

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

GENERAL PURPOSE FINANCIAL REPORT

For the Year Ended 30 June 2016

Prepared by:
LOWRYS
Accountants
PO Box 36394
Winnellie NT 0821

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WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

GENERAL PURPOSE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2016

TABLE OF CONTENTS

Auditor's Independence Declaration	1
Chief Executive Officer's Certificate	2
General Purpose Financial Statements	
Statement of Profit or Loss and Other Comprehensive Income	3
Statement of Financial Position	4
Statement of Changes in Equity	5
Statement of Working Capital	6
Statement of Cash Flows	7
Notes to and forming part of the Financial Statements	8
Independent Auditor's Report	28

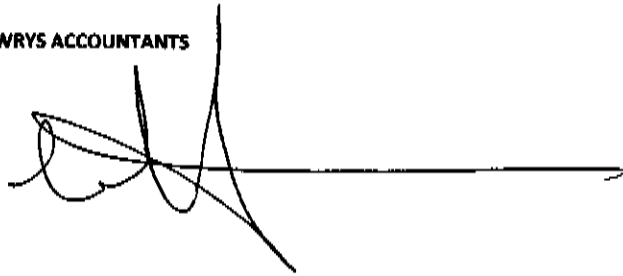
The Council Members
Wagait Shire Council
PMB 10
Wagait Beach NT 0801

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the requirements of the *Local Government Act* and the *Local Government (Accounting) Regulations* made under that Act, in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

LOWRYS ACCOUNTANTS



Collin James
Registered Company Auditor

Darwin, 18 October 2016


Wagait Shire Council

ABN: 65 843 778 569

Chief Executive Officer's Certificate

I, Deborah Allen, the Chief Executive Officer of the Wagait Shire Council, do hereby certify that the annual financial statements:

- (a) have been properly drawn up in accordance with the applicable Australian Accounting Standards, the *Local Government Act* and *Local Government (Accounting) Regulations*, so as to present fairly the financial position of the Council as at 30 June 2016 and the results for the year then ended; and
- (b) are in accordance with the accounting and other records of the Council.


Deborah Allen
Chief Executive Officer

Dated: 18 October 2016

Wagait Shire Council

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Revenue and Other Income			
Rates and annual charges	3A	205,474	209,698
User charges and fees	3B	176,470	148,717
Grants and contributions	3C	360,504	257,670
Interest	3D	11,310	17,677
Total operating revenues		<u>753,758</u>	<u>633,762</u>
Operating Expenses			
Employee costs	4A	334,473	373,600
Materials and contracts	4B	337,816	183,197
Depreciation and amortisation expense	4C	154,915	272,087
Other operating expenses	4D	16,880	12,500
Total operating expenses		<u>844,084</u>	<u>841,384</u>
Deficit for the year		<u>(90,326)</u>	<u>(207,622)</u>
Other Comprehensive Income			
Revaluation Increment	7	1,526,801	-
Total other comprehensive income		<u>1,526,801</u>	<u>-</u>
Total profit or loss and other comprehensive income for the year		<u>1,436,475</u>	<u>(207,622)</u>

The Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016**

	Note	2016 \$	2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	862,507	837,135
Accounts receivable and other debtors	6	20,970	33,130
Total current assets		<u>883,477</u>	<u>870,265</u>
Non-current assets			
Property, plant and equipment	7	2,950,767	1,531,330
Total non-current assets		<u>2,950,767</u>	<u>1,531,330</u>
Total Assets		<u>3,834,244</u>	<u>2,401,595</u>
LIABILITIES			
Current liabilities			
Accounts payable and other payables	8	25,960	34,339
Provisions	9	31,178	26,625
Total current liabilities		<u>57,138</u>	<u>60,964</u>
Non-current liabilities			
Provisions	9	1,357	1,357
Total non-current liabilities		<u>1,357</u>	<u>1,357</u>
Total Liabilities		<u>58,495</u>	<u>62,321</u>
Net Assets		<u>3,775,749</u>	<u>2,339,274</u>
EQUITY			
Retained surplus		1,715,725	1,806,051
Reserves		2,060,024	533,223
Total Equity		<u>3,775,749</u>	<u>2,339,274</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2016**

ACCUMULATED FUNDS	Accumulated Surplus	Asset Revaluation Reserve	Roads Reserve	Motor Vehicle Reserve	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2014	2,013,673	343,223	180,000	10,000	2,546,896
Deficit for the year	(207,622)	-	-	-	(207,622)
Closing Balance at 30 June 2015	1,806,051	343,223	180,000	10,000	2,339,274
Balance at 1 July 2015	1,806,051	343,223	180,000	10,000	2,339,274
Deficit for the year	(90,326)	-	-	-	(90,326)
Other comprehensive Income	-	1,526,801	-	-	1,526,801
Closing Balance at 30 June 2016	1,715,725	1,870,024	180,000	10,000	3,775,749

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**STATEMENT OF WORKING CAPITAL
FOR THE YEAR ENDED 30 JUNE 2016**

		<u>2016</u>	<u>2015</u>
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	862,507	837,135
Accounts receivable and other debtors	6	<u>20,970</u>	<u>33,130</u>
Total current assets		883,477	870,265
Less:			
Current liabilities			
Accounts payable and other payables	8	25,960	34,339
Provisions	9	<u>31,178</u>	<u>26,625</u>
Total current liabilities		57,138	60,964
Net current assets		826,339	809,301
Current ratio (This is the ratio of current assets to current liabilities)		14.97 : 1	14.27 : 1

The Statement of Changes In Equity should be read in conjunction with the accompanying notes.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Note	2016 \$	2015 \$
Cash flows (used in)/from operating activities			
Receipts from customers		384,832	357,832
Grants and contribution receipts		379,354	257,670
Payments to suppliers and employees		(702,573)	(537,400)
Interest received		11,310	17,677
Net cash flows from operating activities	10	<u>72,923</u>	<u>95,779</u>
Cash flows from/(used in) investing activities			
Proceeds from disposals of property, plant and equipment		-	23,000
Acquisition of property, plant and equipment		(47,551)	(192,577)
Net cash flows used in investing activities		<u>(47,551)</u>	<u>(169,577)</u>
Net increase in cash and cash equivalents		<u>25,372</u>	<u>(73,798)</u>
Cash and cash equivalents at the beginning of the year		<u>837,135</u>	<u>910,933</u>
Cash and cash equivalents at the end of the year	5	<u><u>862,507</u></u>	<u><u>837,135</u></u>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	Page Number
Note 1: Summary of Significant Accounting Policies	9
Note 2: Functions	18
Note 3: Revenues and Other Income	19
Note 4: Expenses	19
Note 5: Cash and Cash Equivalents	21
Note 6: Accounts Receivable and Other Debtors	21
Note 7: Property, Plant and Equipment	22
Note 8: Accounts Payable and Other Payables	24
Note 9: Employee Provisions	24
Note 10: Cash Flow Information	24
Note 11: Events After the Reporting Period	25
Note 12: Performance Indicators	25
Note 13: Commitments for Expenditure	25
Note 14: Contingent Liabilities and Contingent Assets	25
Note 15: Capital Management	25
Note 16: Financial Risk Management	26
Note 17: Additional Council Information	27

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Summary of Significant Accounting Policies

This note sets out the principal accounting policies adopted in the preparation of the financial statements by Council as set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Statement of Compliance

The financial report is a general purpose financial report that has been prepared in accordance with applicable Australian Accounting Standards and Interpretations, the requirements of the Local Government Act, the Local Government (Accounting) Regulations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements were authorised for issue on 18 October 2016.

Basis of Preparation

The financial statements have been prepared on an accrual basis and are based on historical costs, modified where applicable, by the measurement at fair value of selected non-current assets. Historical cost is based on the fair value of the consideration given in exchange for assets.

All amounts are presented in Australian Dollars, unless otherwise noted.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

(a) Revenue

Revenue is measured at the fair value of consideration received or receivable. Revenue is measured on major income categories as follows:

Rates are recognised as revenue when the Council obtains control over the asset comprising the receipt.

Rates are an enforceable debt linked to rateable property that will be recovered when the property is sold, and therefore control normally passes at the time of levying, or where earlier upon receipt of rates paid in advance. The rating period and reporting period for the Council coincide and accordingly, all rates levied for the year are recognised as revenue.

Uncollected rates are recognised as receivables. A provision is recognised when full collection is no longer probable.

Non-reciprocal grant revenue is recognised in the statement of profit or loss when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the Council and the amount of the grant can be measured reliably. If conditions attached to the grant received are not satisfied, the recognition of the grant as revenue is deferred until these conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

(a) Revenue (continued)

Revenue from the rendering of service is recognised upon the delivery of the service to the customer.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax, when applicable.

(b) Fair Value of Assets and Liabilities

The Council measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Council would receive to sell an asset or would have to pay to transfer a liability in an orderly (ie unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market value may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated, less, where applicable, accumulated depreciation and any impairment losses.

Freehold property

Freehold land and buildings are shown at their fair value based on periodic valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Council has elected not to recognise land under roads acquired prior to 1 July 2008 as an asset in accordance with AASB 1051 Land under Roads. Land under roads acquired after 30 June 2008 has not been recognised as in the opinion of Council it is not possible to reliably attribute a fair value, and further that such value if determined would be immaterial.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies (continued)

(c) Property, Plant and Equipment (continued)

Buildings and improvements, plant and equipment, infrastructure, office equipment and furniture and motor vehicles

Buildings and improvements, plant and equipment, infrastructure, office equipment and furniture and motor vehicles are measured on the cost basis and are therefore carried at cost less accumulated depreciation and any accumulated impairment losses. In the event the carrying amount of property, plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in profit or loss in the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets, including buildings and improvements, plant and equipment, infrastructure, office equipment and furniture and motor vehicles, but excluding freehold land and work in progress, is depreciated on a straight-line basis over the asset's useful life to the Council commencing from the time the asset is available for use.

The depreciation rates used for each class of depreciable assets are:

	2016	2015
	Life (years)	Life (years)
Buildings and improvements	20	20
Plant and equipment	3	3
Infrastructure	10	10
Office equipment and furniture	3	3
Motor vehicles	5	5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These gains and losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained surplus.

(d) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Council becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Council commits itself to either purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified 'at fair value through profit and loss' in which case transaction costs are recognised as expenses in profit or loss immediately.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense in profit or loss.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Council's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

Impairment

At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset has been impaired. A financial asset or a group of financial assets will be deemed to be impaired if, and only if, there is objective evidence of impairment as a result of the occurrence of one or more events (a "loss event"), which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors, or a group of debtors, are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter into bankruptcy or other financial reorganisation and changes in arrears or economic conditions that correlate with defaults.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Council recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been re-negotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(e) Impairment of Assets

At the end of each reporting period, the Council reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs of disposal and value in use, is compared to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an asset's class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies (continued)

(f) Employee Provisions

Short-term employee provisions

Provision is made for the Council's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and annual leave. Short-term employee benefits are measured at the nominal amounts expected to be paid when the obligation is settled.

Other long-term employee provisions

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Long-term employee benefits are measured at the nominal amounts expected to be paid when the obligation is settled.

The Council's obligations for long-term employee benefits are presented as non-current employee provisions in its statement of financial position, except where the Council does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(g) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position. The Council did not have an overdraft during the year.

(h) Accounts Receivable and Other Debtors

Accounts receivable and other debtors include amounts due from ratepayers as well as amounts receivable from clients for fees and services provided. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Accounts receivable are recognised at fair value less any provision for impairment.

(i) Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 1: Summary of Significant Accounting Policies (continued)

(j) Income Tax

The Council is tax exempt under Sec 50-25 of the Income Tax Assessment Act 1997, being a local governing body.

(k) Provisions

Provisions are recognised when the Council has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(l) Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

When the Council retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding comparative period, in addition to the minimum comparative financial statements, must be disclosed.

(m) Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Council during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(n) Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key estimates

Impairment

Impairment of property, plant and equipment

The Council assesses impairment of property, plant and equipment at each reporting date by evaluating conditions specific to the Council and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs to sell or value-in-use calculations, which incorporate a number of key estimates and assumptions. There was no provision for impairment of property, plant and equipment at 30 June 2016 (2015: \$Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies (continued)

(n) Critical Accounting Estimates and Judgements (continued)

Impairment of accounts receivable

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors' financial position. Provision for impairment of receivables at 30 June 2016 amounted to \$8,512 (2015: \$8,512).

Useful lives of property, plant and equipment

The Council reviews the estimated useful lives of property, plant and equipment at the end of each reporting period, based on the expected utility of the assets.

Key judgements

Employee benefits

For the purpose of measurement, AASB 119: Employee benefits (September 2011) defines obligations for short-term employee benefits as obligations expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related services. The Council expects most employees will take their annual leave entitlements within 24 months of the reporting period in which they were earned, but this will not have a material impact on the amounts recognised in respect of obligations for employees' leave entitlements.

(o) Economic Dependence

The Council is dependent upon the ongoing receipt of grants from the Northern Territory Government to ensure the continuance of its activities.

At the date of this report the management has no reason to believe that the Council will not continue to receive funding support from the Government.

(p) New Accounting Standards for Application in Future Periods

The AASB has issued a number of new and amended Accounting Standards that have mandatory application dates for future reporting periods, some of which are relevant to the Council. The Council has decided not to early adopt any of the new and amended pronouncements. The Council's assessment of the new and amended pronouncements that are relevant to the Council but applicable in future reporting periods are set out below:

- AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments and revised recognition and derecognition requirements for financial instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 1: Summary of Significant Accounting Policies (continued)

(p) New Accounting Standards for Application in Future Periods (continued)

The Council does not expect any impact from the new classification, measurement and derecognition rules on the Council's financial assets and financial liabilities. There will also be no impact on the Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Council does not have any such liabilities. The new standard also introduces expanded disclosure requirements and changes in presentation. The new impairment model is an expected credit loss (ECL) model which may result in the earlier recognition of credit losses. The Council has not yet assessed how its own impairment provisions would be affected by the new rules.

- AASB 15: *Revenue from Contracts with Customers* (applicable to annual reporting periods beginning on or after 1 January 2017).

The new Standard will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards. The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (e.g. 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

Management is currently assessing the impact of the new rules. Council is unable to estimate the impact of the new rules on the Council's financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

Note 2: Functions/Core Services

Functions/core services are common municipal services that many councils deliver to their ratepayers and residents. After a community consultation on the Wagait Shire Council Strategic Plan covering the period 2013 - 2018, it was decided that some of the listed services (marked **) will not be provided by the Council. These decisions will be reassessed in the event of a change in shire circumstances or on request from the community.

The activities relating to the Council functions/core services are as follows:

Local infrastructure

- Maintenance and upgrade of parks, reserves and open spaces
- Maintenance and upgrade of buildings, facilities and fixed assets
- Management of cemeteries**
- Lighting for public safety including street lighting**
- Local road upgrading and construction
- Local road maintenance
- Traffic management on local roads
- Fleet, plant and equipment management

Local environment health

- Waste management including litter reduction
- Weeds control and fire hazard reduction
- Companion animal welfare and control

Local civic services

- Library, cultural and heritage
- Civic events
- Local emergency services

Community engagement in local government

- Training and employment of local people in council operations
- Administration of local laws**
- Customer relationship management, including complaints and responses
- Governance including administration of council meetings, elections and elected member support
- Administration of local board advisory bodies and management committees**
- Advocacy and representation on local and regional issues

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
Note 3A Rates and annual charges		
<i>Ordinary rates</i>		
Residential, business and rural flat rate	<u>205,474</u>	<u>209,698</u>
Note 3B User charges and fees		
Jetty and boat ramp maintenance	66,791	55,373
Power and water contract income	46,479	58,281
Weed management income	16,458	15,591
Other fees and charges	46,742	19,472
Total user charges and fees	<u>176,470</u>	<u>148,717</u>
Note 3C Grants and Contributions		
<i>General purpose grants (untied)</i>		
FAA - General purpose component	7,959	9,343
FAA - Roads to recovery component	<u>53,817</u>	<u>56,020</u>
	61,776	65,363
<i>Northern Territory Government operating grants</i>		
General purpose component	143,499	143,551
Department of Sport, Recreation and Racing	21,000	-
Department of Infrastructure and Regional	101,734	-
Department of Local Government	<u>31,000</u>	<u>-</u>
	297,233	143,551
<i>Capital grants</i>		
Other	<u>-</u>	<u>48,756</u>
<i>Non Government grants and contributions</i>		
Australia Day Council	1,100	-
Other	<u>395</u>	<u>-</u>
	1,495	-
Total grants and contributions	<u>360,504</u>	<u>257,670</u>
Note 3D Interest		
Financial Institutions	<u>11,310</u>	<u>17,677</u>
Note 4 Expenses		
Note 4A Employee benefits expense		
Salaries and wages	298,951	330,671
Superannuation	29,233	28,530
Leave entitlements	4,552	-
Recruitment and relocation	-	11,572
Training and development	<u>1,737</u>	<u>2,827</u>
Total employee benefits expense	<u>334,473</u>	<u>373,600</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
Note 4: Expenses (continued)		
Note 4B Materials and contracts		
Accounting services	-	12,360
Advertising	4,290	2,401
Bank fees	1,555	1,148
Consultants, rates valuation fees and council election fee	8,123	14,288
Contractors, maintenance and materials	13,328	26,478
Bad and doubtful debts expense	-	7,601
Donations	750	-
Electricity	12,037	12,070
Information technology exepenses	8,896	-
Insurance	24,613	17,526
Printing and stationery	2,405	2,581
Repairs and maintenance	33,891	8,773
Roads to Recovery	104,527	-
Subscriptions	2,609	1,885
Telephone	7,678	8,414
Travelling and accomodation	1,999	6,091
Vehicle registration	2,651	2,702
Vehicle, plant and equipment expenses	7,592	13,115
Waste management	74,604	-
Other	26,268	45,764
Total materials and contracts	337,816	183,197
Note 4C Depreciation and amortisation		
Buildings and improvements	-	26,283
Plant and equipment	46,982	75,164
Infrastructure	86,446	83,857
Office equipment and furniture	-	28,480
Motor vehicles	21,487	58,303
Total depreciation and amortisation	154,915	272,087
Depreciation on buildings and improvements was not expensed in 2016 due to the revaluation of those items undertaken by Integrated Valuation Services as at 6 July 2015.		
Note 4D Auditor's remuneration:		
Audlt services	15,542	7,500
Other services	1,338	5,000
	16,880	12,500

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
Note 5: Cash and Cash Equivalents		
Cash at bank	861,046	837,103
Cash on hand	1,461	32
Total cash and cash equivalents	<u>862,507</u>	<u>837,135</u>
Restricted cash and cash equivalents summary		
<i>Purpose</i>		
External restrictions		
- Included in liabilities	-	-
- Included in revenue	-	-
Total external restrictions	<u>-</u>	<u>-</u>
Internal restrictions		
Included in liabilities:		
Employee leave entitlements	32,535	27,982
Accrued wages	-	10,209
Total internal restrictions	<u>32,535</u>	<u>38,191</u>
Total unrestricted	<u>829,972</u>	<u>798,944</u>
Total cash and cash equivalents available	<u>862,507</u>	<u>837,135</u>

Management believe that there were no grants which were not expended as at 30 June 2016 (2015: \$Nil)

Note 6: Accounts Receivable and Other Debtors		
Rates and annual charges	18,464	40,202
Less: Provision for doubtful debts	<u>(8,512)</u>	<u>(8,512)</u>
	9,952	31,690
GST receivable	9,578	-
Other	1,440	1,440
Total unrestricted accounts receivable and other debtors	<u>20,970</u>	<u>33,130</u>
Total receivables are aged as follows:		
Current	4,253	31,690
30 to 60 days	-	-
More than 90 days	14,211	8,512
Total receivables	<u>18,464</u>	<u>40,202</u>

The average credit period on rates and other receivables is 28 days. No interest is charged for the first 28 days from the date of invoice. Thereafter, interest is charged at 17% per annum, which is calculated on a daily basis, on the outstanding balance. The Council has recognised an allowance for doubtful debts for all properties that are not able to have a statutory charge applied because there is a limited means of being able to recover this income.

Movement/(recoveries) in allowance for impairment of receivables		
Balance at the beginning of the year	8,512	3,943
Impairment losses recognised on receivables	-	4,569
Reduction in allowance	-	-
Balance at the end of the year	<u>8,512</u>	<u>8,512</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016 \$	2015 \$
Land and buildings		
Land, at cost	<u>400,000</u>	<u>400,000</u>
	<u>400,000</u>	<u>400,000</u>
Buildings and improvements, at fair value	2,222,727	1,517,105
Accumulated depreciation	<u>-</u>	<u>(821,179)</u>
	<u>2,222,727</u>	<u>695,926</u>
Total land and buildings	<u>2,622,727</u>	<u>1,095,926</u>
Plant and equipment		
Plant and equipment, at cost	354,243	306,691
Accumulated depreciation	<u>(314,912)</u>	<u>(267,930)</u>
	<u>39,331</u>	<u>38,761</u>
Infrastructure, at cost	864,460	864,460
Accumulated depreciation	<u>(609,970)</u>	<u>(523,524)</u>
	<u>254,490</u>	<u>340,936</u>
Office equipment and furniture, at cost	174,729	174,729
Accumulated depreciation	<u>(174,729)</u>	<u>(174,729)</u>
	<u>-</u>	<u>-</u>
Motor vehicles, at cost	107,432	107,432
Accumulated depreciation	<u>(73,213)</u>	<u>(51,725)</u>
	<u>34,219</u>	<u>55,707</u>
Total plant and equipment	<u>328,040</u>	<u>435,404</u>
Total property, plant and equipment	<u>2,950,767</u>	<u>1,531,330</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016

Note 7: Property, Plant and Equipment (continued)

Movement in carrying amounts for each class of property, plant and equipment between the beginning and the end of the financial year:

	Land at cost \$	Buildings and improvements at fair value \$	Plant and equipment at cost \$	Infrastructure at cost \$	Office equipment and furniture at cost \$	Motor Vehicles at cost \$	Total \$
As at 1 July 2014							
Gross book value	400,000	1,483,909	260,593	825,633	169,525	107,443	3,247,103
Accumulated depreciation and impairment	-	(746,015)	(209,627)	(439,667)	(148,446)	(71,808)	(1,615,563)
Net book value 1 July 2014	400,000	737,894	50,966	385,966	21,079	35,635	1,631,540
Additions	-	33,196	46,097	38,828	5,204	69,252	192,577
Depreciation	-	(75,164)	(58,302)	(83,858)	(26,283)	(28,480)	(272,087)
Disposals	-	-	-	-	-	(20,700)	(20,700)
Net book value 30 June 2015	400,000	695,926	38,761	340,936	-	55,707	1,531,330
Net book value as of 30 June 2015 represented by:							
Gross book value	400,000	1,517,105	306,691	864,460	174,729	107,432	3,370,417
Accumulated depreciation and impairment	-	(821,179)	(267,930)	(523,524)	(174,729)	(51,725)	(1,839,087)
Net book value 30 June 2015	400,000	695,926	38,761	340,936	-	55,707	1,531,330
As at 1 July 2015							
Gross book value	400,000	1,517,105	306,691	864,460	174,729	107,432	3,370,417
Accumulated depreciation and impairment	-	(821,179)	(267,930)	(523,524)	(174,729)	(51,725)	(1,839,087)
Net book value 1 July 2015	400,000	695,926	38,761	340,936	-	55,707	1,531,330
Additions	-	-	47,551	-	-	-	47,551
Depreciation	-	-	(46,981)	(86,446)	-	(21,488)	(154,915)
Revaluation	-	1,526,801	-	-	-	-	1,526,801
Disposals	-	-	-	-	-	-	-
Net book value 30 June 2016	400,000	2,222,727	39,331	254,490	-	34,219	2,950,767
Net book value as of 30 June 2016 represented by:							
Gross book value	400,000	2,222,727	354,243	864,460	174,729	107,432	4,123,591
Accumulated depreciation and impairment	-	-	(314,912)	(609,970)	(174,729)	(73,213)	(1,172,824)
Net book value 30 June 2016	400,000	2,222,727	39,331	254,490	-	34,219	2,950,767

Valuation of Building and Improvements

An independent valuation of buildings and improvements was undertaken by Integrated Valuation Services as at 6 July 2015. These assets have been valued at "Fair Value" and adopted in the 2015-16 financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

	2016 \$	2015 \$
Note 8: Accounts Payable and Other Payables		
Current		
Sundry creditors and accrued expenses	20,228	20,088
Accrued wages	-	10,209
Payroll liabilities	5,732	2,950
GST liabilities	-	1,092
Total accounts payable and other payables	25,960	34,339

Settlement of sundry creditors is generally net 30 days.

a. Financial liabilities at amortised cost classified as accounts payable and other payable:

Accounts payable and other payables:

- total current	25,960	34,339
- total non current	-	-
	<u>25,960</u>	<u>34,339</u>
Less GST payable	-	(1,092)
Financial liabilities as accounts payable and other payables	25,960	33,247

No interest is payable on outstanding payables.

Note 9: Employee Provisions		
Current		
Annual leave	19,752	13,979
Long service leave	11,426	12,646
Total current provisions	31,178	26,625
Non Current		
Long service leave	1,357	1,357
Total non current provisions	1,357	1,357
Total provisions	32,535	27,982

Note 10: Cash Flow Information		
Reconciliation of Cash Flow from Operating Activities with Current Year Surplus		
Deficit for the year	(90,326)	(207,622)
Non cash transactions		
Depreciation and amortisation	154,915	272,087
Loss on disposal of property, plant and equipment	-	(2,300)
<i>Changes in net assets and liabilities:</i>		
<i>(Increase) / Decrease in assets:</i>		
Accounts receivable and other debtors	12,160	1,717
<i>Increase/(decrease) in liabilities:</i>		
Accounts payable and other payables	(8,379)	17,894
Employee provisions	4,553	14,003
Net cash flows from operating activities	72,923	95,779

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2016**

Note 11: Events After the Reporting Period

There are no events that have occurred after balance date that have been or should have been brought to account in the 2016 financial statements.

Note 12: Performance Indicators

	Actual 2016		Actual 2015	
	Amounts \$	Indicators	Amounts \$	Indicators
1. Current ratio				
<u>Current assets- external restricted assets</u>	883,477	Ratio	870,265	Ratio
Current liabilities	57,138	14.97 : 1	60,964	14.28 : 1
2. Rate coverage ratio				
<u>Rate revenue</u>	205,474		209,698	
Total revenue	753,758	27%	633,762	33%
3. Rates and annual charges outstanding percentages				
<u>Rates and annual charges outstanding</u>	18,464		40,202	
Rates and annual charges collectible	205,474	9%	209,698	19%

Note 13: Commitments for Expenditure

(a) Capital commitments

There were no capital commitments at 30 June 2016 or 2015.

(b) Finance lease commitments

There were no finance lease commitments at 30 June 2016 or 2015.

(c) Operating leases

There were no commitments under non-cancellable operating leases at 30 June 2016 or 2015.

(d) Other expenditure commitments

There were no other expenditure commitments at 30 June 2016 or 2015.

Note 14: Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at 30 June 2016 (2015: \$Nil).

Note 15: Capital Management

The Council manages its capital to ensure that it will be able to continue as a going concern. The Council's overall strategy remained unchanged throughout the year.

The capital structure of the Council consists of equity comprised of retained earnings.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

	2016	2015
	\$	\$

Note 16: Financial Risk Management

The Council's financial instruments consist mainly of cash and cash equivalents, accounts receivable and other debtors and accounts payable and other payables.

The carrying amounts for each category of financial instruments, measured in accordance with AASB 139: *financial Instruments: Recognition and Measurement* as detailed in the accounting policies to these financial statements, are as follows:

Financial assets

Cash and cash equivalents	862,507	837,135
Accounts receivable and other debtors	20,970	33,130
Total financial assets	883,477	870,265

Financial liabilities

Accounts payable and other payables	25,960	33,247
Total financial liabilities	25,960	33,247

Financial Risk Management Policies

Management is responsible for mentoring and managing the Council's compliance with its risk management strategy. The committee's overall risk management strategy is to assist the Council in meeting its financial targets whilst minimising potential adverse effects on financial performance. These include credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

The main risks the Council is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk. There has been no substantive change in the types of risk the Council is exposed to, how these risks arise, management's objectives, policies and procedures for managing or measuring risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the Council.

Credit risk exposures

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying amount and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Legislative restrictions on Council's investment powers effectively limit investments to financial instruments issued or guaranteed by Australian Governments, banks and authorised deposit taking institutions. Rates and other receivables are monitored on an ongoing basis with the result that the Council's exposure to bad debts is not significant.

The Council has no significant concentrations of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of accounts receivable and other debtors are provided in Note 6.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Note 16: Financial Risk Management (continued)

b. Liquidity risk

Liquidity risk arises from the possibility that the Council might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The Council manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets; and
- only investing surplus cash with major financial institutions.

c. Market risk

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Council is also exposed to earnings volatility on floating rate instruments.

The financial instruments that expose the Council to interest rate risk are limited to cash and cash equivalents.

The Council also manages interest rate risk by ensuring that, whenever possible, payables are paid within any pre-agreed credit terms.

Fair value sensitivity analysis for fixed rate instruments

The Council does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Fair value

The fair value of the Council's financial assets and liabilities approximates their carrying amounts.

Note 17: Additional Council Information

Wagait Shire Council is a local government body formerly called Cox Peninsular Government Council.

Principal place of business

Lot 62 Wagait Tower Road
Wagait Beach NT 0822

Registered Office

PMB 10
Wagait Beach NT 0801

INDEPENDENT AUDITOR'S REPORT

To the members of Wagait Shire Council

SWJR Nominees Pty Ltd
ABN 49 078 887 171
Cnr Coonawarra & Hook Roads
PO Box 36394, Winnellie NT 0821
Tel: 08 8947 2200
Fax: 08 8947 1146
lowrys.accountants@lowrys.com.au

We have audited the accompanying financial report, being a general purpose financial report, of Wagait Shire Council (the Council) which comprises the Statement of Financial Position as at 30 June 2016, the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity, the Statement of Working Capital, the Statement of Cash Flows, a summary of significant accounting policies along with other explanatory notes and the Chief Executive Officer's Certificate.

Management's Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and relevant provisions of the Local Government Act and Local Government (Accounting) Regulations, and for such internal controls as management determine are necessary to enable the preparation and fair presentation of the financial report to be free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 controls relevant to the Council's preparation and fair presentation of the report 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 management as well as evaluation of the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Local Government Act, the Local Government (Accounting) Regulations and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Council's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and Local Government regulations.

Auditor's Opinion

In our opinion the financial report of the Wagait Shire Council is in accordance with the Local Government Act and the Local Government (Accounting) Regulations, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards.


Emphasis of Matter

Without qualifying our audit opinion, we draw your attention to the Note 1 in the financial statements which explain the fact that the Council is dependent on operating grants from Government funding agencies. The financial statements have been prepared on a going concern basis as the management believe that such funding will continue in the foreseeable future.

Other Matter

The financial statements of Wagait Shire Council for the year ended 30 June 2015 were audited by another auditor who expressed an unqualified audit opinion on those statements on 15 October 2015.

LOWRYS ACCOUNTANTS



Colin James
Registered Company Auditor

Darwin, 18 October 2016