

Lockhart River Aboriginal Shire Council
Financial Statements
for the year ended 30 June 2014

Lockhart River Aboriginal Shire Council

Financial statements

For the year ended 30 June 2014

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Lockhart River Aboriginal Shire Council
Statement of Comprehensive Income
For the year ended 30 June 2014

	Note	Consolidated		Council	
		2014	2013	2014	2013
		\$	\$	\$	\$
Income					
Revenue					
Recurrent revenue					
Rates, levies and charges	3(a)	111,821	113,851	111,821	113,851
Rental income	3(b)	681,075	659,102	673,279	649,629
Interest received	3(c)	72,354	132,112	54,713	107,569
Sales revenue	3(d)	3,807,880	1,405,258	2,901,423	772,829
Other income	3(e)	244,557	116,188	244,557	115,167
Grants, subsidies, contributions and donations	4(a)	4,047,348	7,130,731	4,047,348	6,955,731
		<u>8,965,035</u>	<u>9,557,242</u>	<u>8,033,141</u>	<u>8,714,776</u>
Capital revenue					
Grants, subsidies, contributions and donations	4(b)	2,902,488	1,151,010	2,902,488	1,151,010
Total revenue		<u>11,867,523</u>	<u>10,708,252</u>	<u>10,935,629</u>	<u>9,865,786</u>
Capital income	5	24,502	(39,084)	24,502	(43,175)
Total income		<u>11,892,025</u>	<u>10,669,168</u>	<u>10,960,131</u>	<u>9,822,611</u>
Expenses					
Recurrent expenses					
Employee benefits	6	(4,203,082)	(4,710,608)	(3,723,923)	(4,216,879)
Materials and services	7	(3,971,537)	(4,517,382)	(3,554,770)	(4,310,333)
Finance costs	8	(541)	(148)	3,514	4,648
Depreciation and amortisation	9	(2,440,819)	(2,457,911)	(2,121,477)	(2,130,461)
		<u>(10,615,979)</u>	<u>(11,686,049)</u>	<u>(9,396,657)</u>	<u>(10,653,025)</u>
Capital expenses	10	(8,783,349)	—	(8,783,349)	—
Total expenses		<u>(19,399,329)</u>	<u>(11,686,049)</u>	<u>(18,180,006)</u>	<u>(10,653,025)</u>
Net result		<u>(7,507,304)</u>	<u>(1,016,881)</u>	<u>(7,219,875)</u>	<u>(830,414)</u>
Other comprehensive income					
Items that will not be reclassified to net result					
Increase / (decrease) in asset revaluation surplus		772,824	(115,258)	537,960	(115,258)
Total other comprehensive income for the year		<u>772,824</u>	<u>(115,258)</u>	<u>537,960</u>	<u>(115,258)</u>
Total comprehensive income for the year		<u>(6,734,480)</u>	<u>(1,132,139)</u>	<u>(6,681,915)</u>	<u>(945,673)</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 2014

Note	Consolidated			Council		
	2014	2013	1 July 2012 *	2014	2013	1 July 2012 *
	\$	\$	\$	\$	\$	\$
Current assets						
Cash and cash equivalents	11	3,104,374	4,316,375	4,070,671	2,394,262	3,434,241
Trade and other receivables	12	1,156,633	727,752	6,252,209	1,015,248	616,866
Inventories	13	278,082	223,002	213,798	158,423	110,312
Other financial assets	14	143,619	-	-	143,619	-
Total current assets		<u>4,682,708</u>	<u>5,267,129</u>	<u>10,536,678</u>	<u>4,161,419</u>	<u>9,478,204</u>
Non-current assets						
Other financial assets	14	5,551,946	-	-	5,551,946	-
Investments	15	-	-	-	100	100
Property, plant and equipment	16	52,118,091	63,566,469	65,152,845	46,363,282	57,741,332
Total non-current assets		<u>57,670,037</u>	<u>63,566,469</u>	<u>65,152,845</u>	<u>51,915,328</u>	<u>59,006,541</u>
Total assets		<u>62,352,745</u>	<u>68,833,598</u>	<u>75,689,523</u>	<u>56,076,747</u>	<u>68,484,745</u>
Current liabilities						
Trade and other payables	18	1,351,719	1,129,849	6,839,953	1,432,733	1,039,436
Provisions	19	96,701	69,753	119,705	86,589	55,665
Total current liabilities		<u>1,448,420</u>	<u>1,199,602</u>	<u>6,959,658</u>	<u>1,519,322</u>	<u>1,095,101</u>
Non-current liabilities						
Trade and other payables	18	15,605	-	-	-	-
Provisions	19	105,072	115,870	79,600	94,593	112,873
Total non-current liabilities		<u>120,677</u>	<u>115,870</u>	<u>79,600</u>	<u>94,593</u>	<u>112,873</u>
Total liabilities		<u>1,569,097</u>	<u>1,315,471</u>	<u>7,039,258</u>	<u>1,613,915</u>	<u>1,207,974</u>
Net community assets		<u>60,783,647</u>	<u>67,518,127</u>	<u>68,650,265</u>	<u>54,462,832</u>	<u>67,276,771</u>
Community equity						
Asset revaluation surplus	20	31,478,512	30,705,688	30,820,946	28,764,553	28,226,593
Retained surplus/(deficiency)	21	29,305,135	36,812,439	35,748,289	25,248,412	32,468,286
Reserves	22	-	-	2,081,030	-	-
Total community equity		<u>60,783,647</u>	<u>67,518,127</u>	<u>68,650,265</u>	<u>54,012,965</u>	<u>60,694,879</u>

* Council has made a retrospective restatement as a consequence of a correction of an error and therefore, in accordance with AASB 101 has presented a Statement of Financial Position as at the beginning of the comparative period i.e. as at 1 July 2012. Details are disclosed in Note 16 and 28.

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 2014

Consolidated

	Note	Asset revaluation surplus 20 \$	Retained surplus 21 \$	Reserves 22 \$	Total \$
Balance as at 1 July 2013		30,705,688	36,812,439	-	67,518,127
Net result		-	(7,507,304)	-	(7,507,304)
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		772,824		-	772,824
Total comprehensive income for the year		772,824	(7,507,304)	-	(6,734,480)
Balance as at 30 June 2014		31,478,512	29,305,135	-	60,783,647
Balance as at 30 June 2012		30,820,946	33,790,389	2,081,030	66,692,365
Effect of correction of error	28	-	1,957,900	-	1,957,900
Restated balances at 1 July 2012		30,820,946	35,748,289	2,081,030	68,650,265
Net result		-	(1,016,881)	-	(1,016,881)
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		(115,258)	-	-	(115,258)
Total comprehensive income for the year		(115,258)	(1,016,881)	-	(1,132,139)
Transfers to and from reserves					
Transfers from reserves		-	2,081,030	(2,081,030)	-
Total transfers to and from reserves		-	2,081,030	(2,081,030)	-
Balance as at 30 June 2013		30,705,688	36,812,439	-	67,518,127

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 2014

Council

		Asset revaluation surplus	Retained Surplus	Reserves	Total
	Note	20	21	22	
		\$	\$	\$	\$
Balance as at 1 July 2013		28,226,593	32,468,286	-	60,694,879
Net operating surplus		-	(7,219,875)	-	(7,219,875)
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		537,960	-	-	537,960
Total comprehensive income for the year		537,960	(7,219,875)	-	(6,681,915)
Balance as at 30 June 2014		28,764,553	25,248,411	-	54,012,964
Balance as at 30 June 2012		28,341,851	29,259,770	2,081,030	59,682,651
Effect of correction of error	28	-	1,957,900	-	1,957,900
Restated balances at 1 July 2012		28,341,851	31,217,670	2,081,030	61,640,551
Net operating surplus		-	(830,414)	-	(830,414)
Other comprehensive income for the year					
Increase / (decrease) in asset revaluation surplus		(115,258)	-	-	(115,258)
Total comprehensive income for the year		(115,258)	(830,414)	-	(945,672)
Transfers to and from reserves*					
Transfers from reserves		-	2,081,030	(2,081,030)	-
Total transfers to and from reserves		-	2,081,030	(2,081,030)	-
Balance as at 30 June 2013		28,226,593	32,468,286	-	60,694,879

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

***Transfers to and from reserves**

Council's cash and cash equivalents are subject to a number of external restrictions that limit the amount that is available for discretionary or future use. In prior years Council accounted for these restrictions using a system of reserves.

On 22 May 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system.

All existing reserve balances were transferred to retained surplus on that date. Further information is supplied in note 22.

Lockhart River Aboriginal Shire Council
Statement of Cash Flows
For the year ended 30 June 2014

	Note	Consolidated		Council	
		2014	2013	2014	2013
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from customers		3,588,573	7,150,549	2,712,616	6,519,108
Payments to suppliers and employees		(7,976,614)	(14,951,925)	(6,917,349)	(14,158,784)
		<u>(4,388,042)</u>	<u>(7,801,375)</u>	<u>(4,204,733)</u>	<u>(7,639,676)</u>
Interest received		72,354	132,112	54,713	107,569
Rental income		681,075	659,102	673,279	649,629
Non capital grants and contributions		4,047,348	7,130,731	4,047,348	6,955,731
Net cash inflow (outflow) from operating activities	27	<u>412,735</u>	<u>120,570</u>	<u>570,607</u>	<u>73,253</u>
Cash flows from investing activities					
Payments for property, plant and equipment	16	(4,635,139)	(1,029,966)	(4,620,991)	(1,023,785)
Finance leases receipts		50,860		50,860	
Proceeds from sale of property plant and equipment		57,056	4,091	57,056	
Grants, subsidies, contributions and donations		2,902,488	1,151,010	2,902,488	1,151,010
Net cash inflow (outflow) from investing activities		<u>(1,624,734)</u>	<u>125,133</u>	<u>(1,610,586)</u>	<u>127,225</u>
Net increase (decrease) in cash and cash equivalents held		<u>(1,211,999)</u>	<u>245,703</u>	<u>(1,039,980)</u>	<u>200,478</u>
Cash and cash equivalents at the beginning of the financial year		4,316,374	4,070,671	3,434,241	3,233,763
Cash and cash equivalents at end of the financial year	11	<u>3,104,375</u>	<u>4,316,374</u>	<u>2,394,262</u>	<u>3,434,241</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 2014

1 Significant accounting policies

1.A Basis of preparation

These general purpose financial statements are for the period 1 July 2013 to 30 June 2014 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 the revaluation of certain non-current assets.

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 2014 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.O and Note 15.

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 2014

1.G Adoption of new and revised Accounting Standards

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. The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies. However the Application of AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* for the first time this year has resulted in greater disclosures.

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

	Effective for annual report periods beginning on or after:
AASB 9 <i>Financial Instruments</i> (December 2010)	1 January 2018
AASB 10 <i>Consolidated Financial Statements</i>	1 January 2014
AASB 11 <i>Joint Arrangements</i>	1 January 2014
AASB 12 <i>Disclosure of interests in other entities</i>	1 January 2014
AASB 127 <i>Separate Financial Statements</i> (replaces the existing standard together with AASB 10)	1 January 2014
AASB 128 <i>Investments in Associates and Joint Ventures</i> (replaces the existing standard)	1 January 2014
AASB 1055 <i>Budgetary Reporting</i>	1 July 2014
2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2009)	1 January 2015
AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	1 January 2015
AASB 2011-7 <i>Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards</i>	1 January 2014
AASB 2012-3 <i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i> [AASB 132]	1 January 2014
AASB 2013-1 <i>Amendments to AASB 1049 - Relocation of Budgetary Reporting Requirements</i>	1 July 2014
AASB 2013-3 <i>Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
AASB 2013-4 <i>Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting</i> [AASB 139]	1 January 2014
AASB 2013-5 <i>Amendments to Australian Accounting Standards – Investment Entities</i> [AASB 1, AASB 3, AASB 7, AASB 10, AASB 12, AASB 107, AASB 112, AASB 124, AASB 127, AASB 132, AASB 134 & AASB 139]	1 January 2014
AASB 2013-6 <i>Amendments to AASB 136 arising from Reduced Disclosure Requirements</i>	1 January 2014
AASB 2013-7 <i>Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders</i> [AASB 1038]	1 January 2014
AASB 2013-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities</i> [AASB 10, AASB 12 & AASB 1049]	1 January 2014
AASB2013-9 <i>Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments</i> [Operative dates: Part A Conceptual Framework – 20 Dec 2013; Part B Materiality – 1 Jan 2014; Part C Financial Instruments – 1 Jan 2015]	Refer Title column
Interpretation 21 <i>Leases</i>	1 January 2014

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

AASB 9 Financial Instruments (effective from 1 January 2018)

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.O), at fair value. Had this requirement been adopted at 30 June 2014, management estimate that the fair value of this investment would have been \$6.77m in the Council's separate statement of financial position. There would also have been a corresponding gain recognised in other comprehensive income. There would have been no financial impact on the consolidated financial statements.

Consolidation Standards

The following accounting standards apply to Lockhart River Aboriginal Shire Council as from reporting periods beginning on or after 1 January 2014:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 127 Separate Financial Statements
- AASB 128 Investments in Associates and Joint Ventures
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
- AASB 2013-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities

These standards aim to improve the accounting requirements for consolidated financial statements, joint arrangements and off balance sheet vehicles.

AASB10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into another entity's financial statements. The Lockhart River Aboriginal Shire Council has reviewed the entity with which Council has a relationship and has determined that Lockhart River Aerodrome Company Pty Ltd was previously considered to be controlled by Council and will now continue to come within the definition of control. There will be no change as the Company has previously been consolidated to the financial statements of the Council.

AASB 11 deals with the concept of joint control and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. The Lockhart River Aboriginal Shire Council has no joint arrangement therefore no changes are anticipated.

AASB 12 contains the disclosure requirements for interests in other entities including unconsolidated structured entities. The Council had none at year end except for the already consolidated Lockhart River Aerodrome Company Pty Ltd.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

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.

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.P, Note 16 and Note 17

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

Provisions - Note 1.T and Note 19

Valuation of finance leases - Note 1.R and Note 17

Contingent liabilities - Note 24.

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. In the financial year ended 30 June 2013, and previous years, an equivalent amount was transferred from retained surplus to the relevant reserve until the funds were expended. Unspent non-reciprocal capital grants were placed in the Unspent capital grants reserve. On 22 May 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. Restrictions that have been placed on Council's cash and cash equivalents are now disclosed in Note 11.

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 did not receive any non-cash contributions during the financial year.

Rental income

Rental revenue from investment and other property 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 2014

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.N)

Financial liabilities

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

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 30.

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 maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

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. The amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the effective interest rate.

All known bad debts were written-off at 30 June. Subsequent recoveries of amounts previously written off in the same period are recognised as finance costs in the Statement of Comprehensive Income. 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.

The Council does not provide loans to community residents for compassionate and emergent needs, hence no lending policy is maintained.

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 Other financial assets

Refer to Note 1.R for the accounting policy relating to finance lease assets.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

1.O 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 2014 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, is accounted for at cost in the Council's separate financial statements. This investment is eliminated in the financial statements of the economic entity upon consolidation. Lockhart River Aboriginal Shire Council holds 100% of the shares in the controlled entity.

1.P Property, plant and equipment

Each class of property, plant and equipment is stated at cost or fair value less, where applicable, any accumulated depreciation and accumulated impairment loss. 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.

Capital and operating expenditure

Wage and materials expenditure incurred for the acquisition or construction of assets are treated as capital expenditure. 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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

Valuation

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

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.

An analysis performed by management has indicated that, on average, the variance between an indexed asset value and the valuation by an independent valuer when performed is not significant and the indices used by Council are sound. Further details in relation to valuers, the methods of valuation and the key assumptions used are disclosed in Note 17.

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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

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 net cost or revalued amount of each depreciable asset, less its estimated residual value, progressively over its estimated useful life to the Council. Management believe that the straight-line basis appropriately reflects the pattern of consumption of all Council assets.

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 components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate. Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the Council.

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

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 16.

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 financial lease over the asset. The Lockhart River Aboriginal Shire Council currently does not have any such land holdings.

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

The Council is located on land assigned to it under a Deed of Grant in Trust (DOGIT) under Section 34I 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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

1.Q 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.

An impairment loss is recognised as an expense in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation surplus increase.

1.R 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

On 21 February 2014, the Council leased 51 dwellings as lessor to the Queensland Government for 40 years. The total lease payment per dwelling in the current year was \$2,800. These lease payments are required to be adjusted each year by the change in the Consumer Price Index (All Groups) for Brisbane. As the gross lease payments are insufficient to cover the fair value (depreciated replacement cost) of the leased properties, there is no interest rate implicit in the leases and therefore no finance income will arise from the leases. Consequently, the leases are recognised at the present value of the expected future lease payments receivable (fair value). Gains on revaluation of finance lease assets are recognised as other income.

There is nil unearned finance income, unguaranteed residual values accruing to the benefit of Council, accumulated allowance for uncollectible minimum lease payments receivable or contingent rents recognised as income applicable to the leases.

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.S 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 2014

1.7 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 18 as a payable.

Annual leave

A liability for annual leave is recognised. Amounts expected to be settled within 12 months (the current portion) are calculated on current wage and salary levels and includes related employee on-costs. Amounts not expected to be settled within 12 months (the non-current portion) 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 18 as a payable.

Sick leave

Council has no obligation to pay sick leave on termination to employees and therefore no liability has been recognised.

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 25.

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 or other associated 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 19 as a provision.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

1.U 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.

1.V Retained surplus

In reference to the comparative figures for the year ended 30 June 2013, this represents the amount of Council's net funds not set aside in reserves to meet specific future needs.

1.W Reserves

Council's cash and cash equivalents are subject to a number of external restrictions that limit the amount that is available for discretionary or future use. In prior years Council accounted for these restrictions using a system of reserves.

On 22 May 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system. External restrictions that have been placed on Council's cash and cash equivalents are now disclosed in Note 11.

1.X 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.Y 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. The Council performs only a custodian role in respect of these monies and because the monies cannot be used for Council purposes, they are not considered revenue nor brought to account in the financial statements.

The monies are disclosed in the notes to the financial statements for information purposes only in Note 26.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

1.2 Taxation

Income of local authorities and public authorities is 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.

The controlled entity of the Council pays an income tax equivalent to the Council in accordance with the requirements of the *Local Government Act 2009*.

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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

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

This includes the construction and maintenance of roads and other infrastructure, recoverable and private works and the maintenance of plant, equipment and vehicles.

Community Development and Services

Community services and facilities including cultural, health, welfare, environmental and recreational services and projects, child care, substance abuse and other community programs.

Corporate Services

The support functions of management of the Council's finance, information technology, library services, bank agency, postal services, centrelink services, human resources services, housing and general administration.

Governance and Leadership

This comprises the support for the Mayor and Councillors, Council and committee meetings and statutory requirements.

Environmental Management

Providing water and sewerage services, refuse collection and disposal services, pest control, management of feral animals and other environmental issues.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

- 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 2014															
Functions	Gross program income						Elimination of inter-function transactions	Total income	Gross program expenses		Elimination of inter-function transactions	Total expenses	Net result from recurrent operations	Net Result	Assets
	Recurrent			Capital					Recurrent	Capital					
	Grants	Other	Grants	Other	Grants	Other									
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Engineering Services	189,824	2,830,888	1,434,189	-	-	-	4,454,900	(3,215,432)	-	-	-	(3,215,432)	(194,721)	1,239,468	8,376,651
Community Development	1,467,303	2,264	-	-	-	-	1,469,566	(1,580,225)	-	-	-	(1,580,225)	(110,659)	(110,659)	-
Corporate Services	2,244,643	1,177,145	1,468,299	-	-	-	4,890,088	(3,059,327)	(8,783,349)	-	-	(11,842,676)	362,462	(6,952,588)	40,801,036
Governance & Leadership	-	-	-	-	-	-	-	(844,931)	-	-	-	(844,931)	(844,931)	(844,931)	-
Environmental Management	145,578	-	-	-	-	-	145,578	(696,743)	-	-	-	(696,743)	(551,165)	(551,165)	6,449,192
Total Council	4,047,348	4,010,297	2,902,488	-	-	-	10,960,132	(9,396,658)	(8,783,349)	-	-	(18,180,007)	(1,339,013)	(7,219,875)	55,626,880
Controlled entity net of eliminations	-	1,265,611	165,000	-	(498,717)	-	931,894	(1,718,040)	-	-	498,717	(1,219,323)	(452,429)	(287,429)	6,725,865
Total consolidated	4,047,348	5,275,908	3,067,488	-	(498,717)	-	11,892,026	(11,114,698)	(8,783,349)	-	498,717	(19,399,330)	(1,791,442)	(7,507,304)	62,352,745

Year ended 30 June 2013														
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	
	Recurring		Capital				Recurring	Capital						
	Grants	Other	Grants	Other										
	2013	2013	2013	2013										2013
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	
Engineering Services	2,512,701	701,427	-	-	-	3,214,128	(3,410,879)	-	-	(3,410,879)	(2,709,452)	(196,751)	6,826,364	
Community Development	1,226,863	7,728	-	-	-	1,234,592	(1,830,317)	-	-	(1,830,317)	(1,822,589)	(595,725)	-	
Corporate Services	2,798,022	1,006,715	1,151,010	-	-	4,955,747	(3,460,551)	-	-	(3,460,551)	(2,453,836)	1,495,196	48,475,216	
Governance & Leadership	-	-	-	-	-	-	(748,480)	-	-	(748,480)	(748,480)	(748,480)	-	
Environmental Management	418,146	-	-	-	-	418,146	(1,202,800)	-	-	(1,202,800)	(1,202,800)	(784,654)	6,601,271	
Total Council	6,955,732	1,715,870	1,151,010	-	-	9,822,613	(10,653,027)	-	-	(10,653,027)	(8,937,156)	(830,414)	61,902,851	
Controlled entity net of eliminations	175,000	1,214,202	-	-	(542,645)	846,557	(1,575,669)	-	542,645	(1,033,024)	(361,467)	(186,467)	6,930,747	
Total consolidated	7,130,732	2,930,072	1,151,010	-	(542,645)	10,669,170	(12,228,696)	-	542,645	(11,686,051)	(9,298,623)	(1,016,881)	68,833,598	

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
3 Revenue analysis				
(a) Rates, levies and charges				
General rates	111,821	113,851	111,821	113,851
	<u>111,821</u>	<u>113,851</u>	<u>111,821</u>	<u>113,851</u>
(b) Rental income				
Other rental income	681,075	659,102	673,279	649,629
	<u>681,075</u>	<u>659,102</u>	<u>673,279</u>	<u>649,629</u>
(c) Interest received				
Interest received from term deposits	61,437	109,481	43,796	84,938
Other sources	10,917	22,631	10,917	22,631
	<u>72,354</u>	<u>132,112</u>	<u>54,713</u>	<u>107,569</u>
(d) Sales revenue				
Sale of services				
Contract and recoverable works	2,789,139	660,906	2,789,139	660,906
Accommodation	25,863	27,000	25,863	27,000
External plant hire	1,899	16,559	1,899	16,559
Motor vehicle repairs	38,870	23,962	38,870	23,962
	<u>2,855,771</u>	<u>728,427</u>	<u>2,855,771</u>	<u>728,427</u>
Sale of goods				
Gas bottles	35,069	33,463	35,069	33,463
Post office	10,583	10,939	10,583	10,939
Other sales	906,457	632,429	-	-
	<u>952,109</u>	<u>676,831</u>	<u>45,652</u>	<u>44,402</u>
Total sales revenue	<u>3,807,880</u>	<u>1,405,258</u>	<u>2,901,423</u>	<u>772,829</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	5,725	5,297	5,725	5,297
Capital revenue - Leased assets	111,992	-	111,992	-
Gain on revaluation of finance leases	34,812	-	34,812	-
Other income	92,028	110,891	92,028	109,870
	<u>244,557</u>	<u>116,188</u>	<u>244,557</u>	<u>115,167</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
4 Grants, subsidies, contributions and donations				
(a) Recurrent				
General purpose grants	2,162,813	2,893,108	2,162,813	2,893,108
State government subsidies and grants	1,370,046	3,393,840	1,370,046	3,218,840
Commonwealth government subsidies and grants	512,489	837,784	512,489	837,784
Donations	2,000	6,000	2,000	6,000
	<u>4,047,348</u>	<u>7,130,731</u>	<u>4,047,348</u>	<u>6,955,731</u>
(b) Capital				
State government subsidies and grants	2,902,488	1,151,010	2,902,488	1,151,010
	<u>2,902,488</u>	<u>1,151,010</u>	<u>2,902,488</u>	<u>1,151,010</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	68,939	2,093,312	68,939	2,093,312
Non-reciprocal grants for expenditure on infrastructure	484,169	53,235	484,169	53,235
	<u>553,108</u>	<u>2,146,547</u>	<u>553,108</u>	<u>2,146,547</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	73,240	96,615	73,240	96,615
Non-reciprocal grants for expenditure on infrastructure	115,215	149,544	115,215	149,544
	<u>188,455</u>	<u>246,159</u>	<u>188,455</u>	<u>246,159</u>
5 Capital Income				
Gain / loss on disposal of non-current assets				
Proceeds from the sale of property, plant and equipment	57,056	(39,084)	57,056	(43,175)
Less: Book value of property, plant and equipment disposed of	(32,555)	-	(32,555)	-
Total capital income	<u>24,502</u>	<u>(39,084)</u>	<u>24,502</u>	<u>(43,175)</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

		Consolidated		Council	
		2014	2013	2014	2013
		\$	\$	\$	\$
6 Employee benefits					
Total staff wages and salaries		3,230,535	3,630,576	2,789,210	3,177,115
Councillors' remuneration		274,669	268,432	274,669	268,432
Annual, sick and long service leave entitlements		343,461	360,257	343,461	360,257
Superannuation	25	364,842	413,924	327,008	373,656
		4,213,507	4,673,189	3,734,348	4,179,460
Other employee related expenses		78,573	79,104	78,573	79,104
		4,292,080	4,752,293	3,812,921	4,258,564
Less: Capitalised employee expenses		(88,998)	(41,685)	(88,998)	(41,685)
		4,203,082	4,710,608	3,723,923	4,216,879

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

Total Council employees at the reporting date:

Elected members	5	5	5	5
Administration staff	74	85	66	77
Total full time equivalent employees	79	90	71	82

7 Materials and services

Administration supplies and consumables	1,125,916	1,703,574	977,268	1,691,703
Audit of annual financial statements by the Auditor-General of Queensland	92,671	92,088	70,556	70,375
Communications and IT	121,735	208,116	91,832	160,591
Consultants	110,212	65,319	110,212	65,319
Contractors	-	25,656	-	25,656
Donations paid	13,658	14,856	13,658	14,856
Power	112,950	103,610	86,828	70,977
Repairs and maintenance	1,809,510	1,790,803	1,649,247	1,722,909
Rentals - operating leases	36,000	35,400	36,000	35,400
Subscriptions and registrations	29,263	6,038	29,263	6,038
Insurance	351,049	311,846	340,845	293,443
Legal fees	9,418	11,210	9,418	11,210
Travel	134,120	134,471	123,473	132,644
Other materials and services	25,036	14,395	16,171	9,212
	3,971,537	4,517,382	3,554,770	4,310,333

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

		Consolidated		Council	
		2014	2013	2014	2013
		\$	\$	\$	\$
8 Finance costs					
Finance costs charged by the Queensland Treasury Corporation		1,306	2,150	1,306	2,150
Bank charges		6,747	7,607	2,692	2,811
Impairment of debts	12	(7,511)	(9,609)	(7,511)	(9,609)
		<u>541</u>	<u>148</u>	<u>(3,514)</u>	<u>(4,648)</u>
9 Depreciation and amortisation					
Depreciation of non-current assets					
Buildings		413,777	406,918	351,618	344,759
Housing		797,844	941,512	797,844	941,512
Plant and equipment		324,800	283,582	303,212	258,135
Furniture and office equipment		79,846	80,480	52,888	49,272
Road, drainage and bridge network		483,449	373,890	306,602	197,043
Water		162,111	167,936	138,964	144,789
Sewerage		109,976	110,643	106,794	107,461
Other infrastructure assets		69,014	67,801	63,555	62,342
Total depreciation and amortisation	16	<u>2,440,819</u>	<u>2,432,763</u>	<u>2,121,477</u>	<u>2,105,313</u>
Increase in depreciation charge - newly identified roads	28	-	25,148	-	25,148
Total depreciation and amortisation		<u>2,440,819</u>	<u>2,457,911</u>	<u>2,121,477</u>	<u>2,130,461</u>
10 Capital expenses					
Book value of property, plant and equipment transferred	16	14,382,969	-	14,382,969	-
Less: Initial recognition of finance leases		(5,599,620)	-	(5,599,620)	-
		<u>8,783,349</u>	<u>-</u>	<u>8,783,349</u>	<u>-</u>
Total capital expenses		<u>8,783,349</u>	<u>-</u>	<u>8,783,349</u>	<u>-</u>
11 Cash and cash equivalents					
Cash at bank and on hand		447,770	1,278,674	302,878	1,181,168
Deposits at call		2,656,604	3,037,700	2,091,384	2,253,072
Balance per Statement of Cash Flows		<u>3,104,374</u>	<u>4,316,375</u>	<u>2,394,262</u>	<u>3,434,241</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		906,563	2,392,707	741,563	2,392,707
Total unspent restricted cash		<u>906,563</u>	<u>2,392,707</u>	<u>741,563</u>	<u>2,392,707</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+.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

12 Trade and other receivables

Current

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trade debtors	918,206	689,848	780,969	578,962
Less impairment	(33,608)	(41,119)	(33,608)	(41,119)
Accrued revenue	272,035	79,023	267,887	79,023
	<u>1,156,633</u>	<u>727,752</u>	<u>1,015,248</u>	<u>616,866</u>

No interest is charged on trade debtors.

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

Opening balance at 1 July	41,118	50,727	41,118	50,727
Impairment debts written off during the year	-	-	-	-
Additional impairments recognised	-	-	-	-
Impairments reversed	(7,511)	(9,609)	(7,511)	(9,609)
Closing balance at 30 June	<u>33,607</u>	<u>41,118</u>	<u>33,607</u>	<u>41,118</u>

13 Inventories

Inventories held for sale

Fuel and motel stock	119,659	112,690	-	-
	<u>119,659</u>	<u>112,690</u>	<u>-</u>	<u>-</u>

Inventories held for distribution

Plant and equipment stores	158,423	110,312	158,423	110,312
	<u>158,423</u>	<u>110,312</u>	<u>158,423</u>	<u>110,312</u>

Total inventories

	<u>278,082</u>	<u>223,002</u>	<u>158,423</u>	<u>110,312</u>
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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
14 Other financial assets				
Current				
Finance leases	143,619	-	143,619	-
	<u>143,619</u>	<u>-</u>	<u>143,619</u>	<u>-</u>
Non-current				
Finance leases	5,551,946	-	5,551,946	-
	<u>5,551,946</u>	<u>-</u>	<u>5,551,946</u>	<u>-</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	143,619	-	143,619	-
Later than one year but not later than five years	574,476	-	574,476	-
Later than five years	4,976,400	-	4,976,400	-
	<u>5,694,496</u>	<u>-</u>	<u>5,694,496</u>	<u>-</u>
Add: Estimated contingent rent	4,975,366	-	4,975,366	-
Less: Present value adjustment	(4,974,298)	-	(4,974,298)	-
Fair value of lease payments	<u>5,695,564</u>	<u>-</u>	<u>5,695,564</u>	<u>-</u>
The fair value of lease payments are receivable as follows:				
Not later than one year	143,619	-	143,619	-
Later than one year but not later than five years	574,490	-	574,490	-
Later than five years	4,977,455	-	4,977,455	-
	<u>5,695,564</u>	<u>-</u>	<u>5,695,564</u>	<u>-</u>
Movements in finance leases were as follows:				
Opening balance	-	-	-	-
Add: Initial recognition of new leases of Council houses	5,599,620	-	5,599,620	-
Add: Initial recognition of new lease re vacant land	111,992	-	111,992	-
Less: Lease receipts	(50,860)	-	(50,860)	-
Add: Gain on revaluation	34,812	-	34,812	-
Closing balance	<u>5,695,564</u>	<u>-</u>	<u>5,695,564</u>	<u>-</u>

The calculation of fair value has included an estimate of average annual CPI increases of 3% and a discount rate of 3% of current year.

15 Investments

Interest in controlled entity Lockhart River Aerodrome Company Pty Ltd			100	100
	<u>-</u>	<u>-</u>	<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 2014

16 Property, plant and equipment

Consolidated - 30 June 2014

Basis of measurement	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
Asset values		Fair Value	Fair Value	Fair Value	Cost	Cost	Fair Value	Fair Value	Fair Value	Fair Value	Cost	
Opening gross value as at 1 July 2013		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Additions*		1,300,000	14,194,040	38,185,963	3,318,684	496,137	12,688,302	3,893,803	4,248,291	893,413	713,392	79,932,025
Disposals	5	-	-	-	436,522	43,283	-	-	-	-	4,155,334	4,635,139
Revaluation adjustment to other comprehensive income(asset revaluation surplus)	20	-	-	(16,608,134)	(211,548)	-	-	-	-	-	-	(16,819,682)
Revaluation adjustment to income (capital income)		130,000	16,502	1,098,683	-	-	1,292,525	1,731,255	557,485	11,727	-	4,838,177
Transfers between classes		-	-	-	-	-	-	-	-	-	-	-
Closing gross value as at 30 June 2014		1,430,000	15,591,226	23,125,237	3,543,659	539,420	16,880,970	5,625,058	4,805,776	923,510	120,804	72,585,660

Accumulated depreciation and impairment

Opening balance as at 1 July 2013	9	-	2,488,793	5,433,936	1,870,128	447,161	4,852,627	756,569	641,427	74,913	-	16,365,554
Depreciation provided in period		-	413,777	797,844	324,800	79,846	483,451	162,111	109,976	69,014	-	2,440,819
Depreciation on disposals	5	-	-	(2,225,165)	(178,993)	-	-	-	-	-	-	(2,404,158)
Revaluation adjustment to asset revaluation surplus	20	-	(474,414)	170,072	-	-	2,304,780	1,414,688	769,614	(119,387)	-	4,065,353
Transfers between classes		-	(8,761)	8,761	-	-	-	-	-	-	-	-
Accumulated depreciation as at 30 June 2014		-	2,419,395	4,185,448	2,015,935	527,007	7,440,858	2,333,368	1,521,017	24,540	-	20,467,569

Consolidated book value as at 30 June 2014

Residual value		1,430,000	13,171,830	18,939,789	1,527,724	12,413	9,440,112	3,291,690	3,284,760	898,970	120,804	52,118,091
Range of estimated useful life in years		Land: Not depreciated.	10 - 50	20 - 50	3 - 10	3 - 7	4 - 100	5 - 80	5 - 80	20 - 40	-	-

Additions comprise:

Renewals		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Other additions		-	1,368,450	448,725	385,300	43,283	2,440,753	-	-	-	-	4,686,511
Total additions		-	12,234	-	51,222	-	459,390	-	-	18,370	(592,588)	(51,372)
		-	1,380,684	448,725	436,522	43,283	2,900,143	-	-	18,370	(592,588)	4,635,139

16 Property, plant and equipment
Lockhart River Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2014

Consolidated - 30 June 2013

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2012

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 2013

Accumulated depreciation and impairment

Opening balance as at 1 July 2012

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 2013

Consolidated book value as at 30 June 2013

Residual value

Range of estimated useful life in years

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	
\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
1,300,000	14,094,979	38,500,401	3,131,262	476,482	7,849,787	3,806,527	4,209,909	868,413	270,171	74,507,930
-	-	-	-	-	4,766,564	-	-	-	-	4,766,564
-	-	-	6,181	-	-	-	-	-	1,023,787	1,029,968
-	-	(314,438)	(58,000)	-	-	-	-	-	-	(372,438)
-	-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-	-
-	99,061	-	239,241	19,655	71,951	87,276	36,382	25,000	(580,566)	-
1,300,000	14,194,040	38,185,963	3,318,684	496,137	12,688,302	3,893,803	4,246,291	893,413	713,392	79,932,024

-	2,090,568	4,599,873	1,644,546	366,681	1,484,788	588,633	530,784	7,112	-	11,312,985
-	-	-	-	-	2,793,949	-	-	-	-	2,793,949
-	406,918	941,512	283,582	80,480	373,890	167,938	110,643	67,801	-	2,432,763
-	-	(116,142)	(58,000)	-	-	-	-	-	-	(174,142)
-	-	-	-	-	-	-	-	-	-	-
-	(8,693)	8,693	-	-	-	-	-	-	-	-
-	2,488,793	5,433,936	1,870,128	447,161	4,652,627	756,569	641,427	74,913	-	16,365,555

1,300,000	11,705,247	32,752,027	1,448,556	48,976	8,035,675	3,137,234	3,606,864	818,500	713,392	63,566,469
1,300,000	-	-	-	-	-	-	-	-	-	-
Land: Not depreciated.	10 - 50	20 - 50	3 - 10	3 - 7	4 - 100	5 - 80	5 - 80	20 - 40	-	-

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16 Property, plant and equipment
Lockhart River Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2014

Council - 30 June 2014

Note

Basis of measurement

Asset values

Opening gross value as at 1 July 2013

Additions

Disposals

5

Revaluation adjustment to other comprehensive income(asset revaluation surplus)

20

Revaluation adjustment to income (capital income)

Transfers between classes

Closing gross value as at 30 June 2014

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	
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
1,000,000	10,109,458	38,185,963	2,427,409	459,914	9,942,665	3,697,410	4,200,441	890,833	713,393	71,627,486
-	-	-	436,522	29,135	-	-	-	-	4,155,334	4,620,991
-	-	(16,608,134)	(211,548)	-	-	-	-	-	-	(16,819,682)
100,000	(87,761)	1,098,683	-	-	893,079	1,625,258	555,605	7,807	-	4,192,672
-	-	-	-	-	-	-	-	-	-	-
-	1,380,684	448,725	-	-	2,900,143	-	-	18,370	(4,747,922)	-
1,100,000	11,402,381	23,125,237	2,652,364	489,049	13,735,887	5,322,668	4,756,046	917,010	120,805	63,621,467

Accumulated depreciation and impairment

Opening balance as at 1 July 2013

Depreciation provided in period

Depreciation on disposals

5

Revaluation adjustment to asset revaluation surplus

20

Transfers between classes

Accumulated depreciation as at 30 June 2014

-	1,596,128	5,438,392	1,212,107	335,815	3,937,841	663,051	633,528	69,292	-	13,886,154
-	351,618	797,844	303,212	52,888	306,602	138,964	106,794	63,555	-	2,121,477
-	-	(2,225,165)	(178,993)	-	-	-	-	-	-	(2,404,158)
-	(501,502)	170,072	-	-	2,010,734	1,333,860	753,325	(111,778)	-	3,654,712
-	(8,761)	8,761	-	-	-	-	-	-	-	-
-	1,437,483	4,189,904	1,336,326	388,703	6,255,177	2,135,875	1,493,647	21,069	-	17,258,185

Total written down value as at 30 June 2014

Residual value

Range of estimated useful life in years

1,100,000	9,964,897	18,935,333	1,316,058	100,346	7,480,710	3,186,793	3,262,399	895,942	120,805	48,363,282
1,100,000	-	-	-	-	-	-	-	-	-	-
Land: Not depreciated.	10 - 50	20 - 50	3 - 10	3 - 7	4 - 100	5 - 80	5 - 80	20 - 40	-	-

Additions comprise:

Renewals

Other additions

Total additions

\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
-	1,368,450	448,725	385,300	29,135	2,440,753	-	-	-	-	4,672,363
-	12,234	-	51,222	-	459,390	-	-	18,370	(592,588)	(51,372)
-	1,380,684	448,725	436,522	29,135	2,900,143	-	-	18,370	(592,588)	4,620,991

16 Property, plant and equipment
Lockhart River Aboriginal Shire Council
Notes to the Financial Statements
For the year ended 30 June 2014

Council - 30 June 2013

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	
	\$	\$	\$	\$	\$	\$	\$	\$	\$		\$
	1,000,000	10,010,397	38,500,401	2,188,168	440,259	5,104,150	3,610,134	4,162,059	865,833	270,174	66,151,575
28	-	-	-	-	-	4,766,564	-	-	-	-	4,766,564
5	-	-	(314,438)	-	-	-	-	-	-	1,023,785	1,023,785
20	-	-	-	-	-	-	-	-	-	-	(314,438)
	-	-	-	-	-	-	-	-	-	-	-
	-	99,061	-	239,241	19,655	71,951	87,276	38,382	25,000	(580,566)	-
	1,000,000	10,109,458	38,185,963	2,427,409	459,914	9,942,665	3,697,410	4,200,441	890,833	713,393	71,627,486

Basis of measurement

Asset values

Opening gross value as at 1 July 2012

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 2013

Accumulated depreciation and impairment

Opening balance as at 1 July 2012

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 2013

	-	1,260,062	4,604,329	953,972	286,543	946,849	518,262	526,067	6,950	-	9,103,034
28	-	-	-	-	-	2,793,949	-	-	-	-	2,793,949
9	-	344,759	941,512	258,135	49,272	197,043	144,789	107,461	62,342	-	2,105,313
5	-	-	(116,142)	-	-	-	-	-	-	-	(116,142)
20	-	-	-	-	-	-	-	-	-	-	-
	-	(8,693)	8,693	-	-	-	-	-	-	-	-
	-	1,596,128	5,438,392	1,212,107	335,815	3,937,841	663,051	633,528	69,292	-	13,886,154

Total written down value as at 30 June 2013

Residual value

Range of estimated useful life in years

1,000,000	8,513,330	32,747,571	1,215,302	124,099	5,004,824	3,034,358	3,566,913	821,541	713,393	57,741,332
1,000,000	-	-	-	-	-	-	-	-	-	-
Land: Not depreciated.	10 - 50	20 - 50	3 - 10	3 - 7	4 - 100	5 - 80	5 - 80	20 - 40	-	-

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Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 Fair value measurements

(i) 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

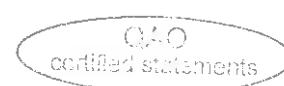
Level 2 - Fair value based on inputs that are directly or indirectly observable for the asset or liability

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 2014. Comparative information has not been provided as allowed by the transitional provisions of AASB 13 *Fair Value Measurement*



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 Fair value measurements cont.

Consolidated

At 30 June 2014

	Note	Level 2 (Significant other observable inputs)	Level 3 (Significant unobservable inputs)	Total
		\$	\$	\$
Recurring fair value measurements				
Finance leases receivable	14	-	5,695,564	5,695,564
Land	16	-	1,430,000	1,430,000
Buildings (commercial buildings)	16	-	13,171,830	13,171,830
Housing (residential buildings)	16	-	18,939,789	18,939,789
Runway, road, drainage and bridge network	16	-	9,440,112	9,440,112
Water infrastructure	16	-	3,291,690	3,291,690
Sewerage infrastructure	16	-	3,284,760	3,284,760
Other infrastructure assets	16	-	898,970	898,970
			<u>56,152,715</u>	<u>56,152,715</u>

Council

At 30 June 2014

Recurring fair value measurements

Finance leases receivable	14	-	5,695,564	5,695,564
Land	16	-	1,100,000	1,100,000
Buildings (commercial buildings)	16	-	9,964,897	9,964,897
Housing (residential buildings)	16	-	18,935,333	18,935,333
Road, drainage and bridge network	16	-	7,480,710	7,480,710
Water infrastructure	16	-	3,186,793	3,186,793
Sewerage infrastructure	16	-	3,262,399	3,262,399
Other infrastructure assets	16	-	895,942	895,942
			<u>50,521,638</u>	<u>50,521,638</u>

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, valuation team, Council and Audit committee. In this discussion a report is presented to give reasons for the fair value movements.

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

As at 30 June 2014, a comprehensive revaluation was undertaken for all assets 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>
0H/ 0M	Very high level of remaining service potential
1H/ 1M	High level of remaining service potential
2H/ 2M	Adequate level of remaining service potential
3H/ 3M	Adequate level of remaining service potential, but with some issues indicating the need for action in the short to medium term
4H/ 4M	Barely adequate level of remaining service potential requiring action to be taken in the short term
5H/ 5M	Asset is now unacceptable and must be closed or renewed
6H/ 6M	End of life

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 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 midterm.	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

Estimated cost to replace the existing land if Council had to acquire it on the open market in competition with other market participants. 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.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 Fair value measurements cont.

(iii) Valuation techniques used to derive fair values for level 2 and level 3 valuations

Council adopted AASB13 *Fair Value Measurement* for the first time this financial year and has reviewed each valuation to ensure compliance with the requirements of the new 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	Current Replacement Cost 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 10 year government bond yield rate of 3% and adjusted for the inflation rate of 3%. The 2014-15 rent and rates amount was calculated using Brisbane All Group March 2014 CPI of 105.2 on the base CPI of 104.6 prior to lease commencement on 21 February 2014. Consequently, the fair value was determined using level 3 inputs.

Land (level 3)

Land and improvements fair values were determined by independent valuer, APV Valuers effective 30 June 2014. 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)

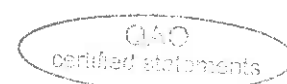
Current replacement cost

The fair value of buildings were determined by independent valuer, APV Valuers effective 30 June 2014.

All the buildings and other structures were valued using the cost approach using professionally qualified registered valuers. 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 valuations were calculated at a whole of asset level and then split into the following significant components:-

- Floor
- Floor coverings
- Envelope
- Fit-out
- Roof
- Mechanical services
- Fire services
- Other services



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 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; residual value at the time the asset is considered to be no longer available for use and the 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 estimates of residual value, 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 17 (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 17 (ii) b) above.

Fair value sensitivity to unobservable inputs

Asset	Significant unobservable input	Sensitivity to Unobservable Market inputs (%)	Relationship of unobservable inputs to fair value
Finance leases receivable	Longterm average discount rate and annual average CPI increase rate	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.
Land - Non saleable land	Cost of land restricted in use (scarcity of land sales)	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.
Buildings - Specialised buildings	Relationship between assets and consumption rating scale and level of consumed service potential	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.
	Condition of the asset	0 - 6 (100%-0%)	The higher the condition rating, the lower the fair value.
Other structures	Relationship between assets and consumption rating scale and level of consumed service potential	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.

Infrastructure assets (level 3)

All Council infrastructure assets were fair valued using written down current replacement cost. This valuation comprises the asset's current replacement cost (CRC) less accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. 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 Depreciated Replacement Cost was determined using methods relevant to the asset class as described under individual asset categories below.

Runway and roads

A full valuation of the runway and road infrastructure was carried out on 30 June 2014 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 seal (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 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.

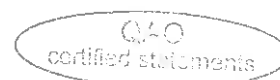
Accumulated depreciation

In determining the level of accumulated depreciation, 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 17 (ii) b) above.

Estimated useful lives and residual values are disclosed in note 16.



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 Fair value measurements cont.

Bridges

A full valuation of bridges assets was undertaken by independent valuers, APV Valuers, effective 30 June 2014.

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 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.

Accumulated depreciation

In determining the level of accumulated depreciation, remaining useful lives were determined based on condition assessments according to the table in Note 17 (ii) a) above.

Drainage and other infrastructure

A full valuation of drainage infrastructure was undertaken by independent valuers, APV Valuers, effective 30 June 2014.

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 roads.

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 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.

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 17 (ii) b) above.

Estimated useful lives and residual values are disclosed in note 16.

Runway, road, drainage and bridge network – Sensitivity to valuation to unobservable inputs

As detailed above Council's road, drainage and bridge network has been valued using written down current replacement cost. This method utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Asset	Significant unobservable input	Sensitivity to Unobservable Market Inputs (%)	Relationship of unobservable inputs to fair value
Runway, road, bridges, drainage and Other infrastructure assets	Condition of the asset	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.
	Relationship between assets and consumption rating scale and level of consumed service potential	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

17 Fair value measurements cont.

Water and sewerage

Current replacement cost

Water and sewerage infrastructure fair values were determined by independent valuers, APV Valuers effective 30 June 2014. 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 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.

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

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

Accumulated depreciation

In determining accumulated depreciation, assets 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 17 (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.

Water and sewerage infrastructure – Sensitivity of valuation to unobservable inputs

The method used to value Councils' water and sewerage assets utilises a number of inputs that require judgement and are therefore classed as unobservable. While these judgements are made with the greatest care, and based upon experience, different judgements could result in a different valuation. The table below summarises the effect that changes in the most significant unobservable inputs would have on the valuation:

Asset	Significant unobservable input	Sensitivity to Unobservable Market Inputs (%)	Relationship of unobservable inputs to fair value
Water and Sewer assets	Condition of the asset	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.
	Relationship between assets and consumption rating scale and level of consumed service potential	-2.5% - 2.5%	The higher the percentage the higher the impact on fair value.

(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 16 (property, plant and equipment) and Note 5 (capital income). There have been no transfers between level 1, 2 or 3 measurements during the year.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
18 Trade and other payables				
Current				
Creditors and accruals	996,191	708,667	1,119,771	649,798
Annual leave	255,999	306,076	231,437	276,916
GST Payable	69,343	95,319	63,469	92,935
Other entitlements	30,187	19,788	18,056	19,788
	<u>1,351,719</u>	<u>1,129,849</u>	<u>1,432,733</u>	<u>1,039,436</u>
Non-current				
Annual leave	15,605	-	-	-
	<u>15,605</u>	<u>-</u>	<u>-</u>	<u>-</u>
19 Provisions				
Current				
Long service leave	96,701	69,753	86,589	55,665
	<u>96,701</u>	<u>69,753</u>	<u>86,589</u>	<u>55,665</u>
Non-current				
Long service leave	105,072	115,870	94,593	112,873
	<u>105,072</u>	<u>115,870</u>	<u>94,593</u>	<u>112,873</u>
Details of movements in provisions:				
Long service leave				
Balance at beginning of financial year	185,622	199,305	168,537	162,612
Long service leave entitlement arising	74,731	52,555	71,225	44,122
Long Service entitlement paid	(58,580)	(66,238)	(58,580)	(38,197)
Balance at end of financial year	<u>201,774</u>	<u>185,622</u>	<u>181,182</u>	<u>168,537</u>
20 Asset revaluation surplus				
Movements in the asset revaluation surplus were as follows:				
Balance at beginning of financial year	30,705,688	30,820,946	28,226,593	28,341,851
Net adjustment to non-current assets at end of period to reflect a change in current fair value:				
Land and improvements	130,000	-	100,000	-
Buildings	490,916	-	413,741	-
Housing	928,611	(155,121)	928,611	(155,121)
Road, drainage and bridge network	(1,012,255)	39,863	(1,117,655)	39,863
Water	316,567	-	291,398	-
Sewerage	(212,128)	-	(197,720)	-
Other infrastructure assets	131,113	-	119,585	-
Balance at end of financial year	<u>31,478,512</u>	<u>30,705,688</u>	<u>28,764,553</u>	<u>28,226,593</u>

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

Note	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
Asset revaluation surplus analysis				
The closing balance of the asset revaluation surplus comprises the following asset categories:				
Land and improvements	1,130,000	1,000,000	800,000	700,000
Buildings	5,524,598	5,033,682	4,636,386	4,222,645
Housing	17,627,503	16,698,892	17,627,502	16,698,891
Road, drainage and bridge network	3,342,861	4,355,116	2,074,532	3,192,187
Water	2,422,650	2,106,083	2,245,489	1,954,091
Sewerage	1,268,562	1,480,690	1,234,552	1,432,272
Other infrastructure assets	162,338	31,225	146,092	26,507
	<u>31,478,512</u>	<u>30,705,688</u>	<u>28,764,553</u>	<u>28,226,593</u>
21 Retained surplus/(deficiency)				
Movements in the retained surplus were as follows:				
Retained surplus/(deficit) at beginning of financial year	36,812,439	33,790,389	32,468,286	29,259,770
Adjustment to opening balance	28	1,957,900	-	1,957,900
	<u>36,812,439</u>	<u>35,748,289</u>	<u>32,468,286</u>	<u>31,217,670</u>
Net result attributable to Council	(7,507,304)	(1,016,881)	(7,219,875)	(830,414)
Unspent capital works reserve	22	301,156	-	301,156
Constrained works reserve	22	1,779,874	-	1,779,874
	<u>29,305,135</u>	<u>36,812,439</u>	<u>25,248,412</u>	<u>32,468,286</u>
Retained surplus at end of financial year				
22 Reserves				
Council's cash and cash equivalents are subject to a number of external restrictions that limit the amount that is available for discretionary or future use. In prior years Council accounted for these restrictions using a system of reserves.				
On 22 May 2013, Council passed a resolution to close all existing reserves and account for these restrictions using an internal management accounting system.				
The restrictions that have been placed on Council's cash and cash equivalents are now disclosed in Note 11.				
Movements in capital reserves:				
Unspent capital works reserve				
Balance at beginning of financial year		301,156		301,156
Transfer (to)/from retained surplus for future expenditure		-		-
Transfer (to)/from retained surplus/capital funds expended in the period		-		-
Transfer to the retained surplus due to the closure of the reserve		(301,156)		(301,156)
Balance at end of financial year		<u>-</u>		<u>-</u>
Constrained works reserve				
Balance at beginning of financial year		1,779,874		1,779,874
Transfer from retained surplus for future expenditure		-		-
Transfer to the retained surplus due to the closure of the reserve		(1,779,874)		(1,779,874)
Balance at end of financial year		<u>-</u>		<u>-</u>
23 Commitments for expenditure				
Operating leases				
Minimum lease payments in relation to non-cancellable operating leases are as follows:				
Within one year	36,000	21,000	36,000	21,000
One to five years	129,000	-	129,000	-
	<u>165,000</u>	<u>21,000</u>	<u>165,000</u>	<u>21,000</u>
24 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 2014 the financial statements reported an accumulated surplus and it is not anticipated any liability will arise.				

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

25 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 2012. The actuary indicated that "the Regional DBF is currently in a satisfactory but modest financial position and remains vulnerable to adverse short and medium term experience."

Following the previous actuarial assessment in 2009, councils were advised by the trustee of the scheme, following advice from the scheme's actuary, that additional contributions may be imposed in the future at a level necessary to protect the entitlements of Regional DBF members. In the 2012 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 71 councils contributing to the Regional DBF plan and any changes in contribution rates would apply equally to all 71 councils. Lockhart River Aboriginal Shire Council made less than 4% of the total contributions to the plan in the 2013-14 financial year.

The next actuarial investigation will be conducted as at 1 July 2015.

Note	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
The amount of superannuation contributions paid by Council to the scheme in this period for the benefit of employees was:				
6	364,842	413,924	327,008	373,656

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
26 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
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

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.

27 Reconciliation of net result for the year to net cash inflow (outflow) from operating activities

Net result	(7,507,304)	(1,016,881)	(7,219,875)	(830,414)
Non-cash items:				
Depreciation and amortisation	2,440,819	2,457,911	2,121,477	2,130,461
Capital revenue - leased vacant land	(111,992)	-	(111,992)	-
Impairment provision for doubtful debts	(7,511)	(9,609)	(7,511)	(9,609)
Gain on revaluation of finance leases	(34,812)	-	(34,812)	-
	<u>2,286,503</u>	<u>2,448,302</u>	<u>1,967,161</u>	<u>2,120,852</u>
Investing and development activities:				
Net (profit)/loss on disposal of non-current assets	(24,502)	39,084	(24,502)	43,175
Loss on transferring assets via finance lease	8,783,349	-	8,783,349	-
Capital grants and contributions	(2,902,488)	(1,151,010)	(2,902,488)	(1,151,010)
	<u>5,856,359</u>	<u>(1,111,926)</u>	<u>5,856,359</u>	<u>(1,107,835)</u>
Changes in operating assets and liabilities:				
(Increase)/ decrease in receivables	(421,370)	5,534,066	(390,871)	5,523,513
(Increase)/decrease in inventory	(55,080)	(9,204)	(48,111)	3,358
Increase/(decrease) in payables	221,870	(5,710,104)	393,297	(5,642,146)
Increase/(decrease) in other provisions	31,756	(13,683)	12,645	5,925
	<u>(222,824)</u>	<u>(198,925)</u>	<u>(33,040)</u>	<u>(109,350)</u>
Net cash inflow from operating activities	<u>412,735</u>	<u>120,570</u>	<u>570,607</u>	<u>73,253</u>

28 Correction of error

In the process of valuing the Council's assets at 30 June 2014, it was discovered that certain roads had been omitted from previous financial reports. This error has been corrected by adjusting the opening balances at 1 July 2012 and the comparative amounts for 2012-13. The adjustments are as follows:

	As at 30 June 2013	As at 1 July 2012	As at 30 June 2013	As at 1 July 2012
Gross value of roads added	4,766,564	4,726,701	4,766,564	4,726,701
Accumulated depreciation	(2,793,949)	(2,768,801)	(2,793,949)	(2,768,801)
Net value	<u>1,972,615</u>	<u>1,957,900</u>	<u>1,972,615</u>	<u>1,957,900</u>
	Year ended 30 June 2014	Year ended 30 June 2013	Year ended 30 June 2014	Year ended 30 June 2013
Increase in depreciation charge	-	25,148	-	25,148
Decrease in net result attributable to Council	-	25,148	-	25,148
Increase in property, plant and equipment	-	1,972,615	-	1,972,615
Increase in retained surplus	-	1,972,615	-	1,972,615

The depreciation charge for the year ended 30 June 2014 was calculated after the error was discovered and therefore did not need correction.

A restated Statement of Financial Position has been included in the financial statements as at 1 July 2012.

29 Events after the reporting period

There were no material adjusting events after the balance date

On 29 July 2014 the Council entered into a Deed of Agreement to Lease and Deed of Agreement to Construct over 12 existing social houses with the Department of Aboriginal and Torres Islander and Multicultural Affairs. This is expected to be finalised with a formal 40 years lease agreement although the timing remains uncertain at this time. Once finalised, Council would expect to incur a loss of approximately \$4m in respect of this arrangement.

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

30 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 investments and 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*.

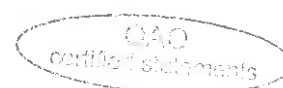
No collateral is held as security relating to the financial assets held by Lockhart River Aboriginal Shire Council.

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:

	Note	Consolidated		Council	
		2014	2013	2014	2013
Financial assets		\$	\$	\$	\$
Cash and cash equivalents	11	3,104,374	4,316,375	2,394,262	3,434,241
Trade and other receivables	12	884,598	648,729	747,361	537,843
Other financial assets	14	5,695,564	-	5,695,564	-
Total financial assets		9,684,536	4,965,104	8,837,187	3,972,084

Cash and cash equivalents

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



Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

Trade and other receivables

In the case of rate receivables, the Council has the power to sell the property to recover any defaulted amounts. In effect this power protects the Council against credit risk in the case of defaults.

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

By the nature of the Council's operations, there is a geographical concentration of risk in respect of receivables in the Council's area.

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

	Consolidated		Council	
	2014	2013	2014	2013
	\$	\$	\$	\$
Not past due	659,370	292,712	569,133	222,195
Past due 31-60 days	123,240	306,913	110,432	298,942
Past due 61-90 days	26,595	14,678	5,630	1,752
More than 90 days	109,001	75,545	95,774	56,073
Impaired	(33,608)	(41,119)	(33,608)	(41,119)
Total	884,598	648,729	747,361	537,843

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 only

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
		\$	\$	\$	\$	\$
2014						
Trade and other payables		1,095,721	-	-	1,095,721	1,095,721
		1,095,721	-	-	1,095,721	1,095,721
2013						
Trade and other payables		823,773	-	-	823,773	823,773
		823,773	-	-	823,773	823,773

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014
Council

	0 to 1 year	1 to 5 years	Over 5 years	Total contractual cash flows	Carrying amount
	\$	\$	\$	\$	\$
2014					
Trade and other payables	1,201,296	-	-	1,201,296	1,201,296
	1,201,296	-	-	1,201,296	1,201,296
2013					
Trade and other payables	762,520	-	-	762,520	762,520
	762,520	-	-	762,520	762,520

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					
2014					
QTC cash fund	2,060,827	20,608	(20,608)	20,608	(20,608)
Commonwealth Bank	30,557	306	(306)	306	(306)
Macquarie Bank cash fund	565,220	5,652	(5,652)	5,652	(5,652)
Net total	2,656,604	26,566	(26,566)	26,566	(26,566)
2013					
QTC cash fund	2,218,336	22,183	(22,183)	22,183	(22,183)
Commonwealth Bank	34,736	347	(347)	347	(347)
Macquarie Bank cash fund	784,628	7,846	(7,846)	7,846	(7,846)
Net total	3,037,700	30,377	(30,377)	30,377	(30,377)

Lockhart River Aboriginal Shire Council
Notes to the financial statements
For the year ended 30 June 2014

	Net carrying amount	Effect on Net Result		Effect on Equity	
		1% increase	1% decrease	1% increase	1% decrease
Council 2014	\$	\$	\$	\$	\$
QTC cash fund	2,060,827	20,608	(20,608)	20,608	(20,608)
Commonwealth Bank	30,557	306	(306)	306	(306)
Net total	2,091,384	20,914	(20,914)	20,914	(20,914)
2013					
QTC cash fund	2,218,336	22,183	(22,183)	22,183	(22,183)
Commonwealth Bank	34,736	347	(347)	347	(347)
Net total	2,253,072	22,531	(22,531)	22,531	(22,531)

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 2014

31 Tied grants by project

The following note has been prepared on accruals basis.

	Balance 07/01/2013	Revenue	Expense	Transfers between grants	Balance 30/06/2014
	\$	\$	\$	\$	\$
Commonwealth government grants					
Dept Education, Employment and Workplace Relations					
<i>Vacation Care</i>	14,037	-	-	(14,037)	-
<i>Before School Care</i>	17,797	-	-	(17,797)	-
<i>After School Care</i>	(23,014)	-	-	23,014	-
<i>Outside School Care</i>	-	140,912	229,035	88,123	-
<i>Parent and Community Engagement Program (PaCE)</i>	(38,163)	99,500	61,337	-	-
Total - DEEWR grants	(29,343)	240,412	290,372	79,303	-
Dept of the Environment, Water, Heritage and Arts					
<i>MILR Language Project</i>	18,443	-	18,443	-	-
<i>Working on Country</i>	100,183	-	141,883	41,700	-
Total - DEWHA grants	118,627	-	160,326	41,700	-
Dept of Families, Housing, Community Services Indigenous Affairs					
<i>Family Together (Kuunchi Kakana)</i>	43,231	43,231	86,462	-	-
Total - DFHCSEA grants	43,231	43,231	86,462	-	-
Dept of Health and Ageing					
<i>Community Development</i>	-	188,815	188,815	-	-
<i>Mens Healing Place (capital)</i>	99,962	38	-	-	100,000
Total - DOHA grants	99,962	188,853	188,815	-	100,000
Dept of Infrastructure and Transport					
<i>Radio Station - Capital</i>	19,490	-	4,275	-	15,215
<i>Regional Aviation Access Program (RAAP)</i>	-	165,000	165,000	-	-
<i>Roads to Recovery (R2R)</i>	-	412,787	-	-	412,787
Total - DIT grants	19,490	577,787	169,275	-	428,002
Dept of Communications					
<i>Indigenous Broadcasting Program</i>	-	15,000	24,024	9,024	-
Total - DOC grants	-	15,000	24,024	9,024	-
Dept of Human Services					
<i>Centrelink</i>	-	56,971	56,971	-	-
Total - DOC grants	-	56,971	56,971	-	-
Total - Commonwealth government	251,966	1,122,254	976,246	130,027	528,001

	Balance 07/01/2013	Revenue	Expense	Transfers between grants	Balance 30/06/2014
	\$	\$	\$	\$	\$
State government grants					
Dept of Local Government, Community Recovery & Resilience					
<i>NDDRA/LDMP - Flexible Funding Grant (Operational)</i>	42,280	-	42,280	-	-
<i>State Government Financial Aid</i>	-	1,153,776	1,153,776	-	-
<i>Indigenous Economic Development</i>	-	80,000	80,000	-	-
<i>Revenue Replacement Program</i>	-	98,900	98,900	-	-
<i>Fiscal Equalisation Grant</i>	606,546	735,707	764,651	(577,602)	-
<i>Identified Roads Grant</i>	90,669	94,430	429,824	244,725	-
<i>Business Incentive Scheme</i>	-	67,500	67,500	-	-
<i>Service Delivery Fund</i>	-	75,560	75,560	-	-
<i>Quintell Beach Camp</i>	(8,837)	-	-	8,837	-
<i>Street Lighting</i>	50,967	34,199	78,963	-	6,203
<i>Warehouse Upgrade</i>	30,092	328,385	501,987	143,510	-
<i>GraffitiSTOP</i>	3,636	2,000	5,636	-	-
<i>Get Ready Queensland</i>	-	4,050	4,050	-	-
<i>Drainage Master Plan</i>	4,800	33,786	71,790	-	(33,204)
Total - DIP Grants	820,153	2,708,294	3,374,917	(180,530)	(27,001)
Dept of Justice and Attorney-General					
<i>Local Justice Initiatives Program</i>	59,123	94,630	101,640	-	52,113
Total - DJ&AG grants	59,123	94,630	101,640	-	52,113
Queensland Reconstruction Authority					
<i>NDRRA - Emergency Works</i>	(82,512)	42,856	24,878	39,656	(24,878)
<i>NDRRA - Restoration Works</i>	1,064,400	1,434,189	2,455,201	-	43,388
Total NDRRA	981,888	1,477,045	2,480,078	39,656	18,510
Dept of Emergency Services					
<i>State Emergency Services</i>	12,024	12,702	1,485	-	23,240
Total - DES grants	12,024	12,702	1,485	-	23,240
Dept Disability Services Qld					
<i>HACC - Operations</i>	8,423	218,191	242,154	2,268	(13,273)
<i>HACC - Commuter Bus</i>	2,268	-	-	(2,268)	-
<i>National Job Creation Package</i>	-	34,158	34,158	-	-
<i>HACC - Transition Costs</i>	40,000	-	-	-	40,000
Total - DSDQ grants	50,690	252,348	276,312	-	26,727
Queensland Health					
<i>Environmental Health & Animal Control</i>	-	145,578	128,752	-	16,826
<i>Alcohol Management Reform Program</i>	54,335	(141)	54,194	-	-
Total - QH grants	54,335	145,437	182,947	-	16,826
Dept of Communities, Child Safety and Disability Services					
<i>Domestic & Family Violence Prevention Health</i>	-	7,000	7,000	-	-
<i>YARI/ Youth At Risk</i>	(32,981)	152,007	157,312	-	(38,286)
<i>Womens Shelter</i>	(93,791)	432,030	338,239	-	-
<i>Community Safety Planning</i>	10,000	-	-	-	10,000
Total - DOC grants	(116,772)	591,037	502,550	-	(28,286)

	Balance 07/01/2013 \$	Revenue \$	Expense \$	Transfers between grants \$	Balance 30/06/2014 \$
Dept Education, Training and the Arts					
<i>Skillings Queenslander For Work</i>	(904)	-	-	904	-
Total - DETA grants	(904)	-	-	904	-
Department of Transport & Main Roads					
<i>Pascoe Crossing-Link Slab</i>	-	459,390	459,390	-	-
<i>ATSI TIDS - Taylor's Landing Culvert</i>	-	26,500	4,709	-	21,791
<i>ATSI TIDS - Road Signage</i>	-	42,000	42,000	-	-
Total - DTMR grants	-	527,890	506,099	-	21,791
State Library of Queensland					
<i>Indigenous Knowledge Centre Grant</i>	-	16,200	26,143	9,943	-
Total - SLQ grants	-	16,200	26,143	9,943	-
Total - State government	1,860,538	5,825,582	7,452,171	(130,027)	103,921
Total grants	2,112,504	6,947,837	8,428,417	-	631,923
	280,203		Add back over-expended grants		109,640
	2,392,707		Total unspent grant revenue		741,563

Lockhart River Aboriginal Shire Council
Financial statements
For the year ended 30 June 2014

Management Certificate
For the year ended 30 June 2014

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



Mayor
Name Wayne Butcher

Date: 31/10/2014



Chief Executive Officer
Name DAVID CLARKE

Date: 31/10/14

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 Lockhart River Aboriginal Shire Council, which comprises the statements of financial position as at 30 June 2014, 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 the Chief Executive Officer of the Council and the consolidated entity comprising the Council and the entities it controlled 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 the *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 2013 to 30 June 2014 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.



B Macrae FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Lockhart River Aboriginal Shire Council
Current-year Financial Sustainability
For the year ended 30 June 2014

Measures of Financial Sustainability	How the measure is calculated	Actual - Consolidated	Actual - Council	Target
Council's performance at 30 June 2014 against key financial ratios and targets:				
Operating surplus ratio	Net result (excluding capital items) divided by total operating revenue (excluding capital items)	-18.4%	-17.0%	Between 0% and 10%
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by depreciation expense.	192.0%	220.2%	greater than 90%
Net financial liabilities ratio	Total liabilities less current assets divided by total operating revenue (excluding capital items)	-34.7%	-26.1%	not greater than 60%

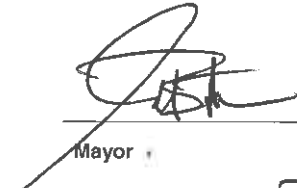
Note 1 - Basis of Preparation

The current year financial sustainability statement is a special purpose statement prepared in accordance with the requirements of the *Local Government Regulation 2012* and the *Financial Management (Sustainability) Guideline 2013*. The amounts used to calculate the three reported measures are prepared on an accrual basis and are drawn from the Council's audited general purpose financial statements for the year ended 30 June 2014.

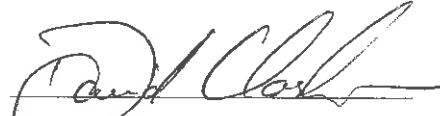
Certificate of Accuracy
For the year ended 30 June 2014

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

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



Mayor
Name Wayne Butcher
Date: 31, 10, 2014



Chief Executive Officer
Name David F. Clarke
Date: 31, 10, 14

INDEPENDENT AUDITOR'S REPORT

To the Mayor of Lockhart River Aboriginal Shire Council

Report on the Current-Year Financial Sustainability Statement

I have audited the accompanying current-year financial sustainability statement, which is a special purpose financial report of Lockhart River Aboriginal Shire Council for the year ended 30 June 2014, comprising the statement and explanatory notes, and certificates given by the Mayor and the Chief Executive Officer.

The Council's Responsibility for the Current-Year Financial Sustainability Statement

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

Auditor's Responsibility

My responsibility is to express an opinion on the current-year financial sustainability statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. 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 statement.

My responsibility is to form an opinion as to whether the statement has been accurately calculated based on the Council's general purpose financial report. My responsibility does not extend to forming an opinion on the appropriateness or relevance of the reported ratios, nor on the Council's future sustainability.

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

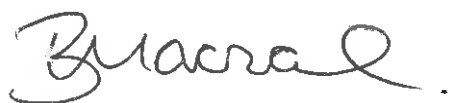
In accordance with s.212 of the *Local Government Regulation 2012*, in my opinion, in all material respects, the current-year financial sustainability statement of Lockhart River Aboriginal Shire Council for the year ended 30 June 2014, has been accurately calculated.

Emphasis of Matter – Basis of Accounting

Without modifying my opinion, attention is drawn to Note 1 which describes the basis of accounting. The current-year financial sustainability statement has been prepared in accordance with the *Financial Management (Sustainability) Guideline 2013* for the purpose of fulfilling the Council's reporting responsibilities under the *Local Government Regulation 2012*. As a result, the statement may not be suitable for another purpose.

Other Matters - Electronic Presentation of the Audited Statement

Those viewing an electronic presentation of this special purpose financial report 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.



B Macrae FCPA
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Lockhart River Aboriginal Shire Council
Long-Term Financial Sustainability Statement
Prepared as at 30 June 2014

Measures of Financial Sustainability		Projected for the years ended											
	Measure	Target	Actuals at 30 June 2014	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023	
Consolidated													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-18.4%	1.2%	5.6%	7.3%	6.9%	4.9%	6.5%	1.7%	3.1%	5.1%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	192.0%	90.5%	149.2%	166.5%	79.5%	70.4%	69.9%	209.6%	8.1%	28.4%	
Net financial liabilities ratio		not greater than 60%	-34.7%	-24.9%	-30.6%	-30.9%	-45.5%	-27.1%	-38.5%	-20.1%	-35.9%	-12.0%	
Council													
Operating surplus ratio	Net result divided by total operating revenue	Between 0% and 10%	-17.0%	1.0%	5.8%	7.3%	6.7%	4.2%	5.5%	0.8%	2.8%	4.8%	
Asset sustainability ratio	Capital expenditure on the replacement of assets (renewals) divided by Total liabilities less current assets divided by total operating revenue	greater than 90%	220.2%	62.9%	111.6%	126.8%	41.8%	36.8%	9.4%	230.0%	9.1%	31.8%	
Net financial liabilities ratio		not greater than 60%	-26.1%	-18.2%	-26.0%	-27.6%	-43.9%	-21.7%	-42.1%	-18.8%	-36.0%	-8.0%	

Lockhart River Aboriginal Shire Council's Financial Management Strategy


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

Certificate of Accuracy


For the long-term financial sustainability statement prepared as at 30 June 2014

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

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



Mayor **Wayne Butcher**
Name
Date: 31, 10, 2014



Chief Executive Officer
Name **DAVID T. CLARK**
Date: 31, 10, 14

