



AUDITED FINANCIAL REPORT

Year Ended 30 June 2021



19 October 2021

The Council Members
C/- Ms R Glencross
Chief Executive Officer
Wagait Shire Council
Private Mail Bag 10
Darwin NT 0801

via email: ceo@wagait.nt.gov.au

Dear Council Members,

Audit of Wagait Shire Council's Financial Report for the Year Ended 30 June 2021

Australian Auditing Standards require us to communicate with you on matters that include:

- qualitative aspects of the Council's accounting practices and financial reporting,
- significant matters that have arisen during the audit, including any internal control observations, and
- any other matters which we feel should be brought to your attention.

We have completed our audit of Wagait Shire Council's (the "Council") general purpose financial report, for the year ended 30 June 2021 which was signed in accordance with a resolution of the Council Members. A copy of our proposed audit report has been included for your consideration in Appendix 1.

Qualitative Aspects of Accounting Practices and Financial Reporting

General Purpose Financial Statements

The Council has prepared general purpose financial statements. The Council Members and Executive Management have determined that the accounting policies adopted in the preparation and fair presentation of the financial report and disclosed in the Notes to the financial report is appropriate to fulfil the financial reporting requirements of the *Australian Accounting Standards* as set out in *AASB 1053: Application of Tiers of Australian Accounting Standards* and the *Northern Territory of Australia Local Government Act 2008*.

Written Representations from Management

We have obtained a "Fraud, Error, and Compliance with Laws and Regulations" letter and a "Letter of Representation" from Management. Copies of these letters if required are available upon request.

Internal Control Observations

As specified in our engagement letter, we consider internal controls relevant to the Council's preparation of its financial 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 controls. We are however required to communicate to the Management any significant deficiencies in internal controls that we noted during the course of our audit.

The internal control observations reported in Areas for Improvement are limited to those deficiencies that we identified during the course of the audit and which we have concluded should be reported to you.

Other Matters

Independence

We are independent of the Council in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (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.

Audit Misstatements

All material errors and misstatements identified during the audit which were corrected and agreed to by Management and are reflected in the Council's general purpose financial statements are provided for your consideration in Appendix 2 – Adjusted Audit Misstatements.

In addition, immaterial errors which were identified during our audit and which were not corrected and recognised by Management have been provided for your consideration in Appendix 3 – Unadjusted Audit Misstatements.

Restriction on Use and Dissemination

This letter has been prepared for the sole use of the Council Members and Management of the Council. Information contained herein must not be disclosed to a third party or disclosed to or referred to without our prior written consent. No responsibility is assumed by Nexia Edwards Marshall NT.

Materiality

Auditing standards require that we apply the concept of materiality and planning and performing and audit of a financial report. Misstatements, including omissions, are considered material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users of the financial report. The determination of materiality is a matter of professional judgement and is affected by our perception of the financial information needs of users of the financial report.

In establishing the overall planning materiality, we considered that the entity is a not-for-profit entity and as such gross revenue and gross expenditure are the most relevant bases for users of the financial report. The overall materiality was not required to be reassessed during the audit.

In closing, we would like to take this opportunity to thank management, the finance manager, and the finance team for their assistance and cooperation during the course of the audit.

We look forward to working with the Council in future financial years.

Yours faithfully



Noel Clifford
Partner, Assurance Services

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auditsnapshot

Audit Snapshot

Audit Results		Outcome
Were significant audit adjustments required?	No	●
Are there any material unadjusted differences?	No	●
Were any transactions and balances unable to be verified in accordance with the audit plan?	No	●
Were any audit risks and exposures unable to be adequately addressed?	No	●
Were there any audit risks requiring comment from the Council Members?	No	●
Were there any high priority control deficiencies identified?	No	●
Were there any instances of material fraud or error in respect to operations noted?	No	●
Were there any material uncertainties, conditions or events affecting going concern noted?	No	●
Were there any instances of non-compliance with laws and regulations noted?	No	●
Were there any instances of significant non-compliance with policies and procedures noted?	No	●
Are there any expected modifications to auditor's report?	No	●
Audit Process		Outcome
Level of preparedness for audit sufficient?	Yes	●
Draft trial balance available at agreed date?	Yes	●



Financial Highlights

Financial Results: Year on Year

Financial Performance (\$A000s)

Summary of Results

Income Statement	2021	2020	Change	Key Comments
\$'000s				
Rates and annual charges	485	353	132	Council rates have increased by 1.8% for 2020-2021 financial year.
User charges and fees	177	144	33	Jetty management income from Mandorah Jetty (Dept of infrastructure , planning and logistics) has increased due to COVID-19 sanitary requirements.
Grants and contributions	380	347	33	New Local Gov Priority Infrastructure Fund 20/21 has been granted to Council.
Interest	12	16	(4)	Insignificant change
Gain on sale of property, plant and equipment	18	-	18	There was a profit from the sale of Holden Trail Blazer motor vehicle during the year.
Employee Cost	(460)	(436)	(24)	There has been 1.75% increase in award wages for employees in accordance with Fair Work requirements.
Materials and Contracts	(309)	(204)	(105)	There were more works undertaken on roads, drains and culverts compared to last financial year.
Depreciation	(156)	(151)	(5)	Insignificant change
Other operating expenses	(84)	(69)	(15)	Councilwise property software service agreement was purchased and expensed as license and maintenance fees in 2021.
Net surplus	63	-	63	2021 surplus is a result of increases in rate charges and new grant income.
Loss on revaluation of buildings and other structures for the year	(879)	-	(879)	Independent revaluation on the building and sports ground assets saw an impairment in their reported fair value.
Total comprehensive income (loss)	(816)	-	(816)	

Financial Highlights (cont'd)

Financial Results: Year on Year

Financial Performance (\$A000s)

Summary of Results

Statement of Financial Position \$A'000s	2021	2020	Change	Key Comments
Cash on Hand and at Bank	1,769	1,536	233	New grants have been approved for the Council such as R2R and PIF funds during the year which resulted in increase of cashflow. The Council in 2021 had an operating cash flow of \$1.1M along with payments for fixed asset additions of \$385K.
Trade and Other Receivables	8	40	(32)	Provision for Doubtful debts increased from \$4K in 2020 to \$12K in 2021. The rest is due to timing of collections.
Prepayments	-	7	(7)	Insignificant change
Property, Plant and Equipment	1,866	2,836	(970)	The revaluation of building and Sports ground assets resulted in a decrease in fair value of these assets by \$879K. There were also fixed asset additions of \$385K and depreciation expense of \$147K.
Right of Use Assets	45	-	45	Recognition of ROU assets according to AASB 16.
Trade and Other Payables	(32)	(27)	(5)	Movement is due to timing
Other Contract liabilities	(306)	(298)	(8)	Insignificant change
Lease Liabilities	(46)	-	(46)	Recognition of ROU assets and lease liability according to AASB 16.
Employee Provisions	(99)	(75)	(24)	Increase in employee leave entitlements balances is due to annual leave and long service leave not being taken by the employees and an increase in service periods and wage costs.
Net assets	3,204	4,020	(816)	Decrease in fair value of fixed assets by \$879K upon revaluation has caused significant decrease in net assets.



Summary of Key Audit Risks



Risk Area	Audit Risk Assessment (High/Medium/Low)	Possible Risk of Misstatement Due to:	Residual Risk Subsequent to Audit Procedure (High/Medium/Low)
Litigation	Low	<ul style="list-style-type: none"> Inadequate disclosure of litigation Unrecorded Liabilities 	Low
Going Concern	Medium	<ul style="list-style-type: none"> Inadequate disclosure of going concern issues Incorrect assumptions being used and applied for the going concern basis by Management and from the Council Members 	Low
Cash and Cash Equivalents	Medium	<ul style="list-style-type: none"> Errors in bank reconciliations Bank account balances not properly reflected Transactions inaccurately recorded and in the wrong period 	Low
Trade and other Receivables/ Recoverability of Trade Debtors	Low	<ul style="list-style-type: none"> Risks of revenue transactions recognised in the wrong period Risks in relation to the recoverability of trade receivables Understatement of provision for impairment Inadequate authorisation of bad debt write-offs Inadequate financial statement disclosure 	Low
Infrastructure, Property, Plant, and Equipment	Medium	<ul style="list-style-type: none"> Material are of estimation, judgement and uncertainty Significant financial statement balance Depreciation charges inaccurately recorded Additions and disposals not properly accounted for Fair value assessments Possible indicators of impairment 	Low
Expenditure/ Trade and Other Payables	Medium	<ul style="list-style-type: none"> Significant financial statement balance Risks in relation to unrecorded liabilities and cut-off Incorrect recording of GST Inadequate financial statement disclosure Expenditure inaccurately recorded and authorised Significant financial statement balance 	Low
Salary and Wages/ Employee Entitlements	Medium	<ul style="list-style-type: none"> Compliance with relevant laws and regulations for payroll Incorrect authorisation and processing of payroll including leave Estimation and judgement for employee provisions Inadequate financial statement disclosure 	Low



Risk Area	Audit Risk Assessment (High/Medium/Low)	Possible Risk of Misstatement Due to:	Residual Risk Subsequent to Audit Procedure (High/Medium/Low)
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Grants and Other
Income

Medium

Possible Risk of Misstatement Due to:

- Overstatement of revenue
- Significant financial balance
- Cut-off errors; incorrect accounting between revenue and revenue in advance
- GST errors

Low

Related Party
Transactions

Low

- Related party transactions not authorised, identified, and/or properly disclosed

Low

Financial Statement
Disclosures

Medium

- Requirement to prepare general purpose financial report
- Non-compliance with reporting requirements

Low

COVID-19

Low

- Uncertainty regarding impact of COVID-19 on the Council's operations

Low



Areas For Improvement

Deficiency in Internal Controls Classifications

We have ranked the issues raised in order of their importance and risk to the Council to enable you to prioritise the control findings. The key to the colour coding used below is as follows:

- **Category A** : Those matters which pose significant business or financial risk, including financial reporting risk to Wagait Shire Council and should be addressed as a matter of urgency. This assessment is derived from considering the likelihood and consequence of the underlying risk.
- **Category B** : Those matters which pose moderate business or financial risk, including financial reporting risk. This assessment is derived from considering the likelihood and consequence of the underlying risk.
- **Category C** : Those matters which are procedural in nature or minor administrative failings. These could include minor accounting issues or relatively isolated control breakdowns which need to be brought to the attention of management. This assessment is derived from considering the likelihood and consequence of the underlying risk.

Area	Risk Rating	Issue/Observation	Risk/Implication	Recommendation	Management Response
Annual Leave and long service leave	Category B	During our audit we noted that the annual leave and long service leave calculation does not include superannuation on costs. We have recorded the error as an audit adjustment.	Understatement of employee's leave entitlements in the Council's financial records.	We recommend that all employee leave entitlements are reviewed to ensure that the appropriate on costs, including leave loading and superannuation where applicable, have all been included in the total leave calculations and provisions as at 30 June 2021.	



Area	Risk Rating	Issue/Observation	Risk/Implication	Recommendation	Management Response
Fixed Asset Register	Category B	During our 2021 audit, we noted that there were some assets which were still recorded on the Fixed Asset Register and which had either been sold or/and written off.	Fixed Asset Register is inaccurate and does not agree with the trial balance, being potentially overstated.	We recommend that management should review the Fixed Asset Register on a six-monthly basis and ensure that assets that are either written off or disposed of are correctly reported.	
		We also noted during our testing of expenses that there were some purchases which have been expensed. Audit adjustments were raised capitalising these purchases.	Cost of fixed assets may be over or understated. Profit may be over or under stated.	We recommend that Council implement a documented asset capitalisation policy whereby all assets below a designate threshold amount are expensed and those above are capitalised and recorded in the Council's Fixed Asset Register.	
Fixed Asset Register	Category B	We note that the Council has a significant investment in infrastructure and property, plant and equipment assets. These assets are required to be recognised at their fair value. In order for this fair value to be properly assessed, independent valuations need to be instigated by the Council on at least a triannual basis.	Properties not reported at their fair value with the potential for material misstatement in the financial statements.	We recommend that a formal revaluation policy is implemented by the Council; and those independent valuations are performed on infrastructure and property, plant and equipment assets every 3 years.	
Related party transactions	Category B	We have noted that currently there is no formal system or procedures to identify and capture related party transactions and balances.	The lack of systems and procedures for identifying related parties and then their related party transactions, increases the risk that such transactions are not fully disclosed, and that insufficient supporting documentation is held. Incorrect reporting of related party transactions and balances.	We recommend that management should maintain a Register of Related Party transactions which identifies all related parties and records all relevant related party transactions.	



Area	Risk Rating	Issue/Observation	Risk/Implication	Recommendation	Management Response
Year End Reporting Checklist	Category C	The Council does not make use of a Year End Checklist which incorporates required Journals and Accruals.	By not using an annual checklist, it is possible for transactions to be incorrectly accounted for and or not recognised in the correct financial year. Lack of year end procedure, duly filled checklist and independent review may lead to erroneously and incomplete reporting.	We recommend that as part of the year end procedures, an annual checklist is developed and used by the Council. Use of such a checklist will help ensure that transactions such as prepayments and accruals are appropriately accounted for and provide documentation. In addition, we also recommend that prior to the rollover of the general ledger at year end all audit journal adjustments are taken up.	

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

**Financial Report For The Year Ended
30 June 2021**

WAGAIT SHIRE COUNCIL

ABN: 65 843 778 569

Financial Report For The Year Ended 30 June 2021

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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 2021 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

 CEO.

20/10/21

Dated

 PRESIDENT

20/10/21

Dated

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 \$	2020 \$
INCOME			
Rates and annual charges	3A	485,378	352,817
User charges and fees	3B	176,591	144,222
Grants and contributions	3C	379,572	347,320
Interest	3D	11,859	16,000
Gain on sale of property, plant and equipment	3E	18,181	-
TOTAL INCOME		<u>1,071,581</u>	<u>860,359</u>
EXPENSES			
Employee Cost	4A	459,654	436,059
Materials and Contracts	4B	308,663	204,408
Depreciation	4C	156,078	150,806
Other operating expenses	4D	84,313	68,947
TOTAL EXPENSES		<u>1,008,708</u>	<u>860,220</u>
NET SURPLUS		<u><u>62,873</u></u>	<u><u>139</u></u>
OTHER COMPREHENSIVE INCOME			
Loss on revaluation of buildings and other structures for the year		(878,557)	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)		<u>(878,557)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS)		<u><u>(815,684)</u></u>	<u><u>139</u></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 2021

	Note	2021 \$	2020 \$
ASSETS			
CURRENT ASSETS			
Cash on Hand and at Bank	5	1,768,806	1,536,103
Trade and Other Receivables	6	7,815	39,553
Prepayments		-	7,397
TOTAL CURRENT ASSETS		1,776,621	1,583,053
NON-CURRENT ASSETS			
Property, Plant and Equipment	7	1,865,679	2,835,928
Right of Use Assets	8	45,245	-
TOTAL NON-CURRENT ASSETS		1,910,924	2,835,928
TOTAL ASSETS		3,687,545	4,418,981
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	9	32,041	26,944
Other Contract liabilities	10	306,152	297,966
Lease Liabilities	11	12,939	-
Employee Provisions	12	91,936	69,769
TOTAL CURRENT LIABILITIES		443,068	394,679
NON-CURRENT LIABILITIES			
Lease Liabilities	11	33,045	-
Employee Provisions	12	7,455	4,641
TOTAL NON-CURRENT LIABILITIES		40,500	4,641
TOTAL LIABILITIES		483,568	399,320
NET ASSETS		3,203,977	4,019,661
EQUITY			
Retained Earnings		1,712,510	1,649,637
Reserves	13	1,491,467	2,370,024
TOTAL EQUITY		3,203,977	4,019,661

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 2021

	Retained Earnings	Asset Revaluation Reserve	Asset Replacement and Maintenance Reserve	Total Equity
	\$		\$	\$
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	1,649,637	1,870,024	500,000	4,019,661
Balance at 1 July 2020	1,649,637	1,870,024	500,000	4,019,661
Comprehensive income:				
Surplus for the year	62,873	-	-	62,873
Other comprehensive income (loss) for the year	-	(878,557)	-	(878,557)
Total comprehensive income (Loss) attributable to Members of the entity for the year	62,873	(878,557)	-	(815,684)
Balance at 30 June 2021	1,712,510	991,467	500,000	3,203,977

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 2021

	Note	2021	2020
		\$	\$
ASSETS			
CURRENT ASSETS			
Cash on Hand and at Bank	5	1,768,806	1,536,103
Trade and Other Receivables	6	7,815	39,553
Prepayments		-	7,397
TOTAL CURRENT ASSETS		<u>1,776,621</u>	<u>1,583,053</u>
Less:			
LIABILITIES			
CURRENT LIABILITIES			
Trade and Other Payables	9	32,041	26,944
Contract liabilities	10	306,152	297,966
Lease Liabilities	11	45,984	-
Employee Provisions	12	99,391	69,769
TOTAL CURRENT LIABILITIES		<u>483,568</u>	<u>394,679</u>
NET CURRENT ASSETS		<u>1,293,053</u>	<u>1,188,374</u>
CURRENT RATIO		<u>4</u>	<u>4</u>

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 2021

	Note	2021 \$	2020 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		684,537	476,909
Grants and contributions receipts		387,758	533,138
Interest received		11,859	16,000
Payments to suppliers and employees		(803,919)	(703,720)
Net cash provided by operating activities	13	280,235	322,327
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of property, plant and equipment		33,745	-
Payment for property, plant and equipment		(70,901)	(73,453)
Net cash (used in) investing activities		(37,156)	(73,453)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for lease liabilities		(10,376)	-
Net cash provided by (used in) financing activities		(10,376)	-
Net increase in cash held		232,703	248,874
Cash and cash equivalents at beginning of the financial year		1,536,103	1,287,229
Cash and cash equivalents at end of the financial year	13	1,768,806	1,536,103

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 2021

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 _____ 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.

Contributed Assets

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 2021

(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.

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.

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.

WAGAIT SHIRE COUNCIL
ABN: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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

(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 in 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 2021

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.

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

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).

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 3 Revenue and Other Income

	2021	2020
	\$	\$
3A Rates and annual charges		
<i>Ordinary rates</i>		
Residential, business and rural flat rate	366,262	236,417
Waste management levy	119,116	116,400
Total rates and annual charges	<u>485,378</u>	<u>352,817</u>
3B User charges and fees		
<i>User charges and fees</i>		
Jetty and boat ramp maintenance	124,170	83,492
Power and water contract income	37,734	37,205
Weed management income	1,380	1,993
Other fees and charges	13,307	20,072
Other income	-	1,460
Total User charges and fees	<u>176,591</u>	<u>144,222</u>
3C Grants and Contributions		
<i>General purpose grants (untied)</i>		
FAA - General purpose component	18,713	11,282
FAA - Roads to recovery component	85,370	56,010
<i>Northern Territory Government operating grants</i>		
General purpose component	208,021	208,021
Department of Tourism, Sport and Culture	20,718	25,802
Department of Infrastructure and Regional	-	-
<i>Northern Territory Government non-recurring grants</i>		
Specific purpose	43,750	44,205
<i>Non Government grants and contributions</i>		
Australia Day Council	3,000	2,000
Total grants and contributions	<u>379,572</u>	<u>347,320</u>
3D Interest		
<i>Interest</i>		
Financial Institutions	11,859	16,000
Total Interest	<u>11,859</u>	<u>16,000</u>
3E Gains/ (loss) on disposal property, plant and equipment		
<i>Gains and Losses</i>		
	18,181	-
Total Gains/ (loss) on disposal property, plant and equipment	<u>18,181</u>	<u>-</u>

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 4	Expenses	2021	2020
4A	Employee Cost	\$	\$
	Salaries and Wages	394,155	370,157
	Superannuation	36,633	33,988
	Leave Expense	24,981	23,901
	Recruitment	-	2,727
	Training and development	3,885	5,286
	Total employee cost	<u>459,654</u>	<u>436,059</u>
4B	Materials and contracts	2021	2020
		\$	\$
	Regular Bin and Waste Collection	81,653	83,744
	Insurance	37,949	33,175
	Repairs & Maintenance	28,536	37,137
	Accounting	21,194	10,904
	Motor Vehicle Expenses	10,908	11,284
	Other Grant Expenses	106,702	6,308
	Consultant fees	11,377	6,633
	Travel & Accommodation	4,287	5,375
	Community Activities and Functions	6,057	5,101
	Safety Supplies & Equipment	-	4,747
	Total materials and contracts	<u>308,663</u>	<u>204,408</u>
4C	Depreciation	2021	2020
		\$	\$
	Buildings	50,881	55,569
	Sports Ground	39,686	37,996
	Plant and equipment	41,671	36,728
	Office equipment	120	120
	Infrastructure	4,274	4,283
	Motor vehicles	10,397	16,110
	Right of Use Assets -Motor Vehicles	9,049	-
	Total Depreciation	<u>156,078</u>	<u>150,806</u>
4D	Other operating expenses	2021	2020
		\$	\$
	Audit services	-	15,050
	Other services	-	-
	Admin expenses	52,254	22,781
	Power Water & Gas	4,473	6,265
	Other Expenses	25,520	24,851
	Interest expense on lease liabilities	2,066	-
	Total Other operating expenses	<u>84,313</u>	<u>68,947</u>

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 5

Cash on Hand and at Bank

CURRENT	Note	2021	2020
		\$	\$
Cash at Bank		1,768,806	1,536,103
Total Cash on Hand and at Bank		<u>1,768,806</u>	<u>1,536,103</u>
Restricted cash and cash equivalents summary			
<i>Purpose</i>			
External restrictions			
Included in liabilities			
Contract liability	10	306,152	297,966
Included in revenue			
Total external restrictions		<u>306,152</u>	<u>297,966</u>
Internal restrictions			
Included in liabilities			
Employee leave entitlements	12	99,391	74,410
Total external restrictions		<u>99,391</u>	<u>74,410</u>
Total unrestricted		1,363,263	1,163,727
Total Cash on hand and at bank	13(a), 19	<u>1,768,806</u>	<u>1,536,103</u>

Note 6

Trade and Other Receivables

CURRENT	Note	2021	2020
		\$	\$
Receivables :			
Rates and annual charges		20,262	42,830
Less :Provision for impairment of receivables		(12,115)	(4,237)
Total Unrestricted accounts receivable and other debtors		<u>8,147</u>	<u>38,593</u>
Other Receivables :			
GST (net) receivable (payable)		(332)	960
Total Other receivables		<u>(332)</u>	<u>960</u>
Total current trade and other receivables	19	<u>7,815</u>	<u>39,553</u>

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	2021	2020
	\$	\$
Balance at beginning of the year	4,237	-
Increment/ (Reduction) in allowance	7,878	4,237
Balance at the end of the year	<u>12,115</u>	<u>4,237</u>

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 7

Property, Plant and Equipment

	2021	2020	
	\$	\$	
Land			
At independent valuation 2015	-	400,000	
At independent valuation 2021	350,000	-	
Total Land	350,000	400,000	
Buildings			
At independent valuation 2015	-	2,222,727	
At independent valuation 2021	980,000	-	
At cost	-	14,741	
Less Accumulated depreciation	(4,083)	(111,727)	
	975,917	2,125,741	
Sports Ground			
At cost	-	379,958	
At independent valuation 2021	310,000	-	
Less Accumulated depreciation	(5,167)	(339,980)	
	304,833	39,978	
Total Buildings	1,280,750	2,165,719	
Total Land and Buildings	21 1,630,750	2,565,719	
Infrastructure at cost:			
At cost	484,500	484,500	
Less Accumulated depreciation	(470,793)	(466,519)	
	13,707	17,981	
Plant and equipment:			
Plant and equipment:			
At cost	598,250	561,504	
Less Accumulated depreciation	(391,890)	(350,219)	
	206,360	211,285	
Office equipment:			
At Cost	175,930	175,930	
Less Accumulated depreciation	(175,157)	(175,037)	
	773	893	
Motor vehicles:			
At Cost	73,399	118,733	
Less Accumulated depreciation	(59,310)	(78,683)	
	14,089	40,050	
Total Plant and Equipment	234,929	270,209	
Total property, plant and equipment	1,865,679	2,835,928	

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 2020	400,000	2,125,741	39,978	211,285	17,981	893	40,050	2,835,928
Increment/ (Decrement)	(50,000)	(1,098,943)	270,386	-	-	-	-	(878,557)
Additions at cost	-	-	34,155	36,746	-	-	-	70,901
Disposals	-	-	-	-	-	-	(15,564)	(15,564)
Depreciation expense	-	(50,881)	(39,686)	(41,671)	(4,274)	(120)	(10,397)	(147,029)
Carrying amount at 30 June 2021	350,000	975,917	304,833	206,360	13,707	773	14,089	1,865,679

Valuation of Building and Improvements

The properties located at Section 62 (142) Wagait Tower Road, Wagait Beach NT and Section 110 (50) Forsyth Road, Wagait Beach NT were revalued on 4 May 2021, by an independent licensed and registered valuer Mr R Copland, Certified Practising Valuer (Bus, Prop), B Comm. (Ag VFM), F.A.P.I., C.P.P. The valuation of these properties is based on the fair value of each identifiable property. The fair value of these property assets has been established by reference to their most probable price in a competitive and open market and included the provision of existing services and was made on the basis of their existing use. The valuation of these properties resulted in an impairment loss recognised in the 2021 other comprehensive income of \$878,557.

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 8

Right of Use Assets

(a) AASB 16 Related Amounts Recognised in the Balance Sheet

Right of Use Assets	2021	2020
	\$	\$
Leased Motor Vehicles	54,294	-
Less Accumulated depreciation	(9,049)	-
Total right of use assets	<u>45,245</u>	<u>-</u>

The Council's lease portfolio includes motor vehicles. These leases have an average of 4 year as their lease term.

Movements in Carrying Amounts

	MV	Total
	\$	\$
Carrying amount at 1 July 2020	<u>-</u>	<u>-</u>
Additions at cost	54,294	54,294
Depreciation expense	(9,049)	(9,049)
Carrying amount at 30 June 2021	<u>45,245</u>	<u>45,245</u>

(b) AASB 16 Related Amounts Recognised in the Statement of Profit and Loss

	2021	2020
	\$	\$
Depreciation charge related to right of use assets	9,049	-
Interest expense on lease liabilities	2,066	-
Short Term leases expense	1,903	-
	<u>13,018</u>	<u>-</u>

Note 9

Trade and Other Payables

Note

CURRENT

	2021	2020
	\$	\$
Sundry creditors and accrued expenses	26,333	18,104
Payroll and Super liabilities	5,708	8,840
Total Trade and Other Payables	<u>32,041</u>	<u>26,944</u>

(a) Financial liabilities at amortised cost are classified as trade and other payables.

Trade and other payables:

— Total Current	32,041	26,944
— Total Non Current	-	-

Total trade and other payables

32,041 26,944

Financial liabilities as trade and other payables

19

32,041 26,944

Note 10

Other Contract Liabilities

Note

CURRENT

	2021	2020
	\$	\$
Contract Liabilities - grant funded programmes	306,152	297,966
Total Other Current Liabilities	<u>306,152</u>	<u>297,966</u>

Total Contract and Unspent liabilities comprising the following grant funding amounts:

Roads Grant - R2R	125,286	125,583
SCALE 2019-2020	-	100,000
Electronic Records Management System	-	3,906
Dog Pound	122	27,857
5000 ltr water tank	4,039	7,607
PIF Funding	99,703	-
LCRI	(198)	-
Healthy Lifestyle	2,200	-
WRM 21-22	75,000	-
NT Government - FAA Roads	-	29,037
NT Government - FAA Operational	-	3,976
Total Other Contract Liabilities	<u>306,152</u>	<u>297,966</u>

(b) Contract liabilities - movement in amounts :

	2021
Balance at the beginning of the year	297,966
Additions: Grants for which performance obligations will only be satisfied in subsequent years	176,736
Expended : Grants acquitted or utilised during the year	(168,550)
Closing balance	<u>306,152</u>

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 11	Lease Liabilities	2021	2020
		\$	\$
	CURRENT		
	Leases - MV	12,939	-
		<u>12,939</u>	<u>-</u>
	NON-CURRENT		
	Leases - MV	33,045	-
		<u>33,045</u>	<u>-</u>
	Total Lease Liabilities	19, 21 45,984	<u>-</u>

The lease liabilities are secured by the underlying assets and are subject to the terms of their individual lease agreements.

Note 12	Employee Provisions	2021	2020
		\$	\$
	CURRENT		
	Provision for employee benefits: annual leave	53,283	39,517
	Provision for employee benefits: long service leave	38,653	30,252
		<u>91,936</u>	<u>69,769</u>
	NON-CURRENT		
	Provision for employee benefits: long service leave	7,455	4,641
		<u>7,455</u>	<u>4,641</u>
	Total provisions for employee benefits	<u>99,391</u>	<u>74,410</u>
	Analysis of total provisions:	Total	
	Opening balance at 1 July 2020	\$	
		74,410	
	Net change in the provision during the year	24,981	
	Balance at 30 June 2021	<u>99,391</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 2021

Note 13

Reserves

	Note	2021	2020
		\$	\$
Asset Revaluation Reserve			
Balance at beginning of reporting year		1,870,024	1,870,024
Revaluation/ Increment (decrement)		(878,557)	-
Balance at end of the reporting year		991,467	1,870,024

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.

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	500,000	500,000

Total reserves

	1,491,467	2,370,024
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The asset replacement and maintenance reserve is maintained to replace roads and motor vehicles as the need arises.

Note 14

Key Management Remuneration

		2021	2020
		\$	\$
Short- term employment benefits		127,132	122,592
Post employment benefits		11,687	11,170
Total Key Management Remuneration		138,819	133,762

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 2021 (2020 :\$Nil).

Note 15

Cash Flow Information

	Note	2021	2020
		\$	\$
(a) Reconciliation of cash and cash equivalents to Statement of Cash Flows :			
Cash on hand and at bank	5	1,768,806	1,536,103
Total cash as stated in the Statement of cash flows		1,768,806	1,536,103
(b) Reconciliation of Cash Flow from Operating Activities with Current Year Profit			
Profit for the current year		62,873	139
Non-cash flows:			
Depreciation and amortisation expense		156,078	150,806
Gain/ (losses) on disposal of property, plant and equipment		(18,181)	-
Interest expense on lease liabilities		2,066	-
Changes in assets and liabilities:			
(Increase)/decrease in Trade and Other Receivables		31,738	(16,853)
(Increase)/decrease in Prepayments		7,397	-
Increase/(decrease) in Trade and Other payables		5,097	(21,482)
Increase/(decrease) in Other Contract liabilities		8,186	185,818
Increase/(decrease) in Employee Provisions		24,981	23,899
Net cash provided by operating activities		280,235	322,327

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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 16 **Lease and Capital Expenditure Commitments Outstanding:**

(a) Lease Commitments	2021	2020
<i>Leasehold rental commitments</i>	\$	\$
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,903	1,929
One to five years	1,104	2,986
More than 5 years	-	-
	<u>3,007</u>	<u>4,915</u>

The non-cancellable operating leasing commitments in 2021 is for a low valued asset photocopier.

The Northern Territory Government allows the Council to use their Sports Ground Land 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 in relation to Peppercorn Lease.

(b) Capital Expenditure Commitments

The Council has no capital expenditure commitments as at 30 June 2021 (2020:\$Nil).

Note 17 **Contingent Liabilities and Contingent Assets**

The Council has no Contingent Liabilities and Contingent Assets as at 30 June 2021 (2020:\$Nil).

Note 18 **Events After the Reporting Period**

The Councillors are not aware of any significant events since the end of the reporting period that have significantly affected, or may significantly affect the Corporation's operations, the results of those operations, or the Corporation's state of affairs in future financial years.

Note 19 **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	2021	2020
Financial assets		\$	\$
Cash on hand	5	1,768,806	1,536,103
Trade and other receivables	6	7,815	39,553
Total financial assets		<u>1,776,621</u>	<u>1,575,656</u>
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	8	32,041	26,944
Lease liabilities	11	45,984	-
Total financial liabilities		<u>78,025</u>	<u>26,944</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.

WAGAIT SHIRE COUNCIL
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NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 20 **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.

	2021	2020
	\$	\$
Surplus \$		
(+/- 1% in interest rates)	16,525	14,116

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: 65 843 778 569
NOTES TO THE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2021

Note 21 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	2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Financial assets					
Cash on hand and at bank	5, 19	1,768,806	1,768,806	1,536,103	1,536,103
Trade and other receivables	6, 19	7,815	7,815	39,553	39,553
Total financial assets		1,776,621	1,776,621	1,575,656	1,575,656
Financial liabilities					
Trade and other payables	8, 19	32,041	32,041	26,944	26,944
Lease Liabilities	11, 19	45,984	45,984	-	-
Total financial liabilities		78,025	78,025	26,944	26,944

(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.

(ii) Lease liabilities fair values are assessed on an annual basis by Management and the Directors . Current available data is used in assessing their carrying and fair values.

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	2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		\$	\$	\$	\$
Non-Financial assets					
Land and Buildings	7	1,630,750	1,630,750	2,565,719	2,565,719
Total non-financial assets		1,630,750	1,630,750	2,565,719	2,565,719

(i) The properties located at Section 62 (142) Wagait Tower Road, Wagait Beach NT and Section 110 (50) Forsyth Road, Wagait Beach NT were revalued on 4 May 2021, by an independent licensed and registered valuer Mr R Copland, Certified Practising Valuer (Bus, Prop), B Comm. (Ag VFM), F.A.P.I., C.P.P. The valuation of these properties is based on the fair value of each identifiable property. The fair value of existing assets has been established by reference to their most probable price in a competitive and open market and included the provision of services and was made on the basis of their existing use. The valuation of these properties resulted in an impairment loss recognised in the 2021 other comprehensive income of \$878,557.

Note 22 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