

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

GENERAL PURPOSE FINANCIAL REPORT

For the Year Ended 30 June 2017

Prepared by:
LOWRYS Accountants
PO Box 36394
Winnellie NT 0821

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

GENERAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2017

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	30

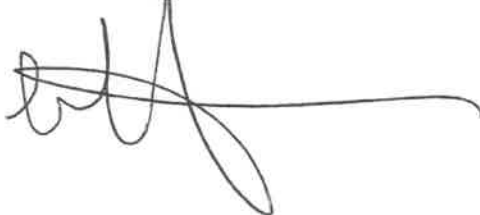
The Council Members
Wagait Shire Council
PMB 10
Wagait Beach NT 0801

Auditor's Independence Declaration

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 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



Colin James, FCA
Registered Company Auditor

Darwin, 17 October 2017

Wagait Shire Council

ABN: 65 843 778 569

Chief Executive Officer's Certificate

I, Mark Sidey, 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 2017 and the results for the year then ended; and
- (b) are in accordance with the accounting and other records of the Council.



Mark Sidey
Chief Executive Officer

Dated: 17 October 2017

Wagait Shire Council

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2017**

	Note	2017 \$	2016 \$
Revenue and Other Income			
Rates and annual charges	3A	351,368	205,474
User charges and fees	3B	157,632	176,470
Grants and contributions	3C	279,276	360,504
Interest	3D	8,778	11,310
Total operating revenues		<u>797,054</u>	<u>753,758</u>
Operating Expenses			
Employee costs	4A	341,520	334,473
Materials and contracts	4B	238,012	337,816
Depreciation	4C	96,509	154,915
Other operating expenses	4D	13,468	16,880
Total operating expenses		<u>689,509</u>	<u>844,084</u>
Surplus/(Deficit) for the year		<u>107,545</u>	<u>(90,326)</u>
Other Comprehensive Income			
Revaluation increment	7	-	1,526,801
Total other comprehensive income		<u>-</u>	<u>1,526,801</u>
Total surplus and other comprehensive income for the year		<u>107,545</u>	<u>1,436,475</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 2017**

	Note	2017 \$	2016 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,011,583	862,507
Accounts receivable and other debtors	6	62,147	20,970
Total current assets		<u>1,073,730</u>	<u>883,477</u>
Non-current assets			
Property, plant and equipment	7	2,909,817	2,950,767
Total non-current assets		<u>2,909,817</u>	<u>2,950,767</u>
Total Assets		<u>3,983,547</u>	<u>3,834,244</u>
LIABILITIES			
Current liabilities			
Accounts payable and other payables	8	40,377	25,960
Grant liabilities	9	31,949	-
Employee provisions	10	27,927	31,178
Total current liabilities		<u>100,253</u>	<u>57,138</u>
Non-current liabilities			
Employee provisions	10	-	1,357
Total non-current liabilities		<u>-</u>	<u>1,357</u>
Total Liabilities		<u>100,253</u>	<u>58,495</u>
Net Assets		<u>3,883,294</u>	<u>3,775,749</u>
EQUITY			
Retained surplus		1,513,270	1,715,725
Reserves	11	2,370,024	2,060,024
Total Equity		<u>3,883,294</u>	<u>3,775,749</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 2017**

ACCUMULATED FUNDS	Accumulated	Asset	Roads	Motor	Asset	Total
	Surplus	Revaluation	Reserve	Vehicle	Replacement	Equity
	\$	\$	\$	\$	Reserve	\$
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
Balance at 1 July 2016	1,715,725	1,870,024	180,000	10,000	-	3,775,749
Surplus for the year	107,545	-	-	-	-	107,545
Other comprehensive income	-	-	-	-	-	-
Transfer to/(from) reserve	(310,000)	-	(180,000)	(10,000)	500,000	-
Closing Balance at 30 June 2017	1,513,270	1,870,024	-	-	500,000	3,883,294

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 2017**

		2017	2016
		\$	\$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,011,583	862,507
Accounts receivable and other debtors	6	62,147	20,970
Total current assets		<u>1,073,730</u>	<u>883,477</u>
Less:			
Current liabilities			
Accounts payable and other payables	8	40,377	25,960
Grant liabilities	9	31,949	-
Employee provisions	10	27,927	31,178
Total current liabilities		<u>100,253</u>	<u>57,138</u>
Net current assets		973,477	826,339
Current ratio		10.71 : 1	15.46 : 1

The Statement of Working Capital 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 2017**

	Note	2017	2016
		\$	\$
Cash flows from operating activities			
Receipts from customers		479,623	384,832
Grants and contribution receipts		311,225	379,354
Interest received		8,778	11,310
Payments to suppliers and employees		(594,991)	(702,573)
Net cash flows from operating activities	13	<u>204,635</u>	<u>72,923</u>
Cash flows used in investing activities			
Acquisition of property, plant and equipment		(55,559)	(47,551)
Net cash flows used in investing activities		<u>(55,559)</u>	<u>(47,551)</u>
Net increase in cash and cash equivalents		<u>149,076</u>	<u>25,372</u>
Cash and cash equivalents at the beginning of the year		<u>862,507</u>	<u>837,135</u>
Cash and cash equivalents at the end of the year	5	<u><u>1,011,583</u></u>	<u><u>862,507</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 2017**

	Page Number
Note 1: Summary of Significant Accounting Policies	9
Note 2: Functions	19
Note 3: Revenues and Other Income	20
Note 4: Expenses	20
Note 5: Cash and Cash Equivalents	22
Note 6: Accounts Receivable and Other Debtors	22
Note 7: Property, Plant and Equipment	23
Note 8: Accounts Payable and Other Payables	25
Note 9: Grant Liabilities	25
Note 10: Employee Provisions	25
Note 11: Reserves	25
Note 12: Related Party Transactions	26
Note 13: Cash Flow Information	26
Note 14: Events After the Reporting Period	26
Note 15: Commitments for Expenditure	27
Note 16: Performance Indicators	27
Note 17: Capital Management	27
Note 18: Financial Risk Management	27
Note 19: Contingent Liabilities and Contingent Assets	29
Note 20: Additional Council Information	29

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 issued by the Australian Accounting Standards Board (AASB), 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 29 September 2017.

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.

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.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 1: Summary of Significant Accounting Policies (continued)

(a) Revenue (continued)

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 (i.e. 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 2017**

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

	<u>2017</u> Life (years)	<u>2016</u> 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 2017

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.

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).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 1: Summary of Significant Accounting Policies (continued)

(d) Financial Instruments (continued)

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 re-organisation 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 re-negotiated, 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 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.

(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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 1: Summary of Significant Accounting Policies (continued)

(f) Employee Provisions (continued)

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.

(j) Income Tax

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 1: Summary of Significant Accounting Policies (continued)

(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 2017 (2016: \$Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

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 2017 amounted to \$Nil (2016: \$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 12 months of the reporting period in which they were earned.

(o) **Economic Dependency**

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 2017

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.

- AASB16: *Leases* (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: *Leases* and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: *Property, Plant and Equipment* in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108: *Accounting Policies, Changes in Accounting Estimates and Errors* or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Council's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 1058: *Income of Not-for-Profit Entities* (applicable to annual reporting periods beginning on or after 1 January 2019).

This Standard is applicable to transactions that do not arise from enforceable contracts with customers involving performance obligations.

The significant accounting requirements of AASB 1058 are as follows:

- Income arising from an excess of the initial carrying amount of an asset over the related contributions by owners, increases in liabilities, decreases in assets and revenue should be immediately recognised in profit or loss. For this purpose, the assets, liabilities and revenue are to be measured in accordance with other applicable Standards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Note 1: Summary of Significant Accounting Policies (Continued)

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

- Liabilities should be recognised for the excess of the initial carrying amount of a financial asset (received in a transfer to enable the entity to acquire or construct a recognisable non-financial asset that is to be controlled by the entity) over any related amounts recognised in accordance with the applicable Standards. The liabilities must be amortised to profit or loss as income when the entity satisfies its obligations under the transfer.

An entity may elect to recognise volunteer services or a class of volunteer services as an accounting policy choice if the fair value of those services can be measured reliably, whether or not the services would have been purchased if they had not been donated. Recognised volunteer services should be measured at fair value and any excess over the related amounts (such as contributions by owners or revenue) immediately recognised as income in profit or loss.

The transitional provisions of this Standard permit an entity to either: restate the contracts that existed in each prior period presented in accordance with AASB 108 (subject to certain practical expedients); or recognise the cumulative effect of retrospective applications to incomplete contracts on the date of initial application. For this purpose, a completed contract is a contract or transaction for which the entity has recognised all of the income in accordance with AASB 1004: *Contributions*.

Although the Council members anticipate that the adoption of AASB 1058 will impact the Council's financial statements, it is impracticable at this stage to provide a reasonable estimate of such impact.

- AASB 2016-4: *Amendments to Australian Accounting Standards - Recoverable amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities* (applicable to annual reporting periods beginning on or after 1 January 2017).

This Standard amends AASB 136: *Impairment of Assets* to remove references to depreciated replacement cost as a measure of value in use for not-for-profit entities; and clarify that AASB 136 does not apply to non-cash-generating specialised assets that are regularly revalued to fair value under the revaluation model in AASB 116 and AASB 138: *Intangible Assets*, but applies to such assets accounted for under the cost model in those Standards.

AASB 2016-4 is not expected to have a significant impact on the Council's financial statements.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 Council's 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 2017**

	2017 \$	2016 \$
Note 3: Revenue and Other Income		
Note 3A Rates and annual charges		
<i>Ordinary rates</i>		
Residential, business and rural flat rate	225,941	205,474
Waste management levy	125,427	-
Total rates and annual charges	<u>351,368</u>	<u>205,474</u>
Note 3B User charges and fees		
Jetty and boat ramp maintenance	59,390	66,791
Power and water contract income	49,946	46,479
Weed management income	16,512	16,458
Other fees and charges	31,784	46,742
Total user charges and fees	<u>157,632</u>	<u>176,470</u>
Note 3C Grants and Contributions		
<i>General purpose grants (untied)</i>		
FAA - General purpose component	8,688	7,959
FAA - Roads to recovery component	53,121	53,817
	<u>61,809</u>	<u>61,776</u>
<i>Northern Territory Government operating grants</i>		
General purpose component	149,582	143,499
Department of Sport, Recreation and Racing	21,000	21,000
Department of Infrastructure and Regional	11,795	101,734
Department of Local Government	-	31,000
	<u>182,377</u>	<u>297,233</u>
<i>Northern Territory Government non-recurring grants</i>		
Specific purpose	28,490	-
Other	5,100	-
	<u>33,590</u>	<u>-</u>
<i>Non Government grants and contributions</i>		
Australia Day Council	1,500	1,100
Other	-	395
	<u>1,500</u>	<u>1,495</u>
Total grants and contributions	<u>279,276</u>	<u>360,504</u>
Note 3D Interest		
Financial institutions	8,778	11,310
	<u>8,778</u>	<u>11,310</u>
Note 4: Expenses		
Note 4A Employee costs		
Salaries and wages	295,938	303,503
Superannuation	27,153	29,233
Recruitment and relocation	7,434	-
Training and development	10,995	1,737
Total employee costs	<u>341,520</u>	<u>334,473</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 4: Expenses (continued)		
Note 4B Materials and contracts		
Advertising	2,807	4,290
Bank fees	1,342	1,555
Consultants, rates valuation fees and council election fee	10,926	8,123
Contractors, maintenance and materials	2,566	13,328
Councillor and meeting expenses	6,027	810
Debt collection	2,400	-
Donations	160	750
Doubtful debts	(8,512)	-
Electricity	5,028	12,037
Information technology expenses	1,375	8,896
Insurance	23,735	24,613
Printing and stationery	3,819	2,405
Repairs and maintenance	31,878	29,458
Roads to Recovery	18,045	104,527
Subscriptions	3,009	2,609
Telephone	6,804	7,678
Travelling and accommodation	2,250	1,999
Vehicle, plant and equipment expenses	17,892	14,675
Waste management	90,176	74,604
Water and sewerage	4,189	5,653
Other	12,096	19,806
Total materials and contracts	<u>238,012</u>	<u>337,816</u>
Note 4C Depreciation		
Plant and equipment	17,066	46,982
Infrastructure	57,957	86,446
Motor vehicles	21,486	21,487
Total depreciation	<u>96,509</u>	<u>154,915</u>
Note 4D Other operating expenses		
Audit services	6,718	15,542
Other services	6,750	1,338
Total other operating expenses	<u>13,468</u>	<u>16,880</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
Note 5: Cash and Cash Equivalents		
Cash at bank	1,011,183	861,046
Cash on hand	400	1,461
Total cash and cash equivalents	<u>1,011,583</u>	<u>862,507</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	27,927	32,535
Total internal restrictions	<u>27,927</u>	<u>32,535</u>
Total unrestricted	983,656	829,972
Total cash and cash equivalents available	<u>1,011,583</u>	<u>862,507</u>

Management believe that there were no grants which were not expended as at 30 June 2017 (2016: \$Nil).

Note 6: Accounts Receivable and Other Debtors		
Rates and annual charges	58,799	18,464
Less: Provision for doubtful debts	-	(8,512)
	<u>58,799</u>	<u>9,952</u>
GST receivable	1,908	9,578
Other	1,440	1,440
Total unrestricted accounts receivable and other debtors	<u>62,147</u>	<u>20,970</u>
Total receivables are aged as follows:		
Current	28,839	4,253
30 to 60 days	-	-
More than 90 days	29,960	14,211
Total receivables	<u>58,799</u>	<u>18,464</u>
The average credit period on rates and other receivables is 30 days. No interest is charged for the first 30 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.		
Movement/(recoveries) in allowance for impairment of receivables		
Balance at the beginning of the year	8,512	8,512
Reduction in allowance	(8,512)	-
Balance at the end of the year	<u>-</u>	<u>8,512</u>
a. Financial assets at amortised cost classified as accounts receivable and other debtors		
Accounts receivable and other debtors:		
- total current	62,147	20,970
- total non current	-	-
	<u>62,147</u>	<u>20,970</u>
Less GST receivable	(1,908)	(9,578)
Financial assets as accounts receivable and other debtors	<u>60,239</u>	<u>11,392</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 7: Property, Plant and Equipment		
Land and buildings		
Land, at cost	400,000	400,000
	<u>400,000</u>	<u>400,000</u>
Buildings and improvements, at fair value	2,222,727	2,222,727
Accumulated depreciation	-	-
	<u>2,222,727</u>	<u>2,222,727</u>
Total land and buildings	<u>2,622,727</u>	<u>2,622,727</u>
Plant and equipment		
Plant and equipment, at cost	409,801	354,243
Accumulated depreciation	(331,977)	(314,912)
	<u>77,824</u>	<u>39,331</u>
Infrastructure, at cost	864,460	864,460
Accumulated depreciation	(667,927)	(609,970)
	<u>196,533</u>	<u>254,490</u>
Office equipment and furniture, at cost	174,729	174,729
Accumulated depreciation	(174,729)	(174,729)
	<u>-</u>	<u>-</u>
Motor vehicles, at cost	107,432	107,432
Accumulated depreciation	(94,699)	(73,213)
	<u>12,733</u>	<u>34,219</u>
Total plant and equipment	<u>287,090</u>	<u>328,040</u>
Total property, plant and equipment	<u>2,909,817</u>	<u>2,950,767</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 2015							
Gross book value	400,000	1,517,105	306,691	864,460	174,729	107,432	3,370,417
Accumulated depreciation	-	(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	-	-	(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
As at 1 July 2016							
Gross book value	400,000	2,222,727	354,243	864,460	174,729	107,432	4,123,591
Accumulated depreciation	-	-	(314,912)	(609,970)	(174,729)	(73,213)	(1,172,824)
Net book value 1 July 2016	400,000	2,222,727	39,331	254,490	-	34,219	2,950,767
Additions	-	-	55,559	-	-	-	55,559
Depreciation	-	-	(17,066)	(57,957)	-	(21,486)	(96,509)
Revaluation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Net book value 30 June 2017	400,000	2,222,727	77,824	196,533	-	12,733	2,909,817
Net book value as of 30 June 2017 represented by:							
Gross book value	400,000	2,222,727	409,801	864,460	174,729	107,432	4,179,149
Accumulated depreciation	-	-	(331,977)	(667,927)	(174,729)	(94,699)	(1,269,332)
Net book value 30 June 2017	400,000	2,222,727	77,824	196,533	-	12,733	2,909,817

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.

The Council members believe that the fair value of buildings and improvements remains at \$2,222,727 as at 30 June 2017.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017 \$	2016 \$
Note 8: Accounts Payable and Other Payables		

Current		
Sundry creditors and accrued expenses	14,634	20,228
Payroll liabilities	13,943	5,732
Deferred income	11,800	-
Total accounts payable and other payables	<u>40,377</u>	<u>25,960</u>
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	40,377	25,960
- total non current	-	-
Financial liabilities as accounts payable and other payables	<u>40,377</u>	<u>25,960</u>

No interest is payable on outstanding payables.

Note 9: Grant Liabilities		
----------------------------------	--	--

Deferred income	<u>31,949</u>	<u>-</u>
-----------------	---------------	----------

Note 10: Employee Provisions		
-------------------------------------	--	--

Current		
Annual leave	16,594	19,752
Long service leave	11,333	11,426
Total current employee provisions	<u>27,927</u>	<u>31,178</u>
Non-Current		
Long service leave	-	1,357
Total non-current employee provisions	<u>-</u>	<u>1,357</u>
Total employee provisions	<u>27,927</u>	<u>32,535</u>

Note 11: Reserves		
--------------------------	--	--

Movement in reserves

Asset revaluation reserve

Balance at beginning of reporting year	1,870,024	343,223
Revaluation increment for buildings and improvements	-	1,526,801
Balance at end of the reporting year	<u>1,870,024</u>	<u>1,870,024</u>

The asset revaluation reserve arises on the revaluation of buildings and improvements. Where a revalued item of property, plant and equipment is sold, that portion of asset revaluation reserve which relates to that asset and is effectively realised, is transferred directly into retained earnings.

Other reserves

Balance at beginning of reporting year	190,000	190,000
Transfer to reserve	310,000	-
Balance at end of the reporting year	<u>500,000</u>	<u>190,000</u>

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

	2017	2016
	\$	\$
Note 11: Reserves (continued)		

Other reserves consisted of a roads reserve and a motor vehicle reserve. The Council have decided to amalgamate the existing reserves into the asset replacement and maintenance reserve.

Note 12: Related Party Transactions

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

a. Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the Council directly or indirectly, including any director (whether executive or otherwise) is considered key management personnel.

Key management personnel compensation:

- short-term employee benefits	98,602
- post-employment benefits	9,155
	<u>107,757</u>

b. Other Related Parties

Other related parties include close family members of key management personnel.

Transactions between related parties, and or their close family members, are on normal commercial terms and conditions no more favourable than those available to other persons.

Note 13: Cash Flow Information**Reconciliation of Cash Flow from Operating Activities with Current Year Surplus**

Surplus for the year	107,545	(90,326)
Non cash transactions		
Depreciation	96,509	154,915
<i>Changes in net assets and liabilities:</i>		
<i>(Increase) / Decrease in assets:</i>		
Accounts receivable and other debtors	(41,177)	12,160
<i>Increase/(decrease) in liabilities:</i>		
Accounts payable and other payables	14,417	(8,379)
Grant liabilities	31,949	-
Employee provisions	(4,608)	4,553
Net cash flows from operating activities	<u>204,635</u>	<u>72,923</u>

Note 14: 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 2017 financial statements.

WAGAIT SHIRE COUNCIL

ABN 65 843 778 569

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****Note 15: Commitments for Expenditure****a. Capital commitments**

There were no capital commitments at 30 June 2017 or 2016.

b. Finance lease commitments

There were no finance lease commitments at 30 June 2017 or 2016.

c. Operating leases

There were no commitments under non-cancellable operating leases at 30 June 2017 or 2016.

d. Other expenditure commitments

There were no other expenditure commitments at 30 June 2017 or 2016.

Note 16: Performance Indicators

	Actual 2017		Actual 2016	
	Amounts \$	Indicators	Amounts \$	Indicators
1. Current ratio				
<u>Current assets- external restricted assets</u>	1,073,730	Ratio	883,477	Ratio
Current liabilities	100,253	10.71 : 1	57,138	15.46 : 1
2. Rate coverage ratio				
<u>Rate revenue</u>	351,368		205,474	
Total revenue	797,054	44%	753,758	27%
3. Rates and annual charges outstanding percentages				
<u>Rates and annual charges outstanding</u>	58,799		18,464	
Rates and annual charges collectible	351,368	17%	205,474	9%

Note 17: 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 and a revaluation reserve.

Note 18: 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:

	2017 \$	2016 \$
Financial assets		
Cash and cash equivalents	1,011,583	862,507
Accounts receivable and other debtors	60,239	11,392
Total financial assets	<u>1,071,822</u>	<u>873,899</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

	2017	2016
	\$	\$
Note 18: Financial Risk Management (continued)		
Financial liabilities		
Accounts payable and other payables	40,377	25,960
Total financial liabilities	<u>40,377</u>	<u>25,960</u>

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.

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.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Note 18: Financial Risk Management (continued)

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 19: Contingent Liabilities and Contingent Assets

There are no contingent liabilities or contingent assets at 30 June 2017 (2016: \$Nil).

Note 20: Additional Council Information

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

Principal place of business

142 Wagait Tower Road
Wagait Beach NT 0822

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 2017, 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

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

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

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

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 2017 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards.

LOWRYS ACCOUNTANTS



Colin James, FCA
Registered Company Auditor

Darwin, 17 October 2017