 June 2016

Lockhart River Aboriginal Shire Council

Financial statements

For the year ended 30 June 2016

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Lockhart River Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2016

	Note	Consolidated		Council	
		2016	2015	2016	2015
		\$	\$	\$	\$
Income					
Revenue					
Recurrent revenue					
Rates, levies and charges	3(a)	121,790	116,069	121,790	116,069
Rental income	3(b)	417,708	418,245	412,468	390,616
Interest received	3(c)	176,110	77,487	163,677	60,063
Sales revenue	3(d)	7,616,782	7,404,352	6,537,306	6,439,640
Other income	3(e)	1,681,091	166,166	1,681,091	166,166
Grants, subsidies, contributions and donations	4(a)	8,332,824	5,124,834	8,332,824	5,124,834
		<u>18,346,306</u>	<u>13,307,153</u>	<u>17,249,157</u>	<u>12,297,388</u>
Capital revenue					
Grants, subsidies, contributions and donations	4(b)	9,856,397	5,020,003	9,856,397	5,020,003
Total income		<u>28,202,703</u>	<u>18,327,155</u>	<u>27,105,554</u>	<u>17,317,391</u>
Expenses					
Recurrent expenses					
Employee benefits	5	(4,547,114)	(3,967,194)	(4,029,143)	(3,543,390)
Materials and services	6	(9,800,996)	(4,453,118)	(9,195,213)	(3,894,493)
Finance costs	7	(37,375)	(114,719)	(41,643)	(22,481)
Depreciation and amortisation	15	(1,384,889)	(1,276,238)	(1,188,990)	(1,075,729)
Other expenses	8	-	(717,905)	-	(717,905)
		<u>(15,770,374)</u>	<u>(10,529,174)</u>	<u>(14,454,989)</u>	<u>(9,253,998)</u>
Capital expenses	9	(8,973,365)	(27,000)	(9,825,910)	(27,000)
Total expenses		<u>(24,743,739)</u>	<u>(10,556,174)</u>	<u>(24,280,899)</u>	<u>(9,280,999)</u>
Net result		<u>3,458,964</u>	<u>7,770,981</u>	<u>2,824,655</u>	<u>8,036,392</u>
Other comprehensive income					
Items that will not be reclassified to net result					
Increase / (decrease) in asset revaluation surplus		(3,828,837)	4,259,880	(2,667,735)	3,770,652
Total other comprehensive income for the year		<u>(3,828,837)</u>	<u>4,259,880</u>	<u>(2,667,735)</u>	<u>3,770,652</u>
Total comprehensive income for the year		<u>(369,873)</u>	<u>12,030,860</u>	<u>156,920</u>	<u>11,807,044</u>

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

Lockhart River Aboriginal Shire Council
Statement of Financial Position
as at 30 June 2016

	Note	Consolidated		Council	
		2016	2015	2016	2015
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	10	8,842,350	4,855,783	8,114,111	4,101,197
Trade and other receivables	11	2,625,805	2,554,396	2,460,542	2,404,484
Inventories	12	282,814	237,634	176,546	143,487
Other financial assets	13	272,720	221,211	272,720	221,211
Total current assets		<u>12,023,689</u>	<u>7,869,023</u>	<u>11,023,919</u>	<u>6,870,379</u>
Non-current assets					
Other financial assets	13	10,534,735	7,309,761	10,534,735	7,309,761
Investments	14	-	-	100	100
Property, plant and equipment	15	52,505,922	60,478,585	47,131,355	54,312,627
Total non-current assets		<u>63,040,657</u>	<u>67,788,347</u>	<u>57,666,190</u>	<u>61,622,489</u>
Total assets		<u>75,064,346</u>	<u>75,657,370</u>	<u>68,690,108</u>	<u>68,492,868</u>
Current liabilities					
Trade and other payables	17	1,996,052	2,348,904	1,793,191	2,204,502
Provisions	18	68,074	74,521	43,453	61,517
Total current liabilities		<u>2,064,126</u>	<u>2,423,426</u>	<u>1,836,645</u>	<u>2,266,019</u>
Non-current liabilities					
Trade and other payables	17	302,055	-	302,055	-
Provisions	18	1,434,998	114,839	1,425,948	102,243
Total non-current liabilities		<u>1,737,053</u>	<u>114,839</u>	<u>1,728,003</u>	<u>102,243</u>
Total liabilities		<u>3,801,179</u>	<u>2,538,265</u>	<u>3,564,648</u>	<u>2,368,263</u>
Net community assets		<u>71,263,166</u>	<u>73,119,105</u>	<u>65,125,460</u>	<u>66,124,605</u>
Community equity					
Asset revaluation surplus	19	30,876,842	35,738,392	29,164,757	32,535,205
Retained surplus		40,386,324	37,380,713	35,960,703	33,589,400
Total community equity		<u>71,263,166</u>	<u>73,119,105</u>	<u>65,125,460</u>	<u>66,124,605</u>

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

Lockhart River Aboriginal Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

Consolidated

		Asset revaluation surplus 19	Retained surplus	Total
		\$	\$	\$
Balance as at 1 July 2015		35,738,392	37,380,713	73,119,105
Opening balance adjustment	25	(1,032,713)	(453,352)	(1,486,065)
Restated Balance as at 1 July 2015		34,705,679	36,927,362	71,633,041
Net result			3,458,964	3,458,964
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		(3,828,837)		(3,828,837)
Total comprehensive income for the year		(3,828,837)	3,458,964	(369,873)
Balance as at 30 June 2016		30,876,842	40,386,324	71,263,166
Balance as at 1 July 2014		31,478,512	29,609,731	61,088,243
Net result			7,770,981	7,770,981
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		4,259,880		4,259,880
Total comprehensive income for the year		4,259,880	7,770,981	12,030,861
Balance as at 30 June 2015		35,738,392	37,380,713	73,119,105

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

Lockhart River Aboriginal Shire Council
Statement of Changes in Equity
For the year ended 30 June 2016

Council

		Asset revaluation surplus	Retained Surplus	Total
		19		
		\$	\$	\$
Balance as at 1 July 2015		32,535,205	33,589,400	66,124,605
Opening balance adjustment	25	(702,713)	(453,352)	(1,156,065)
Restated Balance as at 1 July 2015		31,832,492	33,136,048	64,968,540
Net operating surplus		-	2,824,655	2,824,655
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		(2,667,735)	-	(2,667,735)
Total comprehensive income for the year		(2,667,735)	2,824,655	156,920
Balance as at 30 June 2016		29,164,757	35,960,703	65,125,460
Balance as at 1 July 2014		28,764,553	25,553,007	54,317,560
Net operating surplus			8,036,392	8,036,392
Other comprehensive income for the year				
Increase / (decrease) in asset revaluation surplus		3,770,652		3,770,652
Total comprehensive income for the year		3,770,652	8,036,392	11,807,044
Balance as at 30 June 2015		32,535,205	33,589,400	66,124,605

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

Lockhart River Aboriginal Shire Council
Statement of Cash Flows
For the year ended 30 June 2016

	Note	Consolidated		Council	
		2016	2015	2016	2015
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		7,750,332	6,446,903	6,728,392	5,332,639
Payments to suppliers and employees		(14,422,987)	(7,683,494)	(13,400,093)	(6,691,080)
		(6,672,655)	(1,236,591)	(6,671,701)	(1,358,441)
Interest received		176,110	77,487	163,677	60,063
Rental income		417,708	418,245	412,468	390,616
Non capital grants and contributions		8,332,824	5,124,834	8,332,824	5,124,834
Net cash inflow (outflow) from operating activities	24	<u>2,253,987</u>	<u>4,383,975</u>	<u>2,237,268</u>	<u>4,217,072</u>
Cash flows from investing activities					
Payments for property, plant and equipment		(6,445,208)	(5,028,936)	(6,402,141)	(4,906,507)
Finance lease receipts		256,814	343,838	256,814	343,838
Proceeds from sale of property plant and equipment		-	42,182	-	42,182
Grants, subsidies, contributions and donations		7,920,973	2,010,350	7,920,973	2,010,350
Net cash inflow (outflow) from investing activities		<u>1,732,579</u>	<u>(2,632,567)</u>	<u>1,775,646</u>	<u>(2,510,138)</u>
Net increase (decrease) in cash and cash equivalents held		<u>3,986,567</u>	<u>1,751,408</u>	<u>4,012,914</u>	<u>1,706,934</u>
Cash and cash equivalents at the beginning of the financial year		4,855,783	3,104,375	4,101,197	2,394,262
Cash and cash equivalents at end of the financial year	10	<u>8,842,350</u>	<u>4,855,783</u>	<u>8,114,112</u>	<u>4,101,197</u>

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2015 to 30 June 2016 and have been prepared in compliance with the requirements of the *Local Government Act 2009* and the *Local Government Regulation 2012*. Consequently, these financial statements have been prepared in accordance with all Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements issued by the Australian Accounting Standards Board.

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

Recurrent/capital classification

Revenue and expenditure are presented as "recurrent" or "capital" in the Statement of Comprehensive Income on the following basis:

Capital Revenue includes grants and subsidies received which are tied to specific projects for the replacement or upgrade of existing non-current assets and/or investment in new assets. It also includes non-cash contributions which are usually infrastructure assets received from developers.

The disposals of non-current assets are classified as either "Capital Income" or "Capital Expenses" depending on whether they result in accounting gains or losses.

All other revenue and expenses have been classified as "recurrent".

1.B Statement of compliance

These general purpose financial statements comply with all accounting standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Council's operations and effective for the current reporting period. Because the Council is a not-for-profit entity and the Australian Accounting Standards include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRS), to the extent these inconsistencies are applied, these financial statements do not comply with IFRS. The main impacts are the offsetting of revaluation and impairment gains and losses within a class of assets, and the timing of the recognition of non-reciprocal grant revenue.

1.C 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 2016 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 1.N and Note 14.

1.D Constitution

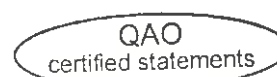
The Lockhart River Aboriginal Shire Council is constituted under the *Queensland Local Government Act 2009* and is domiciled in Australia.

1.E Date of authorisation

The financial statements were authorised for issue on the date they were submitted to the Auditor-General for final signature. This is the date the management certificate is signed.

1.F Currency

The Council uses the Australian dollar as its functional currency and its presentation currency.



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.G Adoption of new and revised Accounting Standards

Current year

In the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

Future years

Lockhart River Aboriginal Shire Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with exception of AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally Council applies standards and interpretations in accordance with their respective commencement dates. The retrospective application of AASB 2015-7 has exempted Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

From 1 July 2016 AASB 124 *Related Party Disclosures* will apply to Council, which means that Council will disclose more information about related parties and transactions with those related parties.

AASB 9, which replaces AASB 139 *Financial Instruments: Recognition and Measurement*, is effective for reporting periods beginning on or after 1 January 2018 and must be applied retrospectively. The main impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories: fair value and amortised cost and financial assets will only be able to be measured at amortised cost where very specific conditions are met.

As a result, Council will be required to measure its financial assets, including its investment in Lockhart River Aerodrome Company Pty Ltd (refer Note 1.N), at fair value. Had this requirement been adopted at 30 June 2016, management estimate that the fair value of this investment would have been \$6,137,803 in the Council's separate statement of financial position. There would also have been a corresponding gain in equity. There would have been no financial impact on the consolidated financial statements.

AASB 15 is effective from 1 January 2019 and will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of interpretations. It contains a comprehensive and robust framework for the recognition, measurement and disclosure of revenue from contracts with customers.

Council is still reviewing the way that revenue is measured and recognised to identify whether AASB 15 *Revenue from Contracts with Customers* will have a material impact. To date no impact has been identified.

AASB 16 Leases is effective from 1 January 2019 and will replace AASB 107 Leases and a number of Interpretations. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term more than 12 months. However the lessor accounting requirement has not significantly changed from previous AASB 117 Leases.

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.H Critical accounting judgements and key sources of estimation uncertainty

In the application of Council's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and ongoing assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Council has revised the remaining service potential for both the short and long life components of a number of revalued assets as a result of a condition assessment being performed during the 2016 comprehensive valuation. The estimates of useful lives have been revised accordingly. In accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, the impact of \$2.9m that this has had on the financial statements has been accounted for as a consequence of changes in estimates. Due to availability of more information on condition and dimensions of Council road assets there were notable increases in units rates on the formation, pavement and surface components of unsealed and sealed roads.

Council undertook a detailed assessment of the cost to rehabilitate the dump site when it is closed. It was identified that Council would be required to spend \$1.195m to restore the dump site to be in compliance with the requirements of the Federal and State legislation. This has been treated as change in estimates in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Judgements, estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Valuation and depreciation of property, plant and equipment - Note 1.Q, Note 15 and Note 16

Impairment of property, plant and equipment - Note 1.P

Provisions - Note 1.S and Note 18

Valuation of finance leases - Note 1.Q, Note 13 and Note 16

Contingent liabilities - Note 21.

1.I Revenue

Rates, levies, grants and other revenue are recognised as revenue on receipt of funds or earlier upon unconditional entitlement to the funds.

Rates and levies

Where rate monies are received prior to the commencement of the rating/levying period, the amount is recognised as revenue in the period in which they are received, otherwise rates are recognised at the commencement of rating period.

Grants and subsidies

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 using internal management accounting system. External restrictions that have been placed on Council's cash and cash equivalents due to unspent grants are disclosed in Note 10.

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

Non-cash contributions

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.

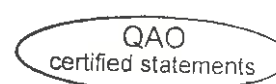
The Council received infrastructure assets recognised at a fair value of \$1,935,424 from Cook Shire Council due to shire boundary changes and the corresponding capital revenue contribution was recognised.

Rental income

Rental revenue is recognised as income on a periodic straight line basis over the lease term.

Interest

Interest received from term deposits is accrued over the term of the investment.



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

Sales revenue

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

The Council generates revenues from a number of services including motor vehicle repairs and contracts for road and earthworks. Revenue from contracts and recoverable works generally comprises a recoupment of material costs together with an hourly charge for use of equipment and employees. Contract revenue and associated costs are recognised by reference to the stage of completion of the contract activity at the reporting date. Revenue is measured at the fair value of consideration received or receivable in relation to that activity. Where consideration is received for the service in advance it is included in other liabilities and is recognised as revenue in the period when the service is performed.

Fees and charges

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

Other income

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.

1.J Financial assets and financial liabilities

Council recognises a financial asset or a financial liability in its Statement of Financial Position when, and only when, Council becomes a party to the contractual provisions of the instrument.

Lockhart River Aboriginal Shire Council has categorised and measured the financial assets and financial liabilities held at balance date as follows:

Financial assets

Cash and cash equivalents (Note 1.K)

Receivables - measured at amortised cost (Note 1.L)

Other financial assets (finance leases) - measured at fair value (Note 1.Q)

Financial liabilities

Payables - measured at amortised cost (Note 1.R)

Financial assets and financial liabilities are presented separately from each other and offsetting has not been applied.

All other disclosures relating to the measurement and financial risk management of financial instruments are included in Note 27.

1.K Cash and cash equivalents

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.L Receivables

Trade receivables are recognised at the amounts due at the time of sale or service delivery i.e. the agreed purchase price /contract price. Settlement of these amounts is required within 30 days from invoice date.

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

All known bad debts were written-off at 30 June. If an amount is recovered in a subsequent period it is recognised as revenue.

Because Council is empowered under the provisions of the *Local Government Act 2009* to sell an owner's property to recover outstanding rate debts, Council does not impair any rate receivables.

1.M Inventories

Stores, raw materials, fuel and motel stock held for resale are valued at the lower of cost and net realisable value and include, where applicable, direct material, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned on the basis of weighted average cost.

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.

Inventories held for sale are:

- fuel (aviation fuel and diesel); and
- motel stock (snack packs and soft drinks).

These goods are valued at lower of cost and net realisable value.

1.N Investments

Term deposits in excess of three months are reported as investments, with deposits of less than three months being reported as cash equivalents. At 30 June 2016 Council did not have any term deposits in excess of three months.

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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.0 Property, plant and equipment

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.

The classes of property, plant and equipment recognised by the Council are:

- Land
- Buildings
- Housing
- Plant and equipment
- Furniture and office equipment
- Infrastructure
 - Road, drainage and bridge network
 - Water
 - Sewerage
 - Other infrastructure assets
- Work in progress

Acquisition of assets

Acquisitions of assets are initially recorded at cost. 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.

Capital and operating expenditure

Direct labour and materials and an appropriate proportion of overheads incurred in the acquisition or construction of assets are treated as capital expenditure. Assets under construction are not depreciated until they are completed and commissioned, at which time they are reclassified from work in progress to the appropriate property, plant and equipment class.

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

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

Valuation

Land, buildings, housing and all infrastructure assets are measured on the revaluation basis, at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and AASB 13 *Fair Value Measurement*. Plant and equipment, furniture and office equipment and work in progress are measured at amortised cost.

Non-current physical assets measured at fair value are revalued, where required, so that the carrying amount of each class of asset does not materially differ from its fair value at the reporting date. This is achieved by engaging independent, professionally qualified valuers to determine the fair value for each class of property, plant and equipment assets at least once every 3 years. This process involves the valuer physically sighting a representative sample of Council assets across all asset classes and making their own assessments of the condition of the assets at the date of inspection.

QAO
certified statements

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

In the intervening years, Council uses external valuers and asset managers to assess the condition and cost assumptions associated with all infrastructure assets, the results of which are considered in combination with an appropriate cost index for the region. Together these are used to form the basis of a management valuation for infrastructure asset classes in each of the intervening years. With respect to the valuation of the land and improvements, buildings and housing classes in the intervening years, management engage independent, professionally qualified valuers to perform a "desktop" valuation. A desktop valuation involves management providing updated information to the valuer regarding additions, deletions and changes in assumptions such as useful life, residual value and condition rating. The valuer then determines suitable indices which are applied to each of these asset classes.

Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 16.

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

On revaluation, accumulated depreciation is restated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

Capital work in progress

The cost of property, plant and equipment being constructed by the Council includes the cost of purchased services, materials, direct labour and an appropriate proportion of labour overheads.

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 in Note 15.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
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Land under roads

Land under roads acquired before 30 June 2008 is recognised as a non-current asset where the Council holds title or a Land under the road network within the Council area that has been dedicated and opened for public use under the *Land Act 1994* or the *Land Title Act 1994* is not controlled by Council but is controlled by the State pursuant to the relevant legislation. Therefore this land is not recognised in these financial statements.

Deed of Grant in Trust Land

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

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

1.P Impairment of non-current assets

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.

1.Q Leases

Leases of plant and equipment under which the Council as lessee/lessor assumes/transfers substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases. Other leases, where substantially all the risks and benefits remain with the lessor, are classified as operating leases.

Finance leases as lessor

Council has leased 95 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,829 after adjusting for change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

Council transferred 10 dwellings under the perpetual lease agreement due to ongoing home ownership program for properties previously owned as deed of grant in trust. Council did not and will not receive any lease payments for these transferred properties except for rent of \$1.00 per annum if requested from the lessee.

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.

1.R 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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

1.S Liabilities - employee benefits

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 twelve 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 in Note 17 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months are calculated on projected future wage and salary levels and related employee on-costs, and are discounted to present values. This liability represents an accrued expense and is reported in Note 17 as a payable.

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

Superannuation

The superannuation expense for the reporting period is the amount of the contribution the Council makes to the superannuation plan which provides benefits to its employees. Details of those arrangements are set out in Note 22.

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 in Note 18 as a provision.

Where employees have met the prerequisite length of service and Council does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

1.T 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.

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Lockhart River Aboriginal Shire Council
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1.U Restoration provision

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

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

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

1.V Rounding and comparatives

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

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

1.W Trust funds held for outside parties

Funds held in the trust account on behalf of outside parties include those funds from unclaimed monies (e.g. wages) paid into the trust account by the Council (Note 23).

The monies are disclosed in the notes to the financial statements for information purposes only in Note 23.

1.X Taxation

Local authorities are exempt from Commonwealth taxation except for Fringe Benefits Tax and Goods and Services Tax ('GST'). The net amount of GST recoverable from the ATO or payable to the ATO is shown as an asset or liability respectively.

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

The Council has an obligation to pay payroll tax to the Queensland Government on taxable wages paid on certain activities. During the year the payroll tax threshold for these activities was not reached and Council was exempted accordingly.

2. Analysis of results by function

2(a) Components of Council functions

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

Engineering Services

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

Community Development

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

Corporate Services

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

Governance and Leadership

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

Environmental Management

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

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 2016

Functions	Gross program income						Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets
	Recurrent		Capital		Recurrent	Capital									
	Grants	Other	Grants	Other											
	2016	2016	2016	2016											
Engineering Services	3,838,136	6,459,691	4,519,721	-	-	(9,681,115)	14,817,548	(9,681,115)	-	-	(9,681,115)	616,712	5,136,434	21,389,574	
Community Development	1,364,360	8,564	-	-	-	(1,372,924)	1,372,924	(1,335,061)	-	-	(1,335,061)	37,864	37,864	-	
Corporate Services	2,873,522	2,448,077	5,336,676	-	-	(1,823,960)	10,658,275	(9,825,910)	(9,825,910)	-	(11,649,870)	3,497,639	(991,595)	40,671,870	
Governance & Leadership	-	-	-	-	-	(967,259)	-	-	-	-	(967,259)	(967,259)	(967,259)	-	
Environmental Management	256,806	-	-	-	-	(647,595)	256,806	-	-	-	(647,595)	(390,789)	(390,789)	6,628,664	
Total Council	8,332,824	8,916,332	9,856,397	-	-	(14,454,989)	27,105,553	(9,825,910)	(9,825,910)	-	(24,280,899)	2,794,168	2,824,655	68,690,109	
Controlled entity net of eliminations	-	1,307,186	852,545	-	(1,062,580)	(1,525,421)	1,097,151	-	-	1,062,580	(462,841)	(218,235)	534,310	6,374,237	
Total consolidated	8,332,824	10,223,518	10,708,942	-	(1,062,580)	(15,980,410)	28,202,704	(9,825,910)	(9,825,910)	1,062,580	(24,743,740)	2,575,933	3,458,965	75,064,346	

Year ended 30 June 2015

Functions	Gross program income						Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurring operations	Net Result	Assets
	Recurrent		Capital		Recurring	Capital									
	Grants	Other	Grants	Other											
	2015	2015	2015	2015											
		\$	\$	\$					\$	2015					
Engineering Services	216,727	5,737,135	1,705,355	-	-	(3,781,865)	-	7,659,217	(3,781,865)	-	(3,781,865)	2,171,997	3,877,352	14,910,141	
Community Development	1,502,920	-	-	-	-	(1,410,345)	-	1,502,920	(1,410,345)	-	(1,410,345)	92,575	92,575	-	
Corporate Services	3,254,878	1,435,418	417,497	2,897,151	-	(2,710,520)	(27,000)	8,004,945	(2,710,520)	(27,000)	(2,737,520)	1,979,776	5,267,424	46,927,485	
Governance & Leadership	-	-	-	-	-	(896,642)	-	-	(896,642)	-	(896,642)	(896,642)	(896,642)	-	
Environmental Management	150,309	-	-	-	-	(454,627)	-	150,309	(454,627)	-	(454,627)	(304,318)	(304,318)	6,655,240	
Total Council	5,124,834	7,172,553	2,122,852	2,897,151	-	(9,253,999)	(27,000)	17,317,391	(9,253,999)	(27,000)	(9,280,999)	3,043,388	8,036,391	68,492,866	
Controlled entity net of eliminations	-	1,221,516	-	-	(211,751)	(1,486,928)	-	1,009,765	(1,486,928)	-	211,751	(265,412)	(265,412)	7,164,500	
Total consolidated	5,124,834	8,394,069	2,122,852	2,897,151	(211,751)	(10,740,927)	(27,000)	18,327,156	(10,740,927)	(27,000)	(10,556,176)	2,777,977	7,770,980	75,657,368	

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
3 Revenue analysis				
(a) Rates, levies and charges				
General rates	121,790	116,069	121,790	116,069
	<u>121,790</u>	<u>116,069</u>	<u>121,790</u>	<u>116,069</u>
(b) Rental income				
Other rental income	417,708	418,245	412,468	390,616
	<u>417,708</u>	<u>418,245</u>	<u>412,468</u>	<u>390,616</u>
(c) Interest received				
Interest received from term deposits	168,621	72,556	156,220	55,132
Other sources	7,489	4,931	7,457	4,931
	<u>176,110</u>	<u>77,487</u>	<u>163,677</u>	<u>60,063</u>
(d) Sales revenue				
Sale of services				
Contract and recoverable works	6,430,208	6,312,791	6,430,208	6,312,791
Accommodation	382,122	394,060	41,817	65,688
External plant hire	-	10,369	-	10,369
Motor vehicle repairs	10,163	7,125	10,163	7,125
	<u>6,822,493</u>	<u>6,724,344</u>	<u>6,482,188</u>	<u>6,395,972</u>
Sale of goods				
Gas bottles	45,656	34,309	45,656	34,309
Post office	9,462	9,359	9,462	9,359
Other sales	739,171	636,340	-	-
	<u>794,289</u>	<u>680,008</u>	<u>55,118</u>	<u>43,668</u>
Total sales revenue	<u>7,616,782</u>	<u>7,404,352</u>	<u>6,537,306</u>	<u>6,439,640</u>
The amount recognised as revenue for contract revenue during the financial year is the amount receivable in respect of invoices issued during the period. There are no contracts in progress at the year end. The contract work carried out is not subject to retentions.				
(e) Other income				
Agency commissions	5,448	5,483	5,448	5,483
Gain on revaluation of finance leases	1,555,735	-	1,555,735	-
Other income	119,908	160,683	119,908	160,683
	<u>1,681,091</u>	<u>166,166</u>	<u>1,681,091</u>	<u>166,166</u>

Lockhart River Aboriginal Shire Council
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	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
4 Grants, subsidies, contributions and donations				
(a) Recurrent				
State government subsidies and grants	7,505,283	4,588,885	7,505,283	4,588,885
Commonwealth government subsidies and grants	807,177	515,890	807,177	515,890
Donations	20,364	20,059	20,364	20,059
	<u>8,332,824</u>	<u>5,124,834</u>	<u>8,332,824</u>	<u>5,124,834</u>
(b) Capital				
State government subsidies and grants	7,451,514	1,705,355	7,451,514	1,705,355
Commonwealth government subsidies and grants	469,459	304,995	469,459	304,995
	<u>7,920,973</u>	<u>2,010,350</u>	<u>7,920,973</u>	<u>2,010,350</u>
Non-cash capital contribution				
Roads contributed due to change in Council boundaries	1,935,424	112,502	1,935,424	112,502
	<u>9,856,397</u>	<u>2,122,852</u>	<u>9,856,397</u>	<u>2,122,852</u>
Finance lease income				
40 year finance leases for houses constructed or to be constructed on Council property		2,897,151		2,897,151
	<u>9,856,397</u>	<u>5,020,003</u>	<u>9,856,397</u>	<u>5,020,003</u>
Conditions over contributions				
Contributions recognised as income during the reporting period and which were obtained on the condition that they be expended in a manner specified by the contributor but had not been expended at the reporting date:				
Non-reciprocal grants for expenditure on services	309,137	172,989	309,137	172,989
Non-reciprocal grants for expenditure on infrastructure	2,771,504	34,600	2,771,504	34,600
	<u>3,080,641</u>	<u>207,589</u>	<u>3,080,641</u>	<u>207,589</u>
Contributions recognised as income during a previous reporting period that were obtained in respect of the current reporting period:				
Non-reciprocal grants for expenditure on services	35,582	43,512	35,582	43,512
Non-reciprocal grants for expenditure on infrastructure	110,000	100,000	110,000	100,000
	<u>145,581</u>	<u>143,512</u>	<u>145,581</u>	<u>143,512</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
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	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
5 Employee benefits				
Total staff wages and salaries	3,539,230	3,016,130	3,117,816	2,652,765
Councillors' remuneration	303,615	294,926	303,615	294,926
Annual, sick and long service leave entitlements	364,298	381,554	301,268	354,089
Superannuation	389,006	395,606	355,655	363,028
22	4,596,149	4,088,216	4,078,354	3,664,808
Other employee related expenses	56,968	55,138	56,792	54,742
	4,653,117	4,143,354	4,135,146	3,719,550
Less: Capitalised employee expenses	(106,003)	(176,160)	(106,003)	(176,160)
	4,547,114	3,967,194	4,029,143	3,543,390
Councillor remuneration represents salary, and other allowances paid in respect of carrying out their duties.				
Total Council employees at the reporting date:	No.	No.	No.	No.
Elected members	5	5	5	5
Administration staff	81	75	75	69
Total full time equivalent employees	86	80	80	74
6 Materials and services	\$	\$	\$	\$
Administration supplies and consumables	1,245,546	3,190,149	865,005	2,846,049
Audit of annual financial statements by the Auditor-General of Queensland	104,400	100,926	81,000	77,946
Communications and IT	168,844	100,822	135,754	74,343
Consultants	154,384	55,213	110,233	55,213
Donations paid	110,566	51,399	110,566	51,399
Power	109,310	125,551	82,346	97,316
Repairs and maintenance	7,578,611	341,441	7,521,399	283,450
Rentals - operating leases	37,800	36,600	37,800	36,600
Subscriptions and registrations	42,833	38,914	41,515	38,914
Insurance	129,279	272,090	102,017	210,268
Legal fees	7,089	-	7,089	-
Travel	99,252	125,211	96,059	116,801
Other materials and services	13,082	14,804	4,430	6,194
Total materials and services	9,800,996	4,453,118	9,195,213	3,894,493

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Notes to the financial statements
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		Consolidated		Council	
		2016	2015	2015	2015
		\$	\$	\$	\$
7 Finance costs					
Finance costs charged by the Queensland Treasury Corporation		5,636	1,740	5,636	1,740
Bank charges		7,419	6,780	2,775	2,484
Impairment of debts	11	24,321	106,199	33,233	18,257
		<u>37,375</u>	<u>114,719</u>	<u>41,643</u>	<u>22,481</u>
8 Other expenses					
Loss on revaluation of finance leases		-	717,905	-	717,905
		<u>-</u>	<u>717,905</u>	<u>-</u>	<u>717,905</u>
9 Capital expenses					
40 year leases					
Book value of houses transferred	15	6,406,578	-	6,406,578	-
Less: Initial recognition of finance leases		(1,977,560)	-	(1,977,560)	-
		<u>4,429,018</u>	<u>-</u>	<u>4,429,018</u>	<u>-</u>
Capital works transferred to controlled entity					
Runway drainage works		-	-	453,064	-
Runway pavement rehabilitation works		-	-	399,481	-
		<u>-</u>	<u>-</u>	<u>852,545</u>	<u>-</u>
Loss on disposal of non-current assets					
Book value of property, plant and equipment disposed of		3,246,926	69,182	3,246,926	69,182
Less: Proceeds from the sale of property, plant and equipment		-	(42,182)	-	(42,182)
Total amount		<u>3,246,926</u>	<u>27,000</u>	<u>3,246,926</u>	<u>27,000</u>
Refuse restoration					
Initial provision for refuse restoration		1,297,421	-	1,297,421	-
		<u>1,297,421</u>	<u>-</u>	<u>1,297,421</u>	<u>-</u>
Total capital expenses		<u>8,973,365</u>	<u>27,000</u>	<u>9,825,910</u>	<u>27,000</u>

10 Cash and cash equivalents

Cash at bank and on hand	1,501,553	528,579	1,318,142	456,420
Deposits at call	7,340,796	4,327,203	6,795,969	3,644,776
Balance per Statement of Cash Flows	<u>8,842,350</u>	<u>4,855,783</u>	<u>8,114,111</u>	<u>4,101,197</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	3,226,222	351,101	3,226,222	351,101
Total unspent restricted cash	<u>3,226,222</u>	<u>351,101</u>	<u>3,226,222</u>	<u>351,101</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+.

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Notes to the financial statements
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	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
11 Trade and other receivables				
Current				
Trade debtors	2,055,053	2,008,917	1,810,928	1,774,534
Less impairment	(164,126)	(139,806)	(85,096)	(51,864)
Accrued revenue	734,879	685,284	734,711	681,814
	<u>2,625,805</u>	<u>2,554,396</u>	<u>2,460,542</u>	<u>2,404,484</u>
No interest is charged on trade debtors.				
Movement in accumulated impairment losses (trade debtors) is as follows:				
Opening balance at 1 July	139,806	33,607	51,864	33,607
Additional impairments recognised	24,321	106,198	33,233	18,257
Impairments reversed	-	-	-	-
Closing balance at 30 June	<u>164,127</u>	<u>139,806</u>	<u>85,096</u>	<u>51,864</u>
12 Inventories				
Inventories held for sale				
Fuel and motel stock	106,268	94,147	-	-
	<u>106,268</u>	<u>94,147</u>	<u>-</u>	<u>-</u>
Inventories held for distribution				
Plant and equipment stores	176,546	143,487	176,546	143,487
	<u>176,546</u>	<u>143,487</u>	<u>176,546</u>	<u>143,487</u>
Total inventories	<u>282,814</u>	<u>237,634</u>	<u>176,546</u>	<u>143,487</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
13 Other financial assets				
Current				
Finance leases	272,720	221,211	272,720	221,211
	<u>272,720</u>	<u>221,211</u>	<u>272,720</u>	<u>221,211</u>
Non-current				
Finance leases	10,534,735	7,309,761	10,534,735	7,309,761
	<u>10,534,735</u>	<u>7,309,761</u>	<u>10,534,735</u>	<u>7,309,761</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	272,719	221,211	272,719	221,211
Later than one year but not later than five years	1,090,875	884,842	1,090,875	884,842
Later than five years	9,055,651	7,517,429	9,055,651	7,517,429
	<u>10,419,245</u>	<u>8,623,482</u>	<u>10,419,245</u>	<u>8,623,482</u>
Add: Estimated contingent rent	6,698,180	5,700,622	6,698,180	5,700,622
Less: Present value adjustment	(6,309,972)	(6,793,132)	(6,309,972)	(6,793,132)
Fair value of lease payments	<u>10,807,454</u>	<u>7,530,972</u>	<u>10,807,454</u>	<u>7,530,972</u>
The fair value of lease payments are receivable as follows:				
Not later than one year	272,719	221,211	272,719	221,211
Later than one year but not later than five years	1,096,218	868,890	1,096,218	868,890
Later than five years	9,438,518	6,440,871	9,438,518	6,440,871
	<u>10,807,454</u>	<u>7,530,972</u>	<u>10,807,454</u>	<u>7,530,972</u>
Movements in finance leases were as follows:				
Opening balance	7,530,972	5,695,564	7,530,972	5,695,564
Add: Initial recognition of new leases of Council houses	1,977,560	-	1,977,560	-
Add: Initial recognition of new lease re vacant land	-	2,897,151	-	2,897,151
Less: Lease receipts	(256,814)	(343,838)	(256,814)	(343,838)
Add: Gain/(loss) on revaluation	1,555,735	(717,905)	1,555,735	(717,905)
Closing balance	<u>10,807,454</u>	<u>7,530,972</u>	<u>10,807,454</u>	<u>7,530,972</u>

The calculation of fair value has included an estimate of average annual CPI increases of 2.50% (2015: 2.50%) and a discount rate of 2.30% (2015: 3.25%).

14 Investments

Interest in controlled entity Lockhart River Aerodrome Company Pty Ltd			100	100
			<u>100</u>	<u>100</u>

The shares in the Lockhart River Aerodrome Company Pty Ltd are shown at cost.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

15 Property, plant and equipment

Consolidated - 30 June 2016

	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Runway, road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	1,430,000	15,942,061	23,928,437	3,474,241	549,976	18,878,326	5,819,518	4,959,227	2,303,728	310,242	77,596,355
	(330,000)	(1,337,261)	(253,368)	-	-	-	-	-	-	-	(1,920,629)
	-	343,804	506,604	334,889	59,376	5,552,069	12,210	-	227,434	1,344,245	8,380,633
	-	-	(10,191,987)	-	-	-	-	-	(827,374)	-	(11,019,360)
	-	870,500	325,496	-	-	7,545,162	(124,490)	122,582	289,089	-	9,028,340
	-	(1,035,594)	-	(561,775)	534,776	740,124	35,080	111,270	176,119	-	-
	1,100,000	14,783,510	14,315,183	3,247,355	1,144,128	32,716,281	5,742,318	5,193,080	2,168,997	1,654,486	82,065,338

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2015

Adjustment to opening value

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Transfers between classes

Closing gross value as at 30 June 2016

Accumulated depreciation and impairment

Opening balance as at 1 July 2015

Adjustment to opening value

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2016

	-	2,415,140	3,832,438	2,223,383	598,053	3,932,890	2,436,739	1,556,140	122,988	-	17,117,771
	-	(366,326)	(68,236)	-	-	-	-	-	-	-	(434,564)
	-	184,679	257,998	241,058	61,143	466,076	96,876	54,639	22,420	-	1,384,889
	-	-	(1,325,948)	-	-	-	-	-	(39,908)	-	(1,365,857)
	-	2,937,634	3,696,854	-	-	6,059,871	(133,119)	56,076	239,861	-	12,857,177
	-	(414,425)	4,456	(374,600)	347,597	390,221	4,161	4,830	37,760	-	-
	-	4,756,702	6,397,559	2,089,841	1,006,793	10,849,058	2,404,657	1,671,685	383,121	-	29,559,416

Consolidated book value as at 30 June 2016

Range of estimated useful life in years

1,100,000	10,026,808	7,917,623	1,157,514	137,335	21,867,223	3,337,661	3,521,395	1,785,876	1,854,486	52,505,922
Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

Additions comprise:

Renewals

Other additions

Total additions

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

15 Property, plant and equipment

Consolidated - 30 June 2015

Basis of measurement

Asset values

Opening gross value as at 1 July 2014

Additions

Disposals

Revaluation adjustment to other comprehensive income/(asset revaluation surplus)

Transfers between classes

Closing gross value as at 30 June 2015

Accumulated depreciation and impairment

Opening balance as at 1 July 2014

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2015

Consolidated book value as at 30 June 2015

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

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
Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
1,430,000	15,591,226	23,483,077	3,543,659	539,420	16,880,970	5,825,058	4,805,776	923,510	120,804	72,943,499
-	33,411	344,912	-	10,556	3,456,236	-	-	985,875	310,449	5,141,439
-	(95,760)	-	(69,418)	-	-	-	-	-	-	(165,178)
-	413,184	100,448	-	-	(1,518,454)	194,460	153,451	333,506	-	(323,405)
-	-	-	-	-	60,174	-	-	60,837	(121,011)	-
1,430,000	15,942,061	23,928,437	3,474,241	549,976	18,878,926	5,819,518	4,959,227	2,303,728	310,242	77,596,355

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-	2,419,395	4,238,692	2,015,935	527,007	7,440,858	2,333,368	1,521,017	24,540	-	20,520,812
-	197,451	296,578	260,172	71,046	286,928	88,904	52,522	22,637	-	1,276,238
-	(43,272)	-	(52,724)	-	-	-	-	-	-	(95,996)
-	(158,434)	(702,832)	-	-	(3,794,896)	14,467	(17,399)	75,811	-	(4,583,283)
-	-	-	-	-	-	-	-	-	-	-
-	2,415,140	3,832,438	2,223,383	598,053	3,932,890	2,436,739	1,556,140	122,988	-	17,117,771

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1,430,000	13,526,920	20,095,999	1,250,858	(48,077)	14,946,036	3,382,779	3,403,088	2,180,740	310,242	60,478,585
Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	33,411	344,912	-	10,556	2,983,514	-	-	1,046,712	-	4,419,105
-	-	-	-	-	532,895	-	-	-	189,438	722,333
-	33,411	344,912	-	10,556	3,516,409	-	-	1,046,712	189,438	5,141,438

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

15 Property, plant and equipment

Council - 30 June 2016

Note	Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
	Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
25	1,100,000	11,688,873	23,928,437	2,582,966	499,605	15,402,072	5,511,236	4,907,887	2,294,916	207,193	68,123,185
	-	(1,337,261)	(253,368)	-	-	-	-	-	-	-	(1,590,629)
9	-	343,804	506,604	322,921	43,376	5,552,069	12,210	-	227,434	476,602	7,485,021
19	-	-	(10,191,987)	-	-	-	-	-	(827,374)	-	(11,019,360)
	-	703,683	325,496	-	-	7,421,767	(137,128)	115,192	277,420	-	8,706,431
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	1,100,000	11,399,099	14,315,183	2,905,887	542,981	28,375,909	5,386,318	5,023,080	1,972,397	683,795	71,704,648

Basis of measurement

Asset values
 Opening gross value as at 1 July 2015
 Adjustment to opening value
 Additions
 Disposals
 Revaluation adjustment to other comprehensive income(asset revaluation surplus)
 Revaluation adjustment to income (capital income)
 Transfers between classes

Closing gross value as at 30 June 2016

Accumulated depreciation and impairment

Opening balance as at 1 July 2015
 Adjustment to opening value
 Depreciation provided in period
 Depreciation on disposals
 Revaluation adjustment to asset revaluation surplus
 Transfers between classes

Accumulated depreciation as at 30 June 2016

25	-	1,456,420	3,836,895	1,529,836	436,678	2,682,026	2,235,435	1,528,448	104,821	-	13,810,558
	-	(366,326)	(68,238)	-	-	-	-	-	-	-	(434,564)
9	-	133,788	257,998	234,850	40,758	365,136	87,338	50,411	18,712	-	1,188,990
19	-	-	(1,325,948)	-	-	-	-	-	(39,908)	-	(1,365,857)
	-	1,970,265	3,696,854	-	-	5,596,193	(128,724)	7,826	231,752	-	11,374,166
	-	-	-	-	-	-	-	-	-	-	-
	-	3,194,146	6,397,561	1,764,686	477,436	8,643,355	2,194,049	1,586,685	315,377	-	24,573,294

Total written down value as at 30 June 2016

Range of estimated useful life in years

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

Additions comprise:

Renewals
 Other additions
 Total additions

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

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

15 Property, plant and equipment

Council - 30 June 2015

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2014

Additions

Disposals

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

Transfers between classes

Closing gross value as at 30 June 2015

Accumulated depreciation and impairment

Opening balance as at 1 July 2014

Depreciation provided in period

Depreciation on disposals

Revaluation adjustment to asset revaluation surplus

Transfers between classes

Accumulated depreciation as at 30 June 2015

Total written down value as at 30 June 2015

Range of estimated useful life in years

Additions comprise:

Renewals

Other additions

Total additions

Land	Buildings	Housing	Plant and Equipment	Furniture and office equipment	Road, drainage and bridge network	Water	Sewerage	Other infrastructure assets	Work in progress	Total
Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
1,100,000	11,402,381	23,483,077	2,652,384	489,049	13,735,887	5,322,668	4,756,046	917,010	120,805	63,979,307
-	-	33,411	-	10,556	3,436,856	-	-	985,875	207,400	5,019,009
-	(95,760)	-	(89,418)	-	-	-	-	-	-	(165,178)
-	348,841	100,448	-	-	(1,830,844)	188,568	151,841	331,193	-	(709,952)
-	-	-	-	-	60,174	-	-	60,837	(121,011)	-
1,100,000	11,688,873	23,928,437	2,582,966	499,605	15,402,072	5,511,236	4,907,887	2,294,916	207,193	68,123,185

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-	1,437,483	4,243,148	1,336,326	388,703	6,255,177	2,135,875	1,493,647	21,069	-	17,311,429
-	147,610	296,578	246,235	47,975	193,804	79,530	48,336	15,662	-	1,075,729
-	(43,272)	-	(52,724)	-	-	-	-	-	-	(95,996)
-	(85,402)	(702,832)	-	-	(3,766,955)	20,030	(13,535)	68,091	-	(4,480,604)
-	-	-	-	-	-	-	-	-	-	-
-	1,456,420	3,836,895	1,529,836	436,678	2,682,026	2,235,435	1,528,448	104,821	-	13,810,558

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1,100,000	10,232,453	20,091,542	1,053,129	62,927	12,720,047	3,275,801	3,379,439	2,190,095	207,193	54,312,827
Land: Not depreciated.	10 - 130	40 - 90	3 - 10	3 - 7	20 - 140	10 - 120	20 - 140	4 - 130	-	-

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	33,411	344,912	-	10,556	2,964,135	-	-	1,046,712	-	4,399,726
-	-	-	-	-	532,895	-	-	-	86,389	619,284
-	33,411	344,912	-	10,556	3,497,030	-	-	1,046,712	86,389	5,019,009

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

16 Fair value measurements

(f) Recognised fair value measurements

Council measures and recognises the following assets at fair value on a recurring basis:

Property, plant and equipment

- Land
- Buildings
- Housing
- Runway, road, drainage and bridge network
- Water infrastructure
- Sewerage infrastructure
- Other infrastructure assets

Other financial assets

- Finance leases receivable

Council does not measure any liabilities at fair value on a recurring basis.

Council has assets and liabilities which are not measured at fair value, but for which fair values are disclosed in other notes.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short-term nature (Level 2).

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.

The following table categorises fair value measurements as either level 2 or level 3 in accordance with AASB 13. Council does not have any assets or liabilities measured at fair value which meet the criteria for categorisation as level 1.

The fair values of the assets are determined using valuation techniques which maximise the use of observable data, where it is available, and minimise the use of entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for Council infrastructure assets, which are of a specialist nature for which there is no active market for similar or identical assets. These assets are valued using a combination of observable and unobservable inputs.

The table presents the Council's assets measured and recognised at fair value at 30 June 2016.

Consolidated

At 30 June 2016

		Level 2		Level 3		Total	
		(Significant other observable inputs)		(Significant unobservable inputs)			
		\$	\$	\$	\$	\$	\$
		2016	2015	2016	2015	2016	2015
Recurring fair value measurements							
Finance leases receivable	13	-	-	10,807,454	7,530,972	10,807,454	7,530,972
Land	15	-	-	1,100,000	1,430,000	1,100,000	1,430,000
Buildings (commercial buildings)	15	-	-	10,026,808	13,526,920	10,026,808	13,526,920
Housing (residential buildings)	15	-	-	7,917,623	20,095,999	7,917,623	20,095,999
Runway, road, drainage and bridge network	15	-	-	21,867,223	14,946,036	21,867,223	14,946,036
Water infrastructure	15	-	-	3,337,661	3,382,779	3,337,661	3,382,779
Sewerage infrastructure	15	-	-	3,521,395	3,403,088	3,521,395	3,403,088
Other infrastructure assets	15	-	-	1,785,876	2,180,740	1,785,876	2,180,740
		-	-	60,364,041	66,496,534	60,364,041	66,496,534

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

16 Fair value measurements cont.

Council

At 30 June 2016

		Level 2		Level 3		Total	
		(Significant other observable inputs)		(Significant unobservable inputs)			
		\$	\$	\$	\$	\$	\$
		2016	2015	2016	2015	2016	2015
Recurring fair value measurements							
Finance leases receivable	13			10,807,454	7,530,972	10,807,454	7,530,972
Land	15			1,100,000	1,100,000	1,100,000	1,100,000
Buildings (commercial buildings)	15			8,204,952	10,232,453	8,204,952	10,232,453
Housing (residential buildings)	15			7,917,622	20,091,542	7,917,622	20,091,542
Road, drainage and bridge network	15			19,732,554	12,720,047	19,732,554	12,720,047
Water infrastructure	15			3,192,269	3,275,801	3,192,269	3,275,801
Sewerage infrastructure	15			3,436,395	3,379,439	3,436,395	3,379,439
Other infrastructure assets	15			1,657,020	2,190,095	1,657,020	2,190,095
		-	-	56,048,267	60,520,349	56,048,267	60,520,349

There were no transfers between levels during the year.

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

(ii) Valuation processes

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

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

Any non-recurring fair value measurements are made at the point of reclassification by a registered valuer.

As at 30 June 2016, a comprehensive revaluation was undertaken for all asset classes subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows:

(ii) a) Condition of the asset

<u>Condition rating</u>	<u>Assessment</u>
0 - 0.99	Very high level of remaining service potential
1.00-1.99	High level of remaining service potential
2.00-2.99	Adequate level of remaining service potential
3.00-3.99	Adequate level of remaining service potential, but with some issues indicating the need for action in the short to medium term
4.00-4.99	Barely adequate level of remaining service potential requiring action to be taken in the short term
5.00-5.99	Asset is now unacceptable and must be closed or renewed
6.00+	End of life

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

16 Fair value measurements cont.

(ii) b) Relationship between asset consumption rating scale and the level of consumed service potential

Consumption Score	Description	% RSP of Depreciable Amount				
		Straight -Line	Low	Mod	High	Extreme
0	New or very good condition – very high level of remaining service potential.	100%	100%	100%	100%	100%
1	Not new but in very good condition with no indicators of any future obsolescence and providing a high level of remaining service potential.	85%	92%	94%	98%	100%
2	Aged and in good condition, providing an adequate level of remaining service potential. No signs of immediate or short term obsolescence.	50%	65%	75%	85%	99%
3	Providing an adequate level of remaining service potential but there are some concerns over the asset's ability to continue to provide an adequate level of service in the short to medium term. May be signs of obsolescence in short to mid-term.	25%	40%	54%	70%	90%
4	Indicators showing the need to renew, upgrade or scrap in near future. Should be reflected by inclusion in the Capital Works Plan to renew or replace in short term. Very low level of remaining service potential.	10%	20%	34%	45%	70%
5	At intervention point. No longer providing an acceptable level of service. If remedial action is not taken immediately the asset will need to be closed or decommissioned.	0%	0%	0%	0%	0%
6	Theoretical end of life. Fully written off	Theoretical end of life. Fully written off				

(ii) c) Cost of land restricted in use

Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics.

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16 Fair value measurements cont.

(III) Valuation techniques used to derive fair values for level 3 valuations

Since Council adopted AASB13 *Fair Value Measurement*, it has reviewed each valuation to ensure compliance with the requirements of this standard. There have been no changes in valuation techniques as a result of this review.

Specific valuation techniques used to value Council assets comprise:

The following table summarises in a tabular format the valuation inputs and techniques used to determining the fair value for each asset class:

Assets	Level of valuation input	Valuation technique
Finance leases receivable	3	Discounted present value
Land	3	Sales comparison approach
Buildings	3	Current replacement cost approach
Other structures	3	Current replacement cost approach
Unsealed road	3	Current replacement cost approach
Unsealed road	3	Current replacement cost approach
Kerb & channel	3	Current replacement cost approach
Traffic signals	3	Current replacement cost approach
Stormwater pits	3	Current replacement cost approach
Stormwater drains	3	Current replacement cost approach
Bridges	3	Current replacement cost approach
Water equipment	3	Current replacement cost approach
Water meters and services	3	Current replacement cost approach
Water mains	3	Current replacement cost approach
Sewerage equipment & civil	3	Current replacement cost approach
Sewerage mains	3	Current replacement cost approach
Sewerage manholes	3	Current replacement cost approach

Highest and best use

There were no assets valued where it was assumed that the highest and best use was other than its current use.

Recurring fair value measurements

Finance leases receivable (level 3)

To determine the present value, the finance leases receivable was discounted using the long-term average of the 22 year government bond yield rate of 2.3% and adjusted for the inflation rate of 2.5%. The 2015-16 rent and rates amount was calculated using Brisbane All Group March 2016 CPI of 108.5 on the base CPI of 104.6 prior to lease commencement on 21 February 2014, base CPI of 106.7 prior to lease commencement on 1 February 2015 and base CPI of 108.1 prior to lease commencement on 1 October 2015. Consequently, the fair value was determined using level 3 inputs.

Land (level 3)

Land fair value was determined through comprehensive valuation by independent valuer, APV Valuers effective 30 June 2016. Level 3 valuation inputs were used to value land in freehold title. Typically sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. The subject property is in a very remote location and it is exceptionally large in size. As such there was no observable market evidence of sales prices for comparable sites in close proximity. This is why the land was subsequently valued at the level 3 valuation input hierarchy by using the professional judgement of a registered valuer who adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

Buildings - Commercial and residential (level 3)

Current replacement cost

The fair value of buildings were determined through comprehensive valuation by independent valuer, APV Valuers effective 30 June 2016.

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

Fair values were calculated at a whole of asset level and then split into the following significant components:

- Sub Structure
- Super Structure
- Floor Coverings
- Fit-out & Fittings
- Roof
- Electrical Services
- Hydraulic Services
- Mechanical Services
- Fire Services
- Transport Services
- Security Services

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16 Fair value measurements cont.

Accumulated depreciation

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

Condition of the asset using the condition rating scale was applicable according to Note 16 (ii) a) above.

Remaining service potential relating to each corresponding condition score for each of the patterns of consumption was utilised in accordance with Note 16 (ii) b) above.

Infrastructure assets (level 3)

All Council infrastructure assets fair values were determined through comprehensive valuation by independent valuer, APV Valuers effective 30 June 2016 using written down current replacement cost. This valuation comprises the asset's current replacement cost less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Council first determined the gross cost of replacing the full service potential of the asset and then adjusted this amount to take account of the expired service potential of the asset.

Current replacement cost was measured by reference to the lowest cost methodology at which the gross future economic benefits of the asset could currently be obtained in the normal course of business. Where existing assets were over designed, had excess capacity, or were redundant an adjustment was made so that the resulting valuation reflected the cost of replacing the existing economic benefits based on an efficient set of modern equivalent assets to achieve the required level of service output within the Council's planning horizon.

The unit rates (labour and materials) and quantities applied to determine the current replacement cost of an asset or asset component were based on a "Greenfield" assumption meaning that the current replacement cost was determined as the full cost of replacement with a new asset including components that may not need to be replaced, such as earthworks. The current replacement cost was determined using methods relevant to the asset class as described under individual asset categories below.

a) Runway and roads

A comprehensive valuation of the runway and road infrastructure was carried out on 30 June 2016 by independent and qualified valuers, APV Valuers.

Current replacement cost

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

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

Accumulated depreciation

In determining the level of accumulated depreciation, runway and roads were disaggregated into significant components which exhibited different useful lives. The identified and significant components are as follows:

- Formation
- Pavement
- Surface/seal

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs in accordance with Note 16 (ii) b) above.

Estimated useful lives are disclosed in Note 15.

b) Bridges

A comprehensive valuation to determine the fair values of bridge assets was undertaken by independent valuers, APV Valuers, effective 30 June 2016.

Current replacement cost

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

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

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments according to the table in Note 16 (ii) a) above.

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16 Fair value measurements cont.

c) Drainage and other infrastructure

A comprehensive valuation to determine the fair values of drainage infrastructure was undertaken by independent valuers, APV Valuers, effective 30 June 2016.

Current replacement cost

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

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

Accumulated depreciation

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

Estimates of expired service potential and remaining useful lives were determined on a straight line basis based on industry standard practices and past experience, supported by maintenance programs in accordance with Note 16 (ii) b) above.

Estimated useful lives are disclosed in Note 15.

d) Water and sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined through comprehensive valuation by independent valuers, APV Valuers effective 30 June 2016. Current replacement cost was calculated based on expected replacement costs. In all cases the assets were disaggregated to component level to ensure a reliable measure of cost and service capacity and deterioration of estimated remaining life.

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

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

Accumulated depreciation

In determining accumulated depreciation, assets were either subject to a site inspection or an assessment to determine remaining useful life. Where site inspections were conducted (i.e. for active assets), the assets were allocated a condition assessment, which was used to estimate remaining useful life as per Note 16 (ii) a) above.

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

For wastewater gravity mains the assumption that the pipes will be relined was adopted. The fair value for sewer gravity mains was determined as follows:

For all pipes, replacement cost was determined based on replacement by trench excavation, useful life was determined as the pipe useful life plus the reline useful life, and the pipe fair value was based on age.

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

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

The changes in level 3 assets with recurring fair value measurements are detailed in Note 15 (property, plant and equipment) and Note 3 (revenue analysis). There have been no transfers between level 1, 2 or 3 measurements during the year.

Lockhart River Aboriginal Shire Council
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For the year ended 30 June 2016

	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
17 Trade and other payables				
Current				
Creditors and accruals	1,852,834	1,802,461	1,584,238	1,734,274
Annual leave	292,345	264,148	169,117	201,525
GST payable	50,367	251,653	39,330	244,047
Other entitlements	506	30,642	506	24,656
	<u>1,996,052</u>	<u>2,348,904</u>	<u>1,793,191</u>	<u>2,204,502</u>
Non-current				
Creditors and accruals	302,055	-	302,055	-
	<u>302,055</u>	<u>-</u>	<u>302,055</u>	<u>-</u>
18 Provisions				
Current				
Long service leave	68,074	74,521	43,453	61,517
	<u>68,074</u>	<u>74,521</u>	<u>43,453</u>	<u>61,517</u>
Non-current				
Long service leave	137,577	114,839	128,527	102,243
Refuse restoration	1,297,421	-	1,297,421	-
	<u>1,434,998</u>	<u>114,839</u>	<u>1,425,948</u>	<u>102,243</u>
Details of movements in provisions:				
Long service leave				
Balance at beginning of financial year	189,361	201,774	163,761	181,182
Long service leave entitlement arising	53,077	51,255	45,006	46,246
Long service entitlement paid	(36,786)	(63,668)	(36,786)	(63,668)
Balance at end of financial year	<u>205,651</u>	<u>189,361</u>	<u>171,981</u>	<u>163,761</u>
Refuse restoration				
Balance at beginning of financial year	-	-	-	-
Increase in provision due to unwinding of discount	-	-	-	-
Increase (decrease) in provision	1,297,421	-	1,297,421	-
Balance at end of financial year	<u>1,297,421</u>	<u>-</u>	<u>1,297,421</u>	<u>-</u>
This is the present value of the estimated cost of restoring the refuse disposal site to a useable state at the end of its useful life. The projected cost is \$1,195,000 and this cost is expected to be incurred in 2028 after closing the site in 2025 and allowing a period for settlement.				
19 Asset revaluation surplus				
Movements in the asset revaluation surplus were as follows:				
Balance at beginning of financial year	35,738,392	31,478,512	32,535,205	28,764,553
Net adjustment to non-current assets at end of period to reflect a change in current fair value:				
Adjustment to opening balance	(1,032,714)	-	(702,714)	-
Land	-	-	-	-
Buildings	(2,067,134)	571,619	(1,266,582)	434,244
Housing	(3,371,357)	803,280	(3,371,357)	803,280
Runway, road, drainage and bridge network	1,485,291	2,276,442	1,625,574	1,936,111
Water	8,629	179,993	(8,404)	168,538
Sewerage	66,506	170,851	107,366	165,377
Other infrastructure assets	49,228	257,695	45,668	263,102
Balance at end of financial year	<u>30,876,841</u>	<u>35,738,392</u>	<u>29,164,756</u>	<u>32,535,205</u>

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	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
Asset revaluation surplus analysis				
The closing balance of the asset revaluation surplus comprises the following asset categories:				
Land	800,000	1,130,000	800,000	800,000
Buildings	3,466,998	6,096,217	3,241,963	5,070,630
Housing	14,918,797	18,430,783	14,918,798	18,430,782
Road, drainage and bridge network	7,104,594	5,619,303	5,836,217	4,010,643
Water	2,611,272	2,602,643	2,405,623	2,414,027
Sewerage	1,505,919	1,439,413	1,507,295	1,399,929
Other infrastructure assets	469,261	420,033	454,862	409,194
	<u>30,876,841</u>	<u>35,738,392</u>	<u>29,164,756</u>	<u>32,535,205</u>

20 Commitments for expenditure

Operating leases

Minimum lease payments in relation to non-cancellable operating leases are as follows:

Within one year	52,800	51,600	38,400	37,200
One to five years	118,400	153,700	60,800	96,100
More than five years	86,400	100,800	-	-
	<u>257,600</u>	<u>306,100</u>	<u>99,200</u>	<u>133,300</u>

21 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 2016 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.

Rehabilitation of Airport Land

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

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22 Superannuation

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

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

The scheme has three elements referred to as:

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

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

The Accumulation Benefits Fund (ABF)

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

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

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

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

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

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

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

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

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

There are currently 72 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 72 councils. Lockhart River Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2015-16 financial year.

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

	Note	Consolidated		Council	
		2016 \$	2015 \$	2016 \$	2015 \$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:	5	389,006	395,606	355,655	363,028
23 Trust funds					
Trust funds held for outside parties					
Monies collected or held on behalf of other entities yet to be paid out to or on behalf of those entities		4	4		
		4	4	4	4

The Council performs only a custodial 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.

Lockhart River Aboriginal Shire Council
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	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
24 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities				
Net result	3,458,964	7,770,981	2,824,655	8,036,392
Non-cash items:				
Depreciation and amortisation	1,384,889	1,276,236	1,188,990	1,075,729
Capital revenue - leased vacant land	-	(2,897,151)	-	(2,897,151)
Non-cash roads additions	(1,935,424)	(112,502)	(1,935,424)	(112,502)
Impairment provision for doubtful debts	24,321	106,198	33,233	18,257
Refuse restoration provision	1,297,421	-	1,297,421	-
Gain/loss on revaluation of finance leases	(1,555,735)	717,905	(1,555,735)	717,905
	(784,528)	(909,319)	(971,515)	(1,197,762)
Investing and development activities:				
Net (profit)/loss on disposal of non-current assets	3,246,926	27,000	3,246,926	27,000
Loss on transferring assets via finance lease	4,429,018	-	4,429,018	-
Runway pavement works contributed to controlled entity	-	-	852,545	-
Capital grants and contributions	(7,920,973)	(2,010,350)	(7,920,973)	(2,010,350)
	(245,029)	(1,983,350)	607,516	(1,983,349)
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables	(95,730)	(1,503,961)	(89,290)	(1,407,493)
(Increase)/decrease in inventory	(45,180)	40,448	(33,059)	14,936
Increase/(decrease) in payables	(50,798)	981,581	(109,256)	771,769
Increase/(decrease) in other provisions	18,291	(12,413)	8,220	(17,422)
	(175,417)	(494,345)	(223,385)	(638,210)
Net cash inflow from operating activities	2,253,987	4,383,975	2,237,268	4,217,070

25 Opening balance adjustment

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

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

An adjustment has been made to the opening balances at 1 July 2015 as follows:

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

26 Events after the reporting period

There were no material adjusting events after the balance date

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27 Financial instruments

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

- credit risk
- liquidity risk
- market risk

This note provides information (both qualitative and quantitative) to assist statement users evaluate the significance of financial instruments on the Council's financial position and financial performance, including the nature and extent of risks and how the Council manages these exposures.

Financial risk management

Lockhart River Aboriginal Shire Council is responsible for the establishment and oversight of the risk management framework, together with developing and monitoring risk management policies.

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

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

Lockhart River Aboriginal Shire Council does not enter into derivatives.

Credit risk

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

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

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

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

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

		Consolidated		Council	
		2016	2015	2016	2015
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	10	8,842,350	4,855,783	8,114,111	4,101,197
Trade and other receivables	11	1,890,927	1,869,112	1,725,832	1,722,670
Other financial assets	13	10,807,454	7,530,972	10,807,454	7,530,972
Total financial assets		21,540,730	14,255,866	20,647,397	13,354,839

Cash and cash equivalents

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

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Trade and other receivables

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

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

	Consolidated		Council	
	2016	2015	2016	2015
	\$	\$	\$	\$
Not past due	943,482	1,561,782	837,074	1,462,594
Past due 31-60 days	851,220	141,882	821,617	123,815
Past due 61-90 days	48,097	126,717	20,952	111,385
More than 90 days	212,254	178,535	131,285	76,739
Impaired	(164,126)	(139,805)	(85,096)	(51,864)
Total	1,890,927	1,869,112	1,725,832	1,722,670

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

Liquidity risk

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

Lockhart River Aboriginal Shire Council is exposed to liquidity risk through its normal course of business.

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

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

Consolidated		0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
		\$	\$	\$	\$	\$
2016						
Trade and other payables		1,703,707	302,055	-	2,005,762	2,005,762
		1,703,707	302,055	-	2,005,762	2,005,762
2015						
Trade and other payables		2,084,755	-	-	2,084,755	2,084,755
		2,084,755	-	-	2,084,755	2,084,755

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016
Council

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2016					
Trade and other payables	1,624,074	302,055	-	1,926,129	1,926,129
	1,624,074	302,055	-	1,926,129	1,926,129
2015					
Trade and other payables	2,002,977	-	-	2,002,977	2,002,977
	2,002,977	-	-	2,002,977	2,002,977

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.

Sensitivity

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

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

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
	\$	\$	\$	\$	\$
Consolidated					
2016					
QTC cash fund	6,764,075	67,641	(67,641)	67,641	(67,641)
Commonwealth Bank	31,893	319	(319)	319	(319)
Macquarie Bank cash fund	544,828	5,448	(5,448)	5,448	(5,448)
Net total	7,340,796	73,408	(73,408)	73,408	(73,408)
2015					
QTC cash fund	3,613,491	36,135	(36,135)	36,135	(36,135)
Commonwealth Bank	31,285	313	(313)	313	(313)
Macquarie Bank cash fund	682,427	6,824	(6,824)	6,824	(6,824)
Net total	4,327,203	43,272	(43,272)	43,272	(43,272)

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

	Net carrying amount \$	Effect on Net Result		Effect on Equity	
		1% increase \$	1% decrease \$	1% increase \$	1% decrease \$
Council					
2016					
QTC cash fund	6,764,075	67,641	(67,641)	67,641	(67,641)
Commonwealth Bank	31,893	319	(319)	319	(319)
Net total	6,795,968	67,960	(67,960)	67,960	(67,960)
2015					
QTC cash fund	3,613,491	36,135	(36,135)	36,135	(36,135)
Commonwealth Bank	31,285	313	(313)	313	(313)
Net total	3,644,776	36,448	(36,448)	36,448	(36,448)

Lockhart River Aboriginal Shire Council does not have any loan from any financial institution.

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.

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

28 Tied grants by project

The following note has been prepared on accruals basis.

	Balance 30/06/2015 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2016 \$
Commonwealth government grants					
Department of Education and Training					
<i>Outside School Care</i>	10,000	150,028	148,010	-	12,017
Total - DOEAT grants	10,000	150,028	148,010	-	12,017
Department of the Prime Minister and Cabinet					
<i>Family Support Services</i>	-	94,202	57,413	-	36,789
<i>Community Radio</i>	-	30,195	15,832	-	14,363
<i>Business Development-Peninsula Business Alliance</i>	-	47,000	42,726	-	4,274
Total - DOTPAC grants	-	171,397	115,971	-	55,426
Department of Health					
<i>Indigenous Primary Health Care Services</i>	-	200,271	97,784	-	102,487
<i>Mens Healing Place (capital)</i>	100,000	-	-	-	100,000
<i>National Job Creation Package</i>	-	35,398	35,398	-	-
<i>Commonwealth Home Support Programme(CHSP)</i>	-	175,163	187,992	12,882	53
<i>HACC - Transition Costs</i>	-	15,000	15,000	-	-
Total - DOHAA grants	100,000	425,832	336,174	12,882	202,540
Department of Infrastructure and Transport					
<i>Regional Aviation Access Program (RAAP)</i>	34,600	183,000	245,664	-	(28,064)
<i>Roads to Recovery (R2R)</i>	(37,271)	286,459	88,276	-	160,912
Total - DIT grants	(2,671)	469,459	333,940	-	132,848
Department of Human Services					
<i>Centrelink Agency Services</i>	-	59,860	59,860	-	-
Total - DOHS grants	-	59,860	59,860	-	-
Total - Commonwealth government	107,329	1,276,576	993,956	12,882	402,831

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28 Tied grants by project Continued

	Balance 30/06/2015 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2016 \$
State government grants					
Dept of Infrastructure, Local Government and Planning					
State Government Financial Aid	-	1,206,790	1,206,790	-	-
Indigenous Economic Development	-	88,000	88,000	-	-
Revenue Replacement Program	-	98,900	98,900	-	-
Fiscal Equalisation Grant	-	1,431,008	1,431,008	-	-
Identified Roads Grant	-	98,025	98,025	-	-
Service Delivery Fund	-	20,500	20,500	-	-
GraffitiSTOP	-	1,960	1,960	-	-
Get Ready Queensland	-	5,166	5,166	-	-
Community Resilience Funding	-	1,249,153	-	-	1,249,153
Total - DOILGAP Grants	-	4,199,502	2,950,349	-	1,249,153
Department of State Development					
Royalties For Regions (R4R)-Runway Rehabilitation	-	1,682,640	338,016	-	1,344,624
Water Park Project	-	-	11,625	-	(11,625)
Total - DOSD grants	-	1,682,640	349,641	-	1,332,999
Department of Justice and Attorney-General					
Local Justice Initiatives Program	15,940	70,000	96,258	-	(10,318)
Total - DOJAG grants	15,940	70,000	96,258	-	(10,318)
Queensland Reconstruction Authority					
NDRRA - Emergency Works	-	65,543	5,706	-	59,837
NDRRA - Restoration Works	(1,047,999)	6,050,225	5,167,570	-	(165,344)
Total NDRRA	(1,047,999)	6,115,768	5,173,276	-	(105,507)
Dept of Emergency Services					
State Emergency Services	35,582	14,662	311	-	49,933
Total - DOES grants	35,582	14,662	311	-	49,933
Department of Communities, Child Safety and Disability Services					
YARI/ Youth At Risk	(26,248)	173,234	153,801	-	(6,815)
Community Care (HACC Operations)	19,749	40,152	47,019	(12,882)	(0)
Mens' Support Services	30,198	59,156	92,272	-	(2,919)
Community Safety Planning	10,000	-	-	-	10,000
Total - DSDQ grants	33,698	272,542	293,092	12,882	266
Queensland Health					
Environmental Health & Animal Control	10,272	157,906	149,172	-	19,007
Total - QH grants	10,272	157,906	149,172	-	19,007
Department of Housing and Public Works					
Paytham Women's Shelter	84,761	274,819	339,798	-	19,782
Total - DOCCSADS grants	84,761	274,819	339,798	-	19,782

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2016

28 Tied grants by project Continued

	Balance 30/06/2015 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2016 \$
Department of Transport and Main Roads					
<i>ATSI TIDS -Improve Drainage- Main Access Road</i>	-	2,075,247	2,078,817		(3,570)
<i>ATSI TIDS - Airport Bridge</i>	-	47,029	30,214	-	16,816
Total - DTAMR grants	-	2,122,276	2,109,030	-	13,246
Department of Education and Training					
<i>Skilling Queenslander-First Start Program</i>	-	37,500	11,323		26,177
Total - DOEAT grants	-	37,500	11,323	-	26,177
State Library of Queensland					
<i>Indigenous Knowledge Centre Grant</i>	-	9,243	34,965		(25,722)
Total - SLOQ grants	-	9,243	34,965	-	(25,722)
Total - State government	(867,746)	14,956,857	11,507,215	(12,882)	2,569,015
Total grants	(760,418)	16,233,434	12,501,171	-	2,971,845
	1,111,519		Add back over-expended grants		254,377
	351,101		Total unspent grant revenue		3,226,222

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Lockhart River Aboriginal Shire Council
Financial statements
For the year ended 30 June 2016

Management Certificate
For the year ended 30 June 2016

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 44, 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.

Mayer

Name WAYNE BUTCHER

Date: 28/10/2016

Chief Executive Officer

Name DAVID CLARKE

Date: 28/10/16

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INDEPENDENT AUDITOR'S REPORT

To the Mayor of Lockhart River Aboriginal Shire Council

Report on the Financial Report

I have audited the accompanying financial report of the Lockhart River Aboriginal Shire Council, which comprises the statements of financial position as at 30 June 2016, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Mayor and Chief Executive Officer of the Council and the consolidated entity comprising the Council and the entity it controls at the year's end and from time to time during the financial year.

The Council's Responsibility for the Financial Report

The Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Local Government Act 2009* and *Local Government Regulation 2012*, including compliance with Australian Accounting Standards. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the financial performance and cash flows of the Lockhart River Aboriginal Shire Council and the consolidated entity for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.



C G STRICKLAND CA
(as delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane