

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

Financial Report For The Year Ended

30 June 2020

WAGAIT SHIRE COUNCIL

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Financial Report For The Year Ended 30 June 2020

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WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

Council Certificate

We have been authorised by the Council to certify the financial statements in their final form. In our opinion:

(a) the accompanying financial statements comply with the Local Government Act 2008 , Local Government Accounting Regulations and Australian Accounting Standards.

(b) the financial statements present a true and fair view of the Council's financial position at 30 June 2020 and the results of its operations and cash flows for the financial year.

(c) internal controls implemented by the Council provide a reasonable assurance that the Council's financial records are complete, accurate and reliable and were effective throughout the year.

(d) the financial statements accurately reflect the Council's accounting and other records



Dated 20/10/2020



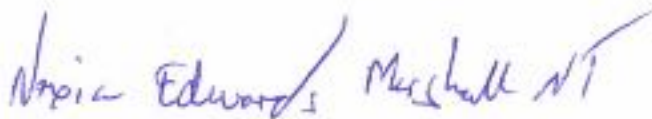
Dated 20/10/20.

**AUDITOR'S INDEPENDENCE DECLARATION UNDER THE LOCAL GOVERNMENT ACT AND LOCAL GOVERNMENT ACCOUNTING REGULATIONS
TO THE COUNCIL MEMBERS OF WAGAIT SHIRE COUNCIL**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2020 there have been no contraventions of:

(a) the auditor independence requirements of the *Northern Territory of Australia Local Government Act 2008* and *Northern Territory of Australia Local Government (Accounting) Regulations 2008*; and

(b) any applicable code of professional conduct in relation to the audit.



Nexia Edwards Marshall NT
Chartered Accountants



Noel Clifford
Partner

Darwin
Northern Territory

Date: 23 October 2020

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
INCOME			
Rates and annual charges	3A	352,817	348,092
User charges and fees	3B	144,222	120,601
Grants and contributions	3C	347,320	349,430
Interest	3D	16,000	18,467
Gain on sale of property, plant and equipment	3E	-	9,633
TOTAL INCOME		<u>860,359</u>	<u>846,223</u>
EXPENSES			
Employee Cost	4A	436,059	393,496
Materials and Contracts	4B	204,408	208,255
Depreciation	4C	150,806	152,788
Other operating expenses	4D	68,947	78,022
TOTAL EXPENSES		<u>860,220</u>	<u>830,561</u>
NET SURPLUS		<u>139</u>	<u>15,662</u>
OTHER COMPREHENSIVE INCOME			
Gains on revaluation of buildings and other structures for the year		-	-
TOTAL OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME		<u>139</u>	<u>15,662</u>

The accompanying notes form part of these financial statements.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 579
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash on Hand and at Bank	5	1,536,103	1,267,229
Trade and Other Receivables	6	39,553	22,700
Prepayments		7,397	7,397
TOTAL CURRENT ASSETS		<u>1,583,053</u>	<u>1,317,326</u>
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	2,835,928	2,913,281
TOTAL NON-CURRENT ASSETS		<u>2,835,928</u>	<u>2,913,281</u>
TOTAL ASSETS		<u>4,418,981</u>	<u>4,230,607</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	8	26,944	48,426
Contract liabilities	9	297,966	112,148
Employee Provisions	10	69,769	50,191
TOTAL CURRENT LIABILITIES		<u>394,679</u>	<u>210,765</u>
NON-CURRENT LIABILITIES			
Employee Provisions	10	4,641	320
TOTAL NON-CURRENT LIABILITIES		<u>4,641</u>	<u>320</u>
TOTAL LIABILITIES		<u>399,320</u>	<u>211,085</u>
NET ASSETS		<u>4,019,661</u>	<u>4,019,522</u>
EQUITY			
Retained Earnings		1,649,637	1,649,498
Reserves	11	2,370,024	2,370,024
TOTAL EQUITY		<u>4,019,661</u>	<u>4,019,522</u>

The accompanying notes form part of these financial statements.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Retained Earnings	Asset Revaluation Reserve	Asset Replacement and Maintenance Reserve	Total Equity
	\$		\$	\$
Balance at 1 July 2018	1,633,836	1,870,024	500,000	4,003,860
Comprehensive income:				
Surplus for the year	15,662	-	-	15,662
Other comprehensive income for the year	-	-	-	-
Total comprehensive income attributable to Members of the entity for the year	15,662	-	-	15,662
Balance at 30 June 2019	<u>1,649,498</u>	<u>1,870,024</u>	<u>500,000</u>	<u>4,019,522</u>
Balance at 1 July 2019	1,649,498	1,870,024	500,000	4,019,522
Comprehensive income:				
Surplus for the year	139	-	-	139
Other comprehensive income for the year	-	-	-	-
Total comprehensive income attributable to Members of the entity for the year	139	-	-	139
Balance at 30 June 2020	<u>1,649,637</u>	<u>1,870,024</u>	<u>500,000</u>	<u>4,019,661</u>

The accompanying notes form part of these financial statements.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 579
STATEMENT OF WORKING CAPITAL
AS AT 30 JUNE 2020

	Note	2020 \$	2019 \$
ASSETS			
CURRENT ASSETS			
Cash on Hand and at Bank	5	1,536,103	1,287,229
Trade and Other Receivables	6	39,553	22,700
Prepayments		7,397	7,397
TOTAL CURRENT ASSETS		1,583,053	1,317,326
Less:			
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	8	26,944	48,426
Contract liabilities	9	297,966	112,148
Employee Provisions	10	69,769	50,191
TOTAL CURRENT LIABILITIES		394,679	210,765
NET CURRENT ASSETS		1,188,374	1,106,561
CURRENT RATIO		4	6

The accompanying notes form part of these financial statements.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
STATEMENT OF CASH FLOWS
FOR YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		476,909	511,077
Grants and contributions receipts		533,138	367,960
Interest received		16,000	18,467
Payments to suppliers and employees		(703,720)	(533,074)
Net cash provided by operating activities	13	<u>322,327</u>	<u>264,430</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		-	13,594
Payment for property, plant and equipment		(73,453)	(129,597)
Net cash (used in) investing activities		<u>(73,453)</u>	<u>(116,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash provided by (used in) financing activities		<u>-</u>	<u>-</u>
Net increase in cash held		248,874	148,417
Cash and cash equivalents at beginning of the financial year		1,287,229	1,138,812
Cash and cash equivalents at end of the financial year	13	<u>1,536,103</u>	<u>1,287,229</u>

The accompanying notes form part of these financial statements.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The financial statements cover Wagait Shire Council as an individual entity, incorporated and domiciled in Australia. Wagait Shire Council is operating pursuant to the *NT Local Government Act 2008* and *NT Local Government (Accounting) Regulations*.

The financial statements were authorised for issue on *20 October* by the Councillors of the Council.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), the requirements of the Local Government Act 2008, Local Government (Accounting) Regulations and other authoritative pronouncements of the Australian Accounting Standard Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

Accounting Policies

(a) Revenue

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.

The Council has applied AASB 15: Revenue from Contracts with Customers (AASB 15) and AASB 1058: Income of Not-for-Profit Entities (AASB 1058) using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore, the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 1004: Contributions. The details of accounting policies under AASB 118 and AASB 1004 are disclosed separately since they are different from those under AASB 15 and AASB 1058. The impact of changes is disclosed in Note 1(u).

In the Current Year

The Council receives assets from the government and other parties for Nil or nominal consideration in order to further its objectives. These assets are recognised in accordance with the recognition requirements of other applicable accounting standards (AASB 9, AASB 16, AASB 116 and AASB 138).

On initial recognition of an asset, the Council recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer).

The Council recognises income immediately in profit or loss as the difference between initial carrying amount of the asset and the related amounts.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(a) Revenue and Other Income (Cont.)

Operating Grants, Donations and Bequests

When the Council receives operating grant revenue, donations or bequests, it assesses whether the contract is enforceable and has sufficiently specific performance obligations in accordance with AASB 15.

When both these conditions are satisfied, the Council :

- identifies each performance obligation relating to the grant;
- recognises a contract liability for its obligations under the agreement; and
- recognises revenue as it satisfies its performance obligations.

When the contract is not enforceable or does not have sufficiently specific performance obligations, the Council:

- recognises the asset received in accordance with the recognition requirements of other applicable accounting standards (AASB 9, AASB 116 and AASB139);
- recognises related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer); and
- recognises income immediately in profit or loss as the difference between the initial carrying amount of the asset and the related amount.

If a contract liability is recognised as a related amount above, the Council recognises income in profit or loss when or as it satisfies its obligations under the contract.

Capital Grant

When the Council receives a capital grant, it recognises a liability for the excess of the initial carrying amount of the financial asset received over any related amounts (being contributions by owners, lease liability, financial instruments, provisions, revenue or contract liability arising from a contract with a customer) recognised under other Australian Accounting Standards.

The Council recognises income in profit or loss when or as the Council satisfies its obligations under the terms of the grant.

Interest Income

Interest income is recognised using the effective interest method.

Donation Income

Donations and bequests are recognised as revenue when received.

Income from Sale of Goods

Revenue from the sales of goods and the rendering of a service is recognised upon the delivery of the goods and services to the customers.

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

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(a) Revenue and Other Income (Cont.)

In the Comparative Period

Non-reciprocal grant revenue is recognised in 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 entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those 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.

Wagait Shire Council receives non-reciprocal contributions of assets from the government and other parties for a zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

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

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

(b) 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, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

In periods when the Freehold Land and Buildings are not subject to an independent valuation, the Councillors conduct Councillors' valuations to ensure the carrying amount for the Land and Buildings is not materially different to the fair value.

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.

Freehold Land and Buildings that have been contributed at no cost, or for nominal cost, are initially recognised and measured at the fair value of the asset at the date it is acquired.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(b) Property, Plant and Equipment (Cont.)

Plant and Equipment

Plant and equipment 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 plant and equipment is greater than its estimated recoverable amount, the carrying amount is written down immediately to its 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 (refer to Note 1(f) for details of impairment).

Plant and equipment that have been contributed at no cost, or for nominal cost, are valued and recognised at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate Life (years)
Buildings and improvements	20-40
Infrastructure	10
Plant and equipment	3-10
Office equipment and furniture	3
Motor vehicles	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 proceeds with the carrying amount. These gains or 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 earnings.

(c) Leases

At inception of a contract, the Council assess if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by the Council where the Council is a lessee. However all contracts that are classified as short term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating lease on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Council uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows :

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(c) Leases (Cont.)

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest. Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Council anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

AASB 16 Leases, which will commence from 1 July 2019, requires that the right of use conveyed by leasing contracts - except leases with a maximum term of 12 months and leases for low-value assets - be recognised as a form of Infrastructure, Property, Plant and Equipment, and that the lease liability be disclosed as a liability. At 30 June 2020, Council has no leases to which this treatment will need to be applied.

Concessionary Leases

For leases that have significantly below market terms and conditions principally to enable the Council to further its objectives (commonly known as peppercorn / concessionary leases), the Council has adopted the temporary relief under AASB 2018-8 and measures the right of use assets at cost on initial recognition.

(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 (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain significant financing component or if the practical expedient was applied as specified in AASB 15: Revenue from Contracts with Customers.

Classification and Subsequent Measurement

Financial liabilities

Financial liabilities are subsequently measured at:

- amortised cost; or
- fair value through profit or loss.

A financial liability is measured at fair value through profit or loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense over its profit or loss over the relevant period.

The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

A financial liability is held for trading if it is:

- incurred for the purpose of repurchasing or repaying in the near term;
- part of a portfolio where there is an actual pattern of short-term profit-taking; or
- a derivative financial instrument (except for a derivative that is in a financial guarantee contract or a derivative that is in effective hedging relationships).

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and is not subsequently reclassified to profit or loss. Instead, it is transferred to retained earnings upon derecognition of the financial liability.

If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability cannot be reclassified.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**
(d) Financial Instruments (Cont.)

Financial assets

Financial assets are subsequently measured at:

- amortised cost; or
- fair value through comprehensive income; or
- fair value through profit or loss.

Measurement is on the basis of two primary criteria:

- the contractual cash flow characteristics of the financial asset; and
- the business model for managing the financial assets.

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
- the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Council initially designates a financial instrument as measured at fair value through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as an "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases;
- it is in accordance with the documented risk management or investment strategy and information about the groupings is documented appropriately, so the performance of the financial liability that is part of a group of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
- it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

Equity instruments

At initial recognition, as long as the equity instrument is not held for trading or not a contingent consideration recognised by an acquirer in a business combination to which AASB 3 applies, the Council made an irrevocable election to measure any subsequent changes in fair value of the equity instruments in other comprehensive income, while the dividend revenue received on underlying equity instruments investment will still be recognised in profit or loss.

Regular way purchases and sales of financial assets are recognised and derecognised at settlement date in accordance with the Council's accounting policy.

Derecognition

Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities

A liability is derecognised when it is extinguished (ie when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability, is treated as an extinguishment of the existing liability and recognition of a new financial liability.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(d) Financial Instruments (Cont.)

Derecognition of financial assets

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for the derecognition of a financial asset:

- the right to receive cash flows from the asset has expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the Council no longer controls the asset (ie has no practical ability to make unilateral decision to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which the Council elected to classify under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment

The Council recognises a loss allowance for expected credit losses on:

- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- lease receivables;
- contract assets (e.g. amount due from customers under construction contracts);
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:

- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses are the probability-weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Council uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:

- the general approach;
- the simplified approach;
- the purchased or originated credit-impaired approach; and
- low credit risk operational simplification.

General approach

Under the general approach, at each reporting period, the Council assesses whether the financial instruments are credit impaired, and:

- if the credit risk of the financial instrument has increased significantly since initial recognition, the Council measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and
- if there is no significant increase in credit risk since initial recognition, the Council measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

Simplified approach

The simplified approach does not require tracking of changes in credit risk at every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to

- trade receivables; and
- lease receivables.

In measuring the expected credit loss, a provision matrix for trade receivables is used taking into consideration various data to get to an expected credit loss (i.e. diversity of its customer base, appropriate groupings of its historical loss experience, etc).

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(d) Financial Instruments (Cont.)

Purchased or originated credit-impaired approach

For financial assets that are considered to be credit-impaired (not on acquisition or originations), the Council measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:

- significant financial difficulty of the issuer or borrower;
- a breach of contract (e.g. default or past due event);
- a lender has granted to the borrower a concession, due to the borrower's financial difficulty, that the lender would not otherwise consider;
- the likelihood that the borrower will enter bankruptcy or other financial reorganisation; and
- the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach

If a financial asset is determined to have low credit risk at the initial reporting date, the Council assumes that the credit risk has not increased significantly since initial recognition and, accordingly, can continue to recognise a loss allowance of 12-month expected credit loss.

In order to make such a determination that the financial asset has low credit risk, the Council applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:

- there is a low risk of default by the borrower;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or relative to the credit risk of the jurisdiction in which it operates.

Recognition of expected credit losses in financial statements

At each reporting date, the Council recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

Assets measured at fair value through other comprehensive income are recognised at fair value with changes in fair value recognised in other comprehensive income. The amount in relation to change in credit risk is transferred from other comprehensive income to profit or loss at every reporting period.

For financial assets that are unrecognised (e.g. loan commitments yet to be drawn, financial guarantees), a provision for loss allowance is created in the statement of financial position to recognise the loss allowance.

(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 assets are not held primarily for their ability to generate net cash inflows – that is, they are specialised assets held for continuing use of their service capacity – the recoverable amounts are expected to be materially the same as fair value.

Where it is not possible to estimate the recoverable amount of an individual asset, the Council estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where an impairment loss on a revalued individual 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.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(q) Critical Accounting Estimates and Judgements

The Councillors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Council.

Key Estimates

(i) Valuation of buildings

The buildings were independently valued at year 2015/ 2016 by Integrated Valuation Services NT. At 30 June 2020, the Councillors have performed a Councillors' valuation on the buildings. The Councillors have reviewed the key assumptions adopted by the valuers and do not believe there has been a significant change in the assumptions at 30 June 2020. The Councillors therefore believe, that based on the expected utility of the assets, the carrying amount of the buildings reflects the fair value at 30 June 2020.

(ii) Useful lives of property, plant and equipment

As described in Note 1(c), 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.

(iii) Impairment- General

The Council assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Council that may be indicative of impairment triggers.

Impairment of leasehold improvements and plant and equipment

The Council assesses impairment of infrastructure and 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 infrastructure and plant and equipment at 30 June 2020 (2019: \$Nil).

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 2020 amounted to \$4,237 (2019: Nil).

Key judgments

(i) Performance Obligations Under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods or services. In making this assessment, management includes the nature / type, cost /value, quantity and the period of transfer related to the goods or services promised.

(ii) Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Council based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Council operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Council unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 559
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 **Summary of Significant Accounting Policies (Cont.)**

(r) Fair Value of Assets and Liabilities

The Council measures some of its assets 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.

"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) transactions 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 values 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.

To the extent possible, market information is extracted from the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability). In the absence of such a market, market information is extracted from the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Council's own equity instruments (if any) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and where significant, are detailed in the respective note to the financial statements.

(s) Economic Dependence

The Council is dependant upon the ongoing receipt of grants from the Northern Territory Government to ensure the continuance of its activities. At this date of this report management has no reason to believe that Council will not continue to receive funding support from the Government

(t) Adoption of New and Revised Accounting Standards

The Council has implemented three new Accounting Standards that are applicable for the current reporting period. AASB 15: Revenue from Contracts with Customers, AASB 1058: Income of Not-for-Profit Entities and AASB 16: Leases have been applied using the cumulative effective method; that is, by recognising the cumulative effect of initially applying AASB 15, AASB 1058 and AASB 16 as an adjustment to the opening balance of equity as at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 118: Revenue, and AASB 117: Leases and AASB 1004: Contributions. Also to note in relation to AASB 16 is that the Council applied the temporary relief for peppercorn leases under AASB 2018-8 to measure the right of use assets at cost on initial recognition.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 1 Summary of Significant Accounting Policies (Cont.)

(t) Adoption of New and Revised Accounting Standards (Cont.)

The Council has adopted AASB 16: Leases with a date of initial application of 1 July 2019. As a result, the Council has changed its accounting policy leases recognition as detailed in this note.

The Councillors assessed that there is no material difference in the result of the Council between applying AASB 117 and AASB 16 as the Council only has photocopier rental lease expenses related to low value and or short term leases.

The Northern Territory Government allows the Council to use their Sports Ground for free. As a result the Council has a Crown lease and expiring date in Perpetuity with the NT Government for its Sports Ground Property Section 110 (50) plans S98/294 Wagait Tower Road. As previously noted the Council has adopted the temporary relief under AASB 2018-8.

Initial Application of AASB 15 and AASB 1058

The Council has applied AASB 15: Revenue from Contracts with Customers and AASB 1058: Income of Not-for-Profit Entities using the cumulative effective method of initially applying AASB 15 and AASB 1058 as an adjustment to the opening balance of equity at 1 July 2019. Therefore the comparative information has not been restated and continues to be presented under AASB 118: Revenue and AASB 1004: Contributions.

The Council has elected to apply AASB 1058 retrospectively only to contracts that are not completed contracts at the date of initial application.

The Councillors have assessed that the application of AASB 15 and AASB 1058 has had minimal effect on the accounting and reporting practices of the Council and a corresponding insignificant impact on the Council's operating results for the year ended 30 June 2020. There is no material difference in the results of the Council between applying AASB 15 and AASB 1058 and AASB 118. No adjustments were deemed necessary to the opening balance of equity at 1 July 2019.

A classification change occurred which resulted in Grants Received in Advance now being classified as Contract Liability in line with wording used in AASB 15.

The table below provides details of the significant changes and quantitative impact of these changes on initial date of application 1 July 2019:

Statement of Financial Position	As presented on 30 June 2019	Application Impact of AASB 15 & AASB 1058	As at 1 July 2019
CURRENT LIABILITIES			
Unexpended Grants & Deferred Income	112,148	(112,148)	-
Contract Liabilities	-	112,148	112,148
EQUITY			
Retained Earnings	-	-	-

(u) New Accounting Standards and Interpretations Not Yet Mandatory Or Early Adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Council for the annual reporting period ended 30 June 2020. The Council has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 3 Revenue and Other Income

	2020	2019
3A Rates and annual charges	\$	\$
Ordinary rates		
Residential, business and rural flat rate	236,417	231,992
Waste management levy	116,400	118,100
Total rates and annual charges	<u>352,817</u>	<u>350,092</u>
3B User charges and fees	\$	\$
Jetty and boat ramp maintenance	83,482	61,394
Power and water contract income	37,205	36,150
Weed management income	1,993	-
Other fees and charges	20,072	21,075
Other income	1,480	1,882
Total User charges and fees	<u>144,222</u>	<u>120,501</u>
3C Grants and Contributions	\$	\$
General purpose grants (unfunded)		
FAA - General purpose component	11,282	11,989
FAA - Roads to recovery component	56,010	55,755
<i>Northern Territory Government operating grants</i>		
General purpose component	298,021	189,850
Department of Tourism, Sport and Culture	25,802	21,000
Department of Infrastructure and Regional	-	-
<i>Northern Territory Government non-recurring grants</i>		
Specific purpose	42,205	60,984
Other	2,000	8,382
<i>Non Government grants and contributions</i>		
Australia Day Council	2,000	1,500
Total grants and contributions	<u>347,320</u>	<u>349,430</u>
3D Interest	\$	\$
Financial Institutions	16,000	18,467
Total Interest	<u>16,000</u>	<u>18,467</u>
3E Gains/ (loss) on disposal property, plant and equipment	\$	\$
Gains and Losses	-	9,633
Total Gains/ (loss) on disposal property, plant and equipment	<u>-</u>	<u>9,633</u>

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 NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 4	Expenses	2020	2019
		\$	\$
4A	Employee Cost		
	Salaries and Wages	370,157	332,165
	Superannuation	33,988	29,710
	Leave Expense	23,901	23,454
	Recruitment	2,727	-
	Training and development	5,266	8,137
	Total employee cost	<u>436,059</u>	<u>393,466</u>
4B	Materials and contracts	2020	2019
		\$	\$
	Regular Bin and Waste Collection	63,744	77,555
	Insurance	33,175	25,230
	Repairs & Maintenance	37,137	43,578
	Accounting	10,904	7,860
	Motor Vehicle Expenses	11,264	18,166
	Other Grant Expenses	6,308	13,191
	Consultant fees	6,633	11,794
	Travel & Accommodation	5,375	2,661
	Community Activities and Functions	5,101	5,539
	Safety Supplies & Equipment	4,747	2,661
	Total materials and contracts	<u>204,408</u>	<u>208,255</u>
4C	Depreciation	2020	2019
		\$	\$
	Buildings	55,559	55,158
	Sports Ground	37,996	-
	Plant and equipment	36,728	37,224
	Office equipment	120	113
	Infrastructure	4,283	43,163
	Motor vehicles	15,110	15,110
	Total Depreciation	<u>150,806</u>	<u>152,788</u>
4D	Other operating expenses	2020	2019
		\$	\$
	Audit services	15,050	6,750
	Other services	-	4,875
	Admin expenses	22,761	22,625
	Power Water & Gas	6,255	7,612
	Other Expenses	24,851	34,160
	Total Other operating expenses	<u>68,917</u>	<u>76,022</u>

Note 5

Cash on Hand and at Bank

CURRENT	Note	2020 \$	2019 \$
Cash at Bank		1,536,103	1,287,101
Cash on hand		-	128
Total Cash on Hand and at Bank		1,536,103	1,287,229
Restricted cash and cash equivalents summary			
Purpose			
External restrictions			
Included in liabilities			
Contract liability	8	297,958	112,148
Included in revenue			
Total external restrictions		297,958	112,148
Internal restrictions			
Included in liabilities			
Employee leave entitlements	10	69,769	50,181
Included in revenue			
Total external restrictions		69,769	50,181
Total unrestricted		1,168,368	1,124,880
Total Cash on hand and at bank	13(a), 17	1,535,103	1,287,228

Note 6

Trade and Other Receivables

CURRENT	Note	2020 \$	2019 \$
Receivables :			
Rates and annual charges		42,830	22,700
Less :Provision for impairment of receivables		(4,237)	-
Total Unrestricted accounts receivable and other debtors		38,593	22,700
Other Receivables :			
GST		980	-
Total Other receivables		980	-
Total current trade and other receivables	17	39,573	22,700
The Council normal credit term 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			
		2020 \$	2019 \$
Balance at beginning of the year		-	-
Increment/ (Reduction) in allowance		4,237	-
Balance at the end of the year		4,237	-

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 7

Property, Plant and Equipment

	2020	2019
	\$	\$
Land		
At cost	400,000	400,000
Total Land	<u>400,000</u>	<u>400,000</u>
Buildings		
At independent valuation 6 July 2015	2,222,727	2,222,727
At cost	14,741	14,741
Less Accumulated depreciation	(111,727)	(56,158)
	<u>2,125,741</u>	<u>2,181,310</u>
Sports Ground		
At cost	379,958	-
Less Accumulated depreciation	(339,980)	-
	<u>39,978</u>	<u>-</u>
Total Buildings	<u>2,165,719</u>	<u>2,181,310</u>
Total Land and Buildings	18 <u>2,565,719</u>	<u>2,581,310</u>
Infrastructure at cost:		
At cost	464,500	664,460
Less Accumulated depreciation	(466,519)	(764,222)
	<u>17,981</u>	<u>100,238</u>
Plant and equipment:		
Plant and equipment:		
At cost	591,504	489,050
Less Accumulated depreciation	(350,219)	(313,490)
	<u>241,285</u>	<u>175,560</u>
Office equipment:		
At Cost	175,930	175,930
Less Accumulated depreciation	(175,037)	(174,917)
	<u>893</u>	<u>1,013</u>
Motor vehicles:		
At Cost	118,733	118,733
Less Accumulated depreciation	(78,683)	(62,573)
	<u>40,050</u>	<u>56,160</u>
Total Plant and Equipment	<u>270,209</u>	<u>331,971</u>
Total property, plant and equipment	<u>2,835,928</u>	<u>2,913,281</u>

Movements in Carrying Amounts

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

	Land \$	Buildings \$	Sports Ground \$	Plant and Equipment \$	Infrastructure \$	Office equipment \$	Motor Vehicles \$	Total \$
Carrying amount at 1 July 2019	400,000	2,181,310	-	174,560	100,238	1,013	56,160	2,913,281
Transfer	-	-	77,974	-	(77,974)	-	-	-
Additions at cost	-	-	-	73,453	-	-	-	73,453
Disposals	-	-	-	-	-	-	-	-
Depreciation expense	-	(55,569)	(37,996)	(36,728)	(4,283)	(120)	(16,110)	(150,806)
Carrying amount at 30 June 2020	<u>400,000</u>	<u>2,125,741</u>	<u>39,978</u>	<u>211,285</u>	<u>17,981</u>	<u>893</u>	<u>40,050</u>	<u>2,835,928</u>

Valuation of Building and Improvements

The buildings were independently valued at year 2015/2016 by Integrated Valuation Services NT. At 30 June 2020, the Councilors have performed a Councilors' valuation on the buildings. The Councilors have reviewed the key assumptions adopted by the valuers and do not believe there has been a significant change in the assumptions at 30 June 2020. The Councilors therefore believe, that based on the expected utility of the assets, the carrying amount of the buildings reflects the fair value at 30 June 2020.

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 NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 8	Trade and Other Payables	Note	2020 \$	2019 \$
	CURRENT			
	Sundry creditors and accrued expenses		18,104	42,216
	Payroll and Super liabilities		8,840	5,294
	GST payable (net)		-	916
	Total Trade and Other Payables		<u>26,944</u>	<u>48,426</u>
	(a) Financial liabilities at amortised cost are classified as trade and other payables.			
	Trade and other payables:			
	— Total Current		26,944	48,426
	— Total Non Current		-	-
	Total trade and other payables		<u>26,944</u>	<u>48,426</u>
	Financial liabilities as trade and other payables	17	<u>26,944</u>	<u>48,426</u>
Note 9	Contract Liabilities	Note	2020 \$	2019 \$
	CURRENT			
	Deferred Income		-	86,073
	Unexpended grant funding		-	76,075
	Contract Liabilities - grant funded programmes		297,966	-
	Total Contract Liabilities and Deferred Income		<u>297,966</u>	<u>112,148</u>
	(b) Contract liabilities - movement in amounts :		2020	
	Balance at the beginning of the year		-	
	Reclassified from Deferred income / Unexpended grants on initial application of AASB 15		112,148	
	Additions: Grants for which performance obligations will only be satisfied in subsequent years		222,523	
	Expended : Grants acquitted or utilised during the year		(36,705)	
	Closing balance		<u>297,966</u>	
Note 10	Employee Provisions		2020 \$	2019 \$
	CURRENT			
	Provision for employee benefits: annual leave		39,517	23,116
	Provision for employee benefits: long service leave		30,252	27,075
			<u>69,769</u>	<u>50,191</u>
	NON-CURRENT			
	Provision for employee benefits: long service leave		4,841	320
			<u>4,841</u>	<u>320</u>
	Total provisions for employee benefits		<u>74,410</u>	<u>50,511</u>
	Analysis of total provisions:		Total	
			\$	
	Opening balance at 1 July 2019		50,511	
	Net change in the provision during the year		23,899	
	Balance at 30 June 2020		<u>74,410</u>	
	Provision For Employee Benefits			
	Employee provisions represents amounts accrued for annual leave and long service leave.			
	The current portion for this provision includes the total amount accrued for annual leave entitlements and the amount accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience the Council does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since the Council does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.			
	The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.			
	In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits have been discussed in Note 1(f).			

WAGAIT SHIRE COUNCIL
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 NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 11	Reserves	Note	2020 \$	2019 \$
Asset Revaluation Reserve				
	Balance at beginning of reporting year		1,870,024	1,870,024
	Revaluation/ increment		-	-
	Balance at end of the reporting year		<u>1,870,024</u>	<u>1,870,024</u>
<p>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.</p>				
Asset Replacement and maintenance reserve				
	Balance at beginning of reporting year		500,000	500,000
	Transfer to reserve		-	-
	Balance at end of the reporting year		<u>500,000</u>	<u>500,000</u>
	Total reserves		<u>2,370,024</u>	<u>2,370,024</u>

The asset replacement and maintenance reserve is maintained to replace roads and motor vehicles as the need arises.

Note 12	Key Management Remuneration	2020 \$	2019 \$
	Short-term employment benefits	122,592	95,558
	Post employment benefits	11,170	9,214
	Total Key Management Remuneration	<u>133,762</u>	<u>104,772</u>

Other Related Party Disclosure

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management personnel or individual or collectively with their close family members.

Transactions between related parties are on commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

There were no other related party transactions in 2020 (2019: \$Nil).

Note 13	Cash Flow Information	Note	2020 \$	2019 \$
(a) Reconciliation of cash and cash equivalents to Statement of Cash Flows :				
	Cash on hand and at bank	5	1,536,103	1,287,229
	Total cash as stated in the Statement of cash flows		<u>1,536,103</u>	<u>1,287,229</u>
(b) Reconciliation of Cash Flow from Operating Activities with Current Year Profit				
	Profit for the current year		139	15,662
Non-cash flows:				
	Depreciation and amortisation expense		150,808	152,788
	Gain/ (losses) on disposal of property, plant and equipment		-	(9,633)
Changes in assets and liabilities:				
	(Increase)/decrease in trade and other receivables		(16,853)	47,075
	(Increase)/decrease in Prepayments		-	(7,397)
	Increase/(decrease) in accounts payable and other payables		(21,482)	27,843
	Increase/(decrease) in Unexpended Grant, Contract liabilities and Deferred Income		155,818	18,530
	Increase/(decrease) in employee provisions		23,899	18,562
	Net cash provided by operating activities		<u>322,327</u>	<u>284,430</u>

Note 14 Lease and Capital Expenditure Commitments Outstanding:

(a) Lease Commitments	2020	2019
Leasehold rental commitments	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,929	1,517
One to five years	2,988	-
More than 5 years	-	-
	<u>4,915</u>	<u>1,517</u>

The non-cancellable operating leasing commitments in 2019 and in 2020 is for a low valued asset photocopier. The Northern Territory Government allows the Council to use their Sports Ground for free. As a result the Council has a Crown lease and expiring date in Perpetuity with the NT Government for its Sports Ground Property Section 110 (50) plans S98/294 Wagait Tower Road. As previously noted the Council has adopted the temporary relief under AASB 2018-5 in relation to Peppercorn Lease.

(b) Capital Expenditure Commitments

The Council has no capital expenditure commitments as at 30 June 2020 (2019: \$Nil).

Note 15 Contingent Liabilities and Contingent Assets

The Council has no Contingent Liabilities and Contingent Assets as at 30 June 2020 (2019: \$Nil).

Note 16 Events After the Reporting Period

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had little financial impact on the Council up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Council's operations, the results of those operations, or the Council's state of affairs in future financial years.

Note 17 Financial Risk Management

The Council's financial instruments consist mainly of deposits with banks accounts, receivables and payables.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2020	2019
		\$	\$
Financial assets			
Cash on hand	5	1,536,103	1,287,229
Trade and other receivables	6	39,553	22,700
Total financial assets		<u>1,575,656</u>	<u>1,309,929</u>
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	8	26,944	48,426
Total financial liabilities		<u>26,944</u>	<u>48,426</u>

Financial Risk Management Policies

Management is responsible for monitoring 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.

Note 17

Financial Risk Management (Cont.)

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 short term investments to cater for unexpected volatility in cash flows.
- > monitoring the ageing of receivables and payables.
- > maintaining a reputable credit profile.
- > managing credit risk related to financial assets.
- > 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.

(ii) Sensitivity analysis

The following table illustrates sensitivities to the Council's exposures to changes in interest. The table indicates the impact on how profit reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities assume that the movement in a particular variable is independent of other variables.

	2020	2019
	\$	\$
Surplus \$		
(+/- 1% in interest rates)	14,116	10,743

No sensitivity analysis has been performed on foreign exchange risk as the entity has no material exposures.

Refer to Note 18 for detailed disclosures regarding the fair value measurements of the Council financial assets.

WAGAIT SHIRE COUNCIL
ABN: 66 843 778 669
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

Note 18 Fair Values Measurements

Fair value estimation

The Council measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- financial assets at fair value through profit or loss;
- financial assets at fair value through other comprehensive income; and
- freehold land and buildings.

The Council does not subsequently measure any liabilities at fair value on a recurring basis, or any assets or liabilities on a non-recurring basis.

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position.

	Note	2020		2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Financial assets					
Cash on hand and at bank	6, 17	1,536,103	1,536,103	1,287,229	1,287,229
Trade and other receivables	6, 17	39,553	39,553	22,700	22,700
Total financial assets		1,575,656	1,575,656	1,309,929	1,309,929
Financial liabilities					
Trade and other payables	6, 17	26,944	26,944	48,426	48,426
Total financial liabilities		26,944	26,944	48,426	48,426

- (i) Cash on hand, accounts receivable and other debtors, and accounts payable and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for annual leave, which is outside the scope of AASB 139.

A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- (a) in the principal market for the asset or liability; or
 (b) in the absence of a principal market, in the most advantageous market for the asset or liability."

	Note	2020		2019	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Non-Financial assets					
Land and Buildings	7	2,165,719	2,165,719	2,181,310	2,181,310
Total non- financial assets		2,165,719	2,165,719	2,181,310	2,181,310

- (i) The buildings were independently valued at year 2016/ 2016 by Integrated Valuation Services NT. At 30 June 2020, the Councilors have performed a Councilors' valuation on the buildings. The Councilors have reviewed the key assumptions adopted by the valuers and do not believe there has been a significant change in the assumptions at 30 June 2020. The Councilors therefore believe, that based on the expected utility of the assets, the carrying amount of the buildings reflects the fair value at 30 June 2020.

Note 18 Council Details

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

The Principal place of business is:

142 Wagait Tower Road
 Wagait Beach NT 0822

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL MEMBERS OF WAGAIT SHIRE COUNCIL

Opinion

We have audited the financial report, being a general-purpose financial report, of Wagait Shire Council, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and comprehensive income, statement of changes in equity, the statement of working capital, statement of cash flows, the chief executive officer's statement and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Wagait Shire Council has been prepared in accordance with the *Northern Territory of Australia Local Government Act 2008*; including:

- (i) give a true and fair view of the Council's financial position as at 30 June 2020 and of its performance and its cash flows for the year then ended; and
- (ii) Complying with Australian Accounting Standards and the *Northern Territory of Australia Local Government (Accounting) Regulations 2008*.

Basis for Opinion

We conducted our audit in accordance with the Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Council in accordance with the ethical requirements of the *Northern Territory of Australia Local Government Act 2008* and the Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Chief Executive Officer and Councillors for the Financial Report

The Chief Executive Officer of the Council is responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Northern Territory of Australia Local Government Act 2008* and *Northern Territory of Australia Local Government (Accounting) Regulations 2008*, and is appropriate to meet the needs of the members. The Chief Executive Officer is also responsible for such internal control as the Council determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL MEMBERS OF WAGAIT SHIRE COUNCIL (CONT)

Responsibilities of the Chief Executive Officer and Councillors for the Financial Report (Cont.)

In preparing the financial report, the Chief Executive Officer is responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council members either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Chief Executive Officer and Councillors are responsible for overseeing the Council's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of the Council members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Council to cease to continue as a going concern.


INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL MEMBERS OF WAGAIT SHIRE COUNCIL (CONT)

Auditor's Responsibilities for the Audit of the Financial Report (Cont.)

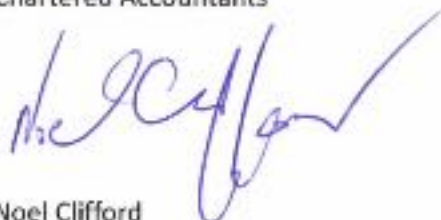
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



Nexia Edwards Marshall NT
Chartered Accountants



Noel Clifford
Partner

Darwin
Dated: 23 October 2020

