



AGENDA
SPECIAL MEETING
MONDAY, 12 NOVEMBER 2018

Notice is given that the next Special Meeting of Council of Tiwi Islands Regional Council will be held on:

- Monday, 12 November 2018 at
- Wurrumiyanga Boardroom
- Commencing at 9:00 am

Your attendance at the meeting will be appreciated.

Marion Scrymgour
Chief Executive Officer

AGENDA

- 1 WELCOME & APOLOGIES**
- 1.1 WELCOME
 - 1.2 PRESENT
 - 1.3 APOLOGIES
 - 1.4 LEAVE OF ABSENCE
 - 1.5 DECLARATION OF INTEREST OF MEMBERS OR STAFF
 - 1.6 CONFIRMATION OF PREVIOUS MINUTES
- Special Meeting - 13 November 2017*..... 1
- 2 BUSINESS ARISING**
- Nil*
- 3 CORRESPONDENCE**
- Nil*
- 4 GENERAL BUSINESS**
- Nil*
- 5 REPORTS FOR DECISION**
- 5.1 MANAGEMENT RESPONSES LETTER..... 4
 - 5.2 AUDITED FINANCIAL STATEMENTS 2018..... 26
 - 5.3 2017/2018 DRAFT ANNUAL REPORT..... 70
- 6 REPORTS FOR INFORMATION**
- Nil*



MINUTES OF THE SPECIAL MEETING OF COUNCIL HELD IN THE WURRUMIYANGA BOARDROOM ON MONDAY, 13 NOVEMBER 2017 AT 9:00 AM

Note: Postponement due to quorum not present. At 9:30 am the CEO postponed the meeting until 10:00 am or earlier due to a quorum not being present.

1 Welcome & Apologies

1.1 Welcome

The meeting opened at 9:50 am.

The CEO Marion Scrymgour welcomed Councillors, staff and guests.

The Mayor Gawin Tipiloura then took over chairing the meeting.

1.2 Present

Mayor: Gawin Tipiloura.

Councillors: Connell Tipiloura, Leslie Tungatulum, Lynette De Santis, Therese (Wokay) Bourke, Francisco Babui, Marius (Pirrawayingi) Puruntatameri, Kevin Doolan and Pius Tipungwuti.

Officers: Marion Scrymgour (CEO).

Visitors: Nil.

Minutes: Marion Scrymgour.

1.3 Apologies

Accepted: Nil

Not Accepted: Cr Regis Pangiraminni, Deputy Mayor Stanley Tipiloura, and Cr Wesley Kerinauia.

Apologies – Special Council Meeting – 13 November 2017

1 RESOLUTION

Moved: Lynette De Santis

Seconded: Kevin Doolan

That the Apologies of Councillors Regis Pangiraminni, Stanley Tipiloura and Wesley Kerinauia not accepted by Council.

CARRIED

1.4 Leave of Absence

Nil

1.5 Declaration of Interest of Members or Staff

Nil

1.6 Confirmation of Previous Minutes

Nil

Adjournment of meeting at 9:51 am.

2 RESOLUTION

Moved: Francisco Babui
Seconded: Connell Tipiloura

That the meeting be adjourned until 1:00 pm to allow discussions with Minister Mannison and to undertake Governance training.

CARRIED

Resumption of meeting at 1:10 pm.

3 RESOLUTION

Moved: Francisco Babui
Seconded: Connell Tipiloura

That the meeting be resumed to allow discussions on the final draft of 2016/17 Annual Report and 2017 Financial Statements.

CARRIED

2 BUSINESS ARISING

Nil

3 CORRESPONDENCE

Nil

4 GENERAL BUSINESS

Nil

5 REPORTS FOR DECISION

5.1 2016/2017 DRAFT ANNUAL REPORT

This report is provided for Council decision on the final draft 2016/17 Annual Report for endorsement and members to review the draft 2017 financial statements.

4 RESOLUTION

Moved: Kevin Doolan
Seconded: Connell Tipiloura

That Council endorses the Final Draft of the 2016/17 Annual Report and notes the draft 2017 Financial Statements.

CARRIED

6 REPORTS FOR INFORMATION

Nil

7 Next Meeting

Ordinary Council Meeting – 23 November 2017 at Pirlangimpi

8 Closure

The meeting closed at 3:30 pm.

These Minutes were confirmed at the Ordinary Meeting of the Council held on 29 November 2017.

Signed:

Mayor

7 NEXT MEETING

REPORTS FOR DECISION

| | |
|--------------------|--------------------------------|
| ITEM NUMBER | 5.1 |
| TITLE | Management Responses Letter |
| REFERENCE | 221746 |
| AUTHOR | Bala Donepudi, Finance Manager |



To discuss the management response to the recommendations in the External Audit findings Report for the year ended 30th June 2018.

BACKGROUND:

The annual audit of the Council's financial statements involves an interim and final audit carried out close to the financial year end. Based on these reviews, the external auditors provide an audit observations report for the management. Management has provided responses to all the findings of the external Auditor. This report is attached for the Council's perusal.

RECOMMENDATION:

That the council notes the Audit Findings Report provided by the External Auditor for the Year ended 30th June 2018

ATTACHMENTS:

- 1 TIRC Management Letter 2018 (Signed).pdf



Private and confidential

6 November 2018

The Council
Tiwi Islands Regional Council
PMB 267
Winnellie NT 0822

Attention: Marion Scrymgour

Dear Council Members

2018 Audit of Tiwi Islands Regional Council

In order to carry out our duties and responsibilities as auditors, Merit Partners is required by ASA 260 "Communication of Audit Matters to Those Charged With Governance" ("ASA 260"), to communicate to you setting out the following matters in respect of the audit of Tiwi Islands Regional Council (the "Council").

Our fieldwork is complete and we have issued a qualified opinion and an emphasis of matter regarding going concern dated 30 October 2018 as follows:

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate evidence to support the opening balance of Prescribed Buildings of \$16,558,525 and Prescribed Infrastructure of \$2,717,489 as at 1 July 2017. These assets are carried 'at revaluation' within Note 8 to the financial statements. As no independent valuations had been obtained on these assets since 30 June 2010, we were unable to determine if their opening carrying values reflected current market conditions at 1 July 2017.

We were unable to obtain sufficient appropriate evidence to support the opening balance of Inventories of \$405,886 in the statement of financial position as at 1 July 2017, and were unable to satisfy ourselves by alternative means concerning the completeness, accuracy, existence and valuation of these inventories.

Since opening balances enter into the determination of financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the deficit/surplus for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

Emphasis of Matter Regarding Going Concern

Without further modifying our opinion, we draw attention to Note 1 Economic Dependency and Going Concern in the financial report which indicates that the Council incurred an operational deficit after depreciation of \$1,468,317 for the year ended 30 June 2018 (2017: deficit of \$2,371,795).

At the date of this report, the Council has and is undertaking reforms in relation to its operations and governance to improve its cash requirements and financial position. The future operations of the Council depend upon the continued funding from government, the outcome and the successful implementation of the reforms, and its ability to source other funds to address its net current liabilities position and negative cash flow position. As the outcome of the reforms is not yet determinable and along with the other matters set forth in Note 1 Economic Dependency and Going Concern, there exists a material uncertainty that may cast significant doubt on the Council's ability to continue as a going concern and therefore the Council may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on Legal and Regulatory Requirements

We reported the following instances of non-compliance with the *Local Government Act* and the *Local Government (Accounting) Regulations* in our audit report:

- The financial statements do not include information as required under Part 7 Section 15(2)(d)(i) of the *Local Government (Accounting) Regulations* which requires disclosures on the carrying value of assets that can be reliably attributed to each function (as defined in the ABS Local Government Purpose Classification).
- The audited financial statements for the year ended 30 June 2017 were not submitted to the Northern Territory Grants Commission, on or before 15 November 2017 as required by Part 7 Section 17(1)(a) of the *Local Government (Accounting) Regulations*.

As required by Section 135(1)(c) of the *Local Government Act*, we will report the above instances of non-compliance with the *Local Government Act* and the *Local Government (Accounting) Regulations* to the Minister of Housing and Community Development.

Qualitative aspects of accounting practices and financial reporting

Our role as auditor requires a thorough assessment of audit risk across the Council's business. This includes discussions with management, an assessment of prior year issues, remaining abreast of your business and continuously looking forward at changes on the horizon and their impact on the business. In our professional judgement, the findings below need to be communicated to you:

Audit focus and finding: Going concern

The ability of the Council to continue as a going concern is dependent upon continued funding and support from the Australian and Northern Territory Governments. It is noted that the Council incurred an operational surplus before depreciation of \$571,096 for the year ended 30 June 2018. After depreciation, the Council recorded a deficit for the year of \$1,468,317. For the year ended 30 June 2018, the Council budgeted for a deficit after depreciation of \$2,122,186.

At the date of the audit report, the Council has and is undertaking reforms in relation to its operations and governance to improve its cash requirements and financial position. The future operations of the Council depend upon the continued funding from government, the outcome and the successful implementation of the reforms, and its ability to source other funds to address its net current liabilities position and negative cash flow position. As the outcome of the reforms is not yet determinable and along with the other matters set forth in Note 1 Economic Dependency and Going Concern, there exists a material uncertainty that may cast significant doubt on the Council's ability to continue as a going concern and therefore the Council may be unable to realise its assets and discharge its liabilities in the normal course of business.

Because of the existence of the above material uncertainty, the audit report includes an emphasis of matter regarding going concern.

The Council should continue to actively monitor its cashflow to ensure it is able to meet its debts as and when they fall due. Action should be taken to address the profitability of the Council. By implementing annual budgets and cash flow forecasts the Council can have a financial plan in place that will assist with cash flow management.

Audit focus and finding: Revenue recognition

We have assessed management's application of the revenue recognition principle by reviewing the relevant terms and conditions of a sample of grant funding agreements to ascertain whether the accounting treatment adopted by the Council for each grant was consistent with AASB 1004 *Contributions*. Other user charges and other operating revenue are also recognised as income in accordance with AASB 118 *Revenue*. This is likely to be impacted in future years by changes in Australian Accounting Standards.

The Council needs to consider the impacts of the new revenue accounting standard and consider if early adoption in the 2019 year is appropriate. Financial impacts of this standard should be disclosed in the 2019 financial year.

Audit focus and finding: Property, plant and equipment

In July 2018, the Council undertook a full review of its building and infrastructure assets. The fair value of the Council's fixed assets was determined and approved by the Council on the basis of an independent valuation carried out by JLL, who are certified practicing valuers. At that time, valuation reports were reviewed to ascertain assets were valued appropriately and the methods and assumptions used by the valuers appeared sound and robust and in compliance with the Australian Accounting Standards.

As in the past audits, we have performed substantive audits at year end for the majority of the accounts by:

- 1) reviewing the Council's going concern assessment;
- 2) reviewing the valuation reports from an independent property valuation specialist; and
- 3) assessing the probability of recovery of non-financial assets.

We have also reviewed the Council's minutes of meetings to consider whether there are any other events that could impact the recoverability of its assets in the future. We obtained and reviewed the Council's Fixed Assets Register and agreed the balances to the general ledger. Samples of additions and disposals during the year were checked and agreed to related supplier invoices and approved authority to dispose forms.

Management believes that the value of the infrastructure, property, plant and equipment at 30 June 2018 are deemed at fair value.

Repairs and maintenance expenses were reviewed to ascertain that relevant transactions of a capital nature have not been omitted from being capitalised. Fixed asset useful lives and depreciation rates, depreciation and amortisation accounts have been tested to ascertain their reasonableness. Recoverability of the infrastructure, property, plant and equipment was also discussed with management. No significant issues were identified during the audit.

Audit focus and finding: Organisational review

During the financial year the Council engaged an external consultant to conduct an organizational review into the Council's operations. The review focused on the five areas of:

- Leadership
- Financial sustainability
- Asset and plant management
- Program management
- Communications

Included within the final report were a total of 23 recommendations, which were divided between the categories raised above. This also included three potential organizational restructure options, including the consultant's recommended restructure.

In August 2018, the Council documented the status of the recommendations raised within the report. As of this date, of the 23 recommendations raised, four had been resolved, 14 were ongoing and five had yet to be addressed.

It is recommended that the Council continues to monitor and address the status of the recommendations issued to ensure good corporate governance.

Summary of audit adjustments

All audit differences identified during the course of the audit have been adjusted by management except for one unadjusted audit difference. Audit adjustments have been detailed in [Appendix A](#).

Understanding the 2018 financial statements

The Council reported a deficit of \$1,468,317 during the financial year. More detailed analysis and understanding of the financial statements has been set out in [Appendix B](#).

Assessment of control environment

As part of our audit of the financial statements, we obtained an understanding of internal controls sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Our audit procedures do not address all internal control and accounting procedures and are based on selective tests of accounting records and supporting data and have not been designed for the purposes of making detailed recommendations. As a result, our procedures would not necessarily disclose all weaknesses in the Council's internal control environment, and you should not assume that there are no additional matters that you should be aware of in meeting your responsibilities.

The matters detailed in [Appendix C](#) are limited to those deficiencies that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

A follow up of previously raised control issues has been documented in [Appendix D](#).

Changes in regulatory reporting

The table in **Appendix E** lists all applicable standards/interpretations issued but not yet effective for 30 June 2018 year ends and assumes the Council has elected not to "early adopt" any of these standards/interpretations.

Written representations from management

We have received a letter of representation from management.

Other required communications

We are required by law to report to you certain matters that are not otherwise detailed in this report. This has been detailed in **Appendix F**.

Independence

We confirm that in our professional judgment, the engagement team and Merit Partners are independent. We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

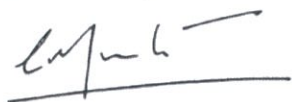
ASA 260 *Communication With Those Charged With Governance* requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The aim of these communications is to ensure full and fair disclosure by us to those charged with governance on matters in which you have an interest.

Listed in **Appendix G** are Merit Partners' key firm-wide policies and processes to maintain independence and objectivity.

This letter has been prepared for the sole use of the Council members, management and others within the Council. It must not be disclosed to a third party or quoted to or referred to without our written consent. No responsibility is assumed by Merit Partners to any other person.

Finally we would like to take this opportunity to thank your staff for the co-operation we have received throughout our audit. If there are any further matters which you wish to discuss concerning our audit, please do not hesitate to call us.

Yours faithfully



MunLi Chee
Director

Appendix A Summary of Audit Adjustments

Summary of adjusted differences

The following table contains a list of audit adjustments we identified that have subsequently been adjusted by management:

| Account 30 June 2018 | Net Assets Debit / (Credit) | Income Statement Debit / (Credit) |
|---|--------------------------------|--------------------------------------|
| To accrue June 2018 consultancy fees | (13,973) | 13,973 |
| To recognise 2017-18 grant income that was received on 30 August 2018 | 10,294 | (10,294) |
| To recognise the use of election reserve | 27,522 (27,522) | |
| To correct TIRC grant income received previously recorded gross of GST | 51,234 | (51,234) |
| Net increase (decrease) in current period | 47,555 | (47,555) |

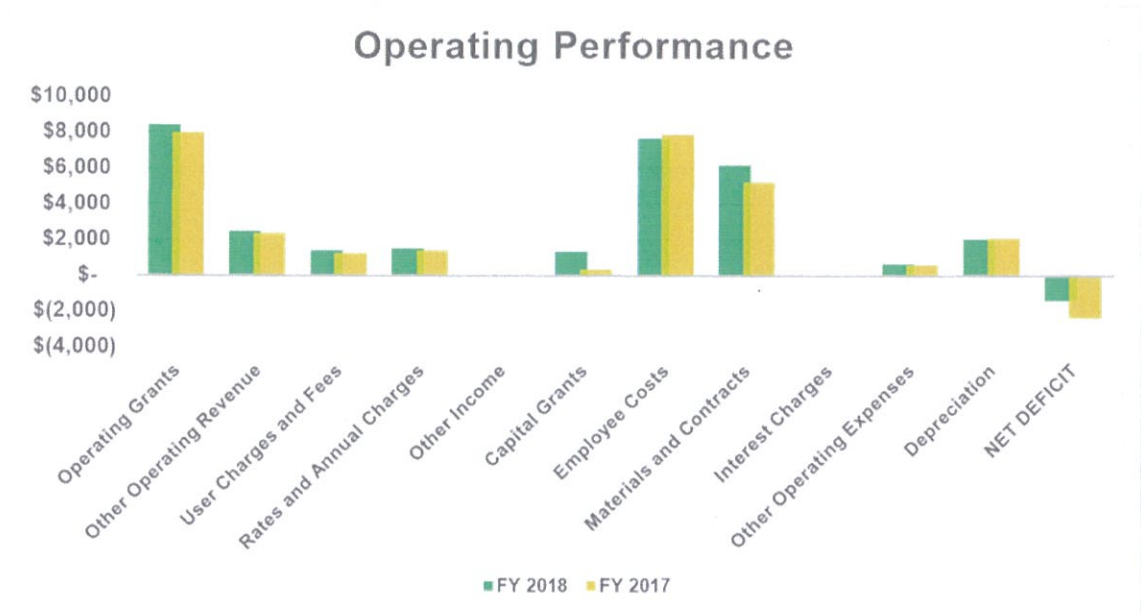
Summary of unadjusted differences

The following differences have been identified during the course of our audit and have not been considered material by management or by us for adjustment. We are bringing these to your attention to enable you to form your own view on these items:

| Account 30 June 2018 | Net Assets Debit / (Credit) | Income Statement Debit / (Credit) |
|--|--------------------------------|--------------------------------------|
| Unrecorded liability – Puma Fuel Purchase on 26 June 2018 | (9,625) | 9,625 |
| Net increase (decrease) in current period | (9,625) | 9,625 |

Appendix B Understanding the Financial Statements

Key components of the Council's earnings



Grants

This relates to funding received from NT and Commonwealth Governments. The increase within operating grants is attributed to specific purpose grants in relation to Executive Leadership Finance and Compliance (\$550k), Municipal and Essential Services (regional) (\$134k) and NT Jobs Package (\$123k) collected during the year.

The increase in capital grants is explained by specific purpose grants in relation to a New Car and Passenger Ferry grant (\$500k), Purchase of Second Hand Grader grant (\$279k), Installation of Security Alarm System grant (\$280k) and Installation of Dumb Barge Pontoon in Pirlangimpi grant (\$239k) collected during the year.

Rates and annual charges

These are statutory rates and charges collected from the community. New rates and charges are issued through a Rates Declaration at beginning of each year. The upward movement is due to an increase in rates and user fees on rateable properties during the year.

User charges and other operating revenue

User charges and other operating revenue relates to income mainly generated from the Council's contract income, sales income and user charges such as airport maintenance, airport landing fees, airport inspection, accommodation and fuel sales, Centrelink agent services, and ferry services. These charges present modest increases from the previous year.

Employee costs

Employee costs slightly decreased by \$184K from the previous year, which was driven mainly by the decrease in the average numbers of employees during the year.

Materials and contracts

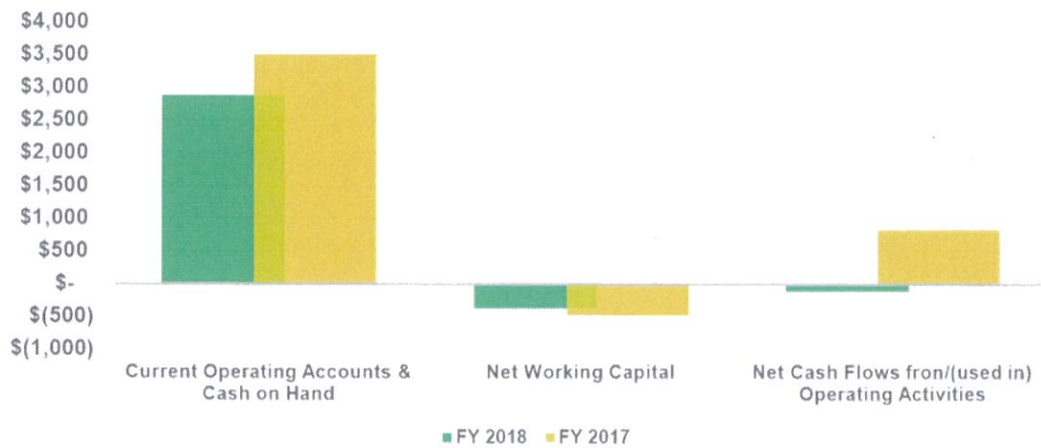
This expense increased as related grant income, user charges income, sales income and contract income has increased by \$400K or 3% compared to the previous year. Also, during the year, the Council has spent \$108K legal expenses in relation to the on-going matter with Aldebaran Contracting. In addition to this, the Council has engaged an external consultant to review the organisation's operational structure. Furthermore, an external valuer was recruited to perform the valuation of building and infrastructure assets. These expenses totalled approximately \$75K.

Net deficit

The Council recognised a net deficit of \$1.47 million during the year (2017: deficit of \$2.37 million).

Key components of the Council's financial position

Financial Condition



Cash & Short-term Investments

The Council has less cash and short term investments compared to the previous year due to the negative cash flows generated. Of the total cash amount, approximately \$3.4 million relates to cash that is restricted by grant funding agreements. It indicates that the Council has used its restricted cash allowance for its operations for the current financial year. The Council has a high probability of facing financial distress.

Net Working Capital

Net working capital is an indication of whether the Council has sufficient funds to pay off its current obligations (including employee provisions). The Council's negative net working capital of \$380K indicates that the Council may be unable to settle its current liabilities as and when they fall due.

Cash Flows from Operating Activities

The Council shows negative cash outflows from its operating activities of \$121K during the year (2017: \$821K inflow). This has been driven mainly by an increase of \$3.5m in payments for materials and contracts from the prior year. It provides further doubt over the Council's ability to continue under the going concern basis. It should be noted that the above cash flows include Northern Territory and Commonwealth grants collected in each period amounting to:

| | |
|------|----------------|
| 2018 | \$9.73 million |
| 2017 | \$8.29 million |

Appendix C Audit Observations

The following table summarises the key issues and their risk ranking.

| Key Issues | High Risk | Moderate Risk | Low |
|--|-----------|---------------|-----|
| Non-Compliance with Local Government Act and Local Government (Accounting) Regulations | ✓ | | |
| Grant Acquittals | ✓ | | |
| Cash Handling | | ✓ | |
| Policies and Procedures – Receipts | | ✓ | |
| Bank Signatories | | ✓ | |
| Stocktake Issues | | ✓ | |
| Vendor Listing Review | | ✓ | |
| End of Month Process Reviews | | ✓ | |
| Accumulation of Annual Leave Balances | | | ✓ |
| Annual Leave Forms | | | ✓ |
| GST Errors | | | ✓ |
| Long Service Leave Calculation | | | ✓ |

Overview of Risk Ranking System

Though we have rated each finding individually on a standalone basis, you should also assess the collective impact of these matters, together with other findings from within the Council.

| | |
|--|---|
| High Needs significant improvement | Immediate corrective action is required. These recommendations relate to a serious weakness which exposes the organisation to a material extent in terms of achievement of corporate objectives, financial results or otherwise impair the Council's reputation. |
| Moderate Needs substantial improvement | Corrective action is required, generally within 6 months. A control weakness, which can undermine the system of internal control and/or operational efficiency and should therefore be addressed. |
| Low Needs some improvement | Corrective action is required, generally within 6 to 12 months. A weakness which does not seriously detract from the system of internal control and/or operational effectiveness/efficiency but which should nevertheless be addressed by management. |

Disclaimer

Issues identified are only those found within the course of the audit for year ended 30 June 2017. Recommendation issues are intended solely for the use of Council's management. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Council's or for any purpose other than that for which it was prepared.

| Observation | Effect | Risk category | Recommendation | Management Response |
|--|--|---------------|--|---|
| <p>Non-Compliance with Local Government Act and Local Government (Accounting) Regulations</p> <p>The following matters were noted during the conduct of the audit:</p> <ul style="list-style-type: none"> The audited financial statements for the year ended 30 June 2017 were not submitted to the NT Grants Commission on or before 15 November 2017 as required by Section 16 of the Local Government Act (Accounting) Regulations. Please note that this area of non-compliance was not identified for the year ended 30 June 2018. | <p>The Council is in breach of the Local Government Act and Local Government (Accounting) Regulations.</p> | <p>High</p> | <p>The Council should ensure that it maintains proper accounts and records and appropriate policies and procedures that complies with the Local Government Act and the Local Government (Accounting) Regulations.</p> <p>The Council should also conduct regular reviews and self-audits that will identify any irregularities or deficiencies in a timely manner.</p> | <p>We acknowledge last year's financial statements were submitted after the November 15 deadline. We will meet this year's deadline.</p> <p>We understand that the current fixed asset register requires updating to enable the disclosure of assets by function. We have allocated a resource to this project and we will complete this work by 21st December.</p> |
| <ul style="list-style-type: none"> Section 15(d)(i) of the Local Government (Accounting) Regulations provides that a Council must show the carrying value of assets that can be reliably attributed to each function (as defined in the ABS Local Government Purpose Classification). It was noted that while income and expenditure that could reliably be attributed to each function was presented in the notes to the financial statements, the carrying value of the assets for each function was not presented. | | | | |

| Observation | Effect | Risk category | Recommendation | Management Response |
|--|--|--|--|--|
| <p>Grant Acquittals</p> <p>At the time of writing this letter, no grant acquittals have been completed in relation to the year ending 30 June 2018.</p> <p>It was also noted that there are a number of unspent funds for the period ended 30 June 2018 which suggests that either the intended service has not been undertaken, or the quality of intended service is compromised, and an inefficient use of funds provided.</p> | <p>Non-compliance with funding agreements may result in repercussions with funding bodies and delays in receipts of future grants.</p> <p>Unspent funds may be recalled which would be detrimental to the Council's objectives</p> | <p style="text-align: center;">High</p> | <p>It is recommended that the grant acquittals are provided at the same time as the audit, so as to ensure a more efficient process for both engagements whilst meeting the reporting deadlines in the respective funding agreements.</p> <p>The Council needs to consider strategies to efficiently utilise the grant funds provided to ensure the quality of service delivery is not compromised and that funds are utilised efficiently and effectively for the benefit of the community.</p> | <p>Work is still ongoing with respect to the 2018 acquittals. We are currently reviewing all of our grant obligations and funding agreements. Discussions with a number of funding bodies have also commenced. We expect this full review to be completed early in 2019.</p> |
| <p>Cash Handling</p> <p>During our examination of the receipting process, we noted that there are currently no formal controls in place over cash sales.</p> <p>We understand that the current process is for cash to be banked every fortnight, with the full cash count being completed by the Admin Leader. However, there is no reconciliation paper in place that is signed by the preparer.</p> | <p>Without regular reconciliations that are prepared and reviewed by separate employees, there is a greater chance of misappropriation due to the nature of cash.</p> | <p style="text-align: center;">Moderate</p> | <p>Daily cash reconciliations should be prepared and signed off by the employee performing the reconciliation. These should then be approved by a senior employee.</p> | <p>Our cash handling process will be reviewed as a matter of urgency by our new CFO.</p> <p>Relevant reconciliation procedures will be implemented as quickly as possible.</p> |

| Observation | Effect | Risk category | Recommendation | Management Response |
|--|--|-----------------|--|--|
| <p>Policies and Procedures – Receipts</p> <p>While the Council has expended efforts in continuously improving the internal control environment of the Council over the year, there remain areas where management can further improve the controls in the receipting process.</p> <p>During our audit, we noted the following weakness in the Council's internal controls:</p> <ul style="list-style-type: none"> • There is no daily reconciliation performed between cash received and cash recorded. • Absence of policy and procedure manual. <p>Bank Signatories</p> <p>The bank confirmation received from Commonwealth Bank of Australia at 30 June 2018 identified two former employees as account signatories. This was in respect of the Operating Account and the Trust Account.</p> | <p>As the Council relies on one person to complete the receipting process, there is a risk of this staff member having all the required knowledge. If this member of staff was to leave the Council, the processes for accounting for these transactions would also be lost.</p> | <p>Moderate</p> | <p>It is recommended that a policies and procedures document is completed in respect of the receipting process.</p> | <p>We will accept the recommendation and implement new policies and procedures as soon as possible.</p> |
| <p>The bank confirmation received from Commonwealth Bank of Australia at 30 June 2018 identified two former employees as account signatories. This was in respect of the Operating Account and the Trust Account.</p> | <p>The Council is exposed to an increased risk of fraud.</p> | <p>Moderate</p> | <p>The bank should be informed immediately of any person/s ceasing to be an authorised signatory to the account.</p> | <p>Both employees have now been removed. All current signatories are aware of the requirement to disable the access of signatories upon termination.</p> |

| Observation | Effect | Risk category | Recommendation | Management Response |
|---|--|-----------------|--|---|
| <p>Stocktake Issues</p> <p>After attending the year-end inventory count, the following issues were noted in respect of the procedures put in place:</p> <ul style="list-style-type: none"> Minor variances were noted in the stock count as a result of sales of items made whilst the count was taking place. The fuel tanks located at Pirlangimpi were not locked away and there was no security guard on duty. | <p>The issues noted represent a lack of control and a departure from the stock take instructions provided. There is also a risk that the stock listing as at the year-end is incomplete.</p> <p>Furthermore, there is a risk of theft due to a lack of security.</p> | <p>Moderate</p> | <p>It is recommended that proper stocktake instructions are issued to staff prior to the count, and are strictly adhered to.</p> <p>Suggested controls to implement include:</p> <ul style="list-style-type: none"> Perform sample test counts of items already checked in order to verify the correctness of the count. Ensure there is no movement of inventory items occur during the count. If there is, this should be clearly segregated from other areas. <p>Also, it is recommended that the Council should improve physical security to safeguard its assets.</p> | <p>For the financial year 2018-19, we will provide all relevant staff with written stocktake instructions.</p> |
| <p>Vendor Listing Review</p> <p>The Council has a large number of vendors that have been created in its accounting software, most of which are used spasmodically or irregularly for purchases of a large variety of products.</p> <p>We understand there is currently no process in place to review and deactivate old and unused supplier accounts.</p> | <p>The absence of a review of old and unused supplier accounts increases the risk of fraud or error occurring.</p> | <p>Moderate</p> | <p>Supplier accounts should be reviewed periodically to remove old, unused and duplicated vendors from the accounting system.</p> | <p>We will undertake a vendor listing review every six months and document the results.</p> |
| <p>End of Month Process Reviews</p> <p>We understand that there is currently no evidence of review of the monthly balance sheet reconciliations that are prepared as part of the end of month process.</p> | <p>The lack of review over the month end reconciliations increases the risk of errors being processed and the risk that fraudulent transactions may occur.</p> | <p>Moderate</p> | <p>It is recommended that the Council formally documents the responsibilities for the review process over account reconciliations and transactions.</p> | <p>We currently perform a number of month-end reconciliations. We will document the actual reconciliations from hereon.</p> |

| Observation | Effect | Risk category | Recommendation | Management Response |
|--|--|---------------|--|--|
| <p>Accumulation of Annual Leave Balances</p> <p>In the review of the provision for leave, we noted that 16 employees had leave balances in excess of 304 hours (40 days), with the highest leave balance being 434 hours.</p> | <p>Allowing employees to accrue significant leave balances presents the following risks:</p> <ul style="list-style-type: none"> • Cash flows may be impacted if employees were to leave the Council unexpectedly; • Not taking leave is detrimental to employees' performance and wellbeing. • There is the potential that leave may have been taken by an employee but the leave application forms were not submitted. | <p>Low</p> | <p>It is recommended that the Council implement a policy in limiting the amount of leave that can be accrued. The Council should also ensure that employees are provided opportunities to take leave, and encourage employees to take additional leave in the upcoming year to reduce the leave liability.</p> | <p>Management is aware of the issue. We are currently working on a new policy covering staff leave.</p> |
| <p>Annual Leave Forms</p> <p>During our testing of the annual leave balance, we noted one employee from a sample of five where the leave taken could not be verified to an authorised leave form. This represented total unauthorised leave of 45.6 hours for that employee, from total leave taken of 159.6 hours during the year.</p> | <p>This increases the risk of overpayment or underpayment of employee provisions.</p> | <p>Low</p> | <p>All leave taken should be supported by an authorised leave form, which should be securely filed for future reference and auditable trail.</p> | <p>We will ensure that all leave forms are appropriately approved.</p> |
| <p>GST Errors in Grant Recognition</p> <p>During our review of the grant income reconciliation, we noted that some grants had incorrectly been recognised gross of GST.</p> | <p>Incorrect treatment of GST can cause incorrect reporting and payments to the ATO.</p> | <p>Low</p> | <p>We recommend that all transactions are checked to ensure that GST is correctly treated in the accounting system and applied consistently.</p> | <p>Prior to the lodgement of the BAS Statement we have a two step review process to ensure that GST is recorded correctly.</p> |

| Observation | Effect | Risk category | Recommendation | Management Response |
|--|---|---------------|---|--|
| <p>Long Service Leave Calculation</p> <p>We noted that the Council used corporate bond rates in order to discount the Long Service Leave provision, rather than Australian Government bond rates. AASB 119 Employee Benefits requires the use of Australian Government bond rates in the calculation of long service leave in respect of a not-for-profit public sector entity.</p> | <p>The Long Service Leave provision could potentially be misstated.</p> | <p>Low</p> | <p>It is recommended that the Council uses Australian Government bond rates in the calculation of the Long Service Leave provision.</p> | <p>Agree, we will use the Australian Government bond rate in future.</p> |

Appendix D Status of Recommendations previously raised

| Previous Audit Observation | Resolved | Status update |
|--|----------|---|
| <p><i>Audit Preparedness</i></p> <p>During the course of our audit the following were noted:</p> <ul style="list-style-type: none"> The financial statements were not available on the day the audit was scheduled to commence. Many of the requested supporting documentation items within the balance sheet and income statement were not provided on the day the audit was scheduled to commence. A number of client adjustments were yet to be accounted for. | Ongoing | The majority of audit requests were provided at the commencement of the audit excluding several client adjustments, grants mater files, unexpended grant liability workings, and draft financial statements. |
| <p><i>Non-Compliance with Local Government Act and Local Government (Accounting) Regulations</i></p> <p>The following matters were noted during the conduct of the audit:</p> <ul style="list-style-type: none"> The Council has not prepared nor maintained a long-term financial plan. Plans to develop one are written within section 1.4.2 of the 2016-17 Regional Plan & Budget, although no evidence of this has been observed. This is a departure from Section 126 of the Local Government Act. The audit for the year ended 30 June 2017 was not completed and the audited financial statements submitted to the NT Grants Commission on or before 15 November 2017 as required by Section 16 of the Local Government Act (Accounting) Regulations. The delay in the audit was compounded by the fact that initially requested documents were not provided, nor were the financial statements. This indicates that the Council has failed to maintain proper accounts and records as required by Section 129 of the Local Government Act. The Council has also resultantly failed to distribute its annual report by the required deadline, as required by Section 33 of the Local Government Act (Accounting) Regulations. The Council has not established and maintained a fraud protection plan as required by Section 10 of the Local Government Act (Accounting) Regulations. It was also noted that the financial statements lacked details of rates levied for the financial year, as required by Section 15 of the Local Government (Accounting) Regulations. | Ongoing | A similar issue has been raised during the current financial year. Please refer to Appendix C for further information. |
| <p><i>Grant Acquittals</i></p> <p>At the time of writing this letter, no grant acquittals have been completed in relation to the year ending 30 June 2017.</p> | Ongoing | At the time of writing this letter, no grant acquittals have been completed for the year ended 30 June 2018. This has been raised as a management letter point for the current year. Please refer to Appendix C for further information. |

| Previous Audit Observation | Resolved | Status update |
|---|----------|---|
| <p>It was also noted that there are a number of unspent funds for the period ended 30 June 2017 which suggests that either the intended service has not been undertaken, or the quality of intended service is compromised, and an inefficient use of funds provided.</p> <p>Additionally, we were advised by management that there are a number of grants in deficit for the current year.</p> | | |
| <p><i>Valuation of Property, Plant and Equipment</i></p> <p>During audit testing it was noted that no independent valuations have been undertaken over the carrying amounts of prescribed buildings or prescribed infrastructure since 2010. These are currently included within the Council's balance sheet with carrying values of \$16,558,525 and \$2,717,489 respectively, and are disclosed 'at revaluation'.</p> | Resolved | No such issues were raised during the current year. |
| <p><i>Stocktake Issues</i></p> <p>After attending the year-end inventory count, the following issues were noted in respect of the procedures put in place:</p> <ul style="list-style-type: none"> Minor variances were noted in the stock count as a result of sales of items made whilst the count was taking place. When performing the count from floor to sheet, two variances arose as a result of fuel stock not being recognised within the counted stock sheets. | Ongoing | Although improvements were noted from the prior year audit, there remain areas of weakness. Please refer to Appendix C for further information. |
| <p><i>Ageing of Rates Balances</i></p> <p>It was noted during the testing of rates receivable that many of these balances were fairly old, with some of these dating as far back as 2010/11.</p> <p>There was however a general provision in place of 80.5% in respect of these balances.</p> | Ongoing | These balances are covered by a general provision for 63.48% of rates receivable. However, these old receivables should either be specifically written off, or have a proper payment plan in place. |
| <p><i>Cash Handling</i></p> <p>During our audit work, we noted that there are currently no formal procedures over cash sales incurred at the community offices. We observed that there is currently no daily reconciliation signed by the Administration Officer or Administration Leader.</p> <p>It was evidenced that during the fortnightly cash deposit process, a reconciliation report is prepared by the Administration Leader. However, this document is also not reviewed by any officers.</p> | Ongoing | Similar issues have been raised during the current financial year. Please refer to Appendix C for further information. |
| <p><i>Vendor Listing Review</i></p> <p>It was noted during our audit, that the current vendor listing within the Council's accounting software has not been formally reviewed by an appropriate officer. The Finance Officer creates new vendors or changes in existing vendor details. All supporting documents relating to the new vendors or changes in vendor details are filed under the vendor profile in the system.</p> | Ongoing | Similar issues have been raised during the current financial year. Please refer to Appendix C for further information. |
| <p><i>Credit Card Reconciliation Not Approved</i></p> <p>During our walkthrough of the credit card process, we noted that the reconciliation as prepared by management was not approved by the CEO. The reconciliation in question was for Cardholder Ms RA De Santis, relating to the month of May 2017.</p> | Resolved | No such issues were raised during the current year. |

| Previous Audit Observation | Resolved | Status update |
|--|----------|--|
| <p>Bank Signatories</p> <p>The bank confirmation received from Commonwealth Bank at 30 June 2017 identified a former employee as an account signatory.</p> <p>This was in respect of account numbers 590110703594 and 590110708408. The employee in question was Bruce Moller (General Manager – Finance and Compliance).</p> | Ongoing | <p>Similar issues have been raised during the current financial year. Please refer to Appendix C for further information.</p> |
| <p>Policy Review</p> <p>During our audit work, it was noted that the Accounting Policy has not been reviewed since February 2014.</p> <p>Additionally, we noted that the Financial Delegations Policy is not in line with the Council's current practices. The following exceptions were noted in respect of this:</p> <ul style="list-style-type: none"> The Compliance and Financial Services Officer is included as a signatory for EFT payments. However, she has been excluded from the list 'To authorise and make payments' within the Policy. Following the departure of the Finance & Compliance General Manager, the Finance Manager is delegated to authorise purchase requisitions of up to \$50,000. However, his delegation within the Financial Delegation's Policy is limited to just \$10,000. | Resolved | <p>No such issues were raised during the current year.</p> |

Appendix E Accounting Updates

This table lists issued pronouncements that are effective for annual reporting periods ending on or after 30 June 2018.

| | Area | Explanation | Impact on Council |
|------------|---|---|--|
| Accounting | AASB 15 <i>Revenue from Contracts with Customers &</i> | <i>AASB 15 Revenue with Contracts with Customers and AASB 1058 Income for Not-for-Profit Entities</i> are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in the Council's financial statements for the first time in 2019/20, unless the Council chooses to early adopt these standards. | Adoption of this new standard is expected to have a financial impact on the Council's grant income recognition. |
| | AASB 1058 <i>Income for Not-for-Profit Entities</i> | Under these new standards, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon receipt as currently occurs. Consequently, more liabilities are expected to be recognised in the balance sheet after adoption of this standard. | |
| Accounting | AASB 16 <i>Leases</i> | AASB 16 <i>Leases</i> is effective for annual periods beginning on or after 1 January 2019. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The definition is based on the premise of control, where a lease is identified when a customer has the right to (1) obtain substantially all of the economic benefits from the use of the identified asset; and (2) direct the use of the identified asset. AASB 16 provides a single model for accounting for leases by lessees. Leases other than low value and short-term leases must be recognised on the balance sheet of lessees. The lessee will recognise an asset, reflecting its right to use the underlying asset, and a liability, in respect of its obligation to make lease payments. Expenses in respect of leases will include amortisation of the right-of-use asset and interest expense in respect of the lease liability. The standard provides for two approaches to transition: (a) Modified retrospective - including two alternatives in measuring the associated asset, or (b) Full retrospective. Lessors will continue to account for leases as either operating or finance leases, consistent with current practice. For operating leases, the underlying asset remains on the lessor's balance sheet. For finance leases, the underlying asset is de-recognised and a lease receivable is recognised. | The Council does not currently have any contracts with lease terms greater than 12 months. When this standard is adopted, it is expected that the Council will not have any lease agreements greater than 12 months. Accordingly, adoption of this new standard is not expected to have a material financial impact to the Council. Should the Council enter into leases for terms longer than 12 months the new accounting treatment required by the new standard will need to be applied. |
| | Changes in the Council's regulators, mandates or requirements | There are no expected changes in the Council's regulators mandates or requirements in the foreseeable future. | The Council needs to continue to monitor their regulators' requirements to ensure that they address the relevant requirements. |

Appendix F Other Required Communications

Auditing Standards require us to report to you certain matters that are not otherwise detailed in this report.

| Matter | How matter was addressed |
|--|---|
| Material uncertainties and going concern | We have included an Emphasis of Matter paragraph in our audit opinion, which draws attention to the material uncertainty existing over the Council's ability to continue as a going concern for 12 months from the date of our report. |
| Disagreements with management | During our audit we received full cooperation from management and had no unresolved disagreements over the application of accounting principles, the scope of our audit or disclosures to be included in the financial statements. |
| Compliance with laws and regulations | We have not identified any instances of material non-compliance with laws and regulations, other than those documented within Appendix C to this report. |
| Fraud and illegal acts | <p>We have made enquires of management regarding:</p> <ul style="list-style-type: none"> • Knowledge of any fraud or suspected fraud affecting the Council involving management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report • Knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial information. <p>We are not aware of any fraud or illegal acts during our audit.</p> |
| Expected modifications to audit report | We anticipate to issue a qualified audit report on the financial statements for the year ended 30 June 2018 subject to the satisfactory resolution of the outstanding matters detailed in this report. |
| Review of Council minutes | We have completed a review of the minutes of the Council meetings held during the year. Based on that review we have not identified any financial matters that would result in a significant effect on the period results that have not been reflected in the financial statements. |
| Independence | <p>We confirm that we have complied with the independence rules under APES 110 <i>Code of Ethics for Professional Accountants</i>, and in our professional judgment, the engagement team and the Firm are independent.</p> <p>We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that the Council considers the facts of which you are aware of and come to a view. Should you have any specific matters that you wish to discuss, please contact us.</p> |

Appendix G Independence

Merit Partners has policies and procedures that instil professional values as part of Firm culture and ensure the highest standards of objectivity, independence and integrity are maintained. Listed below are some of the key policies and processes in place within Merit Partners for maintaining objectivity and independence:

| | |
|----------------------------|---|
| Financial Interests | <p>Our Partners and client facing (technical) staff are prohibited from investing in any audit client.</p> <p>Our Partners and staff are required to confirm their compliance each year with our Firm's independence policies.</p> |
| Training | <p>Our Partners and staff are required to undergo regular mandatory training on our independence and ethical policies and processes.</p> |
| Consultation | <p>The Firm requires that the audit team consult with a second independent partner on complex accounting and auditing matters.</p> |
| Non-audit Services | <p>Our audit engagement partners must approve any non-audit services offered to their clients. This allows them to:</p> <ul style="list-style-type: none">▶ ensure the objectives of the proposed engagement are not inconsistent with the objectives of the audit of the financial statement;▶ identify and assess any related threats to our objectivity; and▶ assess the effectiveness of available safeguards to eliminate such threats or reduce them to an acceptable level. <p>Where no satisfactory safeguards exist we do not carry out the non-audit service.</p> |
| Ethics | <p>Our code of conduct provides an ethical framework on which we base our decisions and our actions—as individuals and as members of Merit Partners.</p> |
| Financial Interests | <p>Our Partners and client facing (technical) staff are prohibited from investing in any audit client.</p> <p>Our partners and staff are required to confirm their compliance each year with our Firm's independence policies.</p> |

REPORTS FOR DECISION

| | |
|--------------------|-----------------------------------|
| ITEM NUMBER | 5.2 |
| TITLE | Audited Financial Statements 2018 |
| REFERENCE | 221744 |
| AUTHOR | Bala Donepudi, Finance Manager |



This report is provided for council decision on the audited financial statements for the year ended 30 June 2018 presented by the auditors Merit Partners

Background:

A final audit of Financial Statements for 2017-18 has been completed, following which final Audited financial statements were provided by external auditors.

The Financial statements were confirmed by CEO Marion Scrymgour. The final audited financial statements along with Auditor's opinion are being submitted for Council's decision.

ISSUES/OPTIONS/CONSEQUENCES:

Nil

RECOMMENDATION:

The Council endorses the 2017-18 Audited Financial Statements.

ATTACHMENTS:

1 TIRC Financial Statements 2018 (Signed).pdf



**TIWI ISLANDS REGIONAL COUNCIL
ANNUAL FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2018**

TIWI ISLANDS REGIONAL COUNCIL

General Purpose Reports and Associated Schedules for the year ended 30 June 2018 TABLE OF CONTENTS

| | Page No. |
|--|----------|
| Auditors' Reports | i - iii |
| Chief Executive Officer's Certificate | iv |
| General Purpose Financial Reports | |
| • Statement of Comprehensive Income | 1 |
| • Statement of Financial Position | 2 |
| • Statement of Changes in Equity | 3 |
| • Statement of Cash Flows | 4 |
| Notes to the Financial Statements | |
| Note 1 Summary of Accounting Policies | 5 |
| Note 2a Functions | 12 |
| Note 2b Component Functions | 15 |
| Note 3 Operating Revenue | 16 |
| Note 4 Operating Expenses | 19 |
| Note 5 Cash and Investments | 20 |
| Note 6 Current Assets - Receivables | 21 |
| Note 7 Other Assets | 22 |
| Note 8 Property Plant and Equipment | 23 |
| Note 9 Trade and Other Payables, Provisions and Borrowings | 25 |
| Note 10 Statement of Cash Flows | 26 |
| Note 11 Operating Leases | 26 |
| Note 12 Commitments for Expenditure | 26 |
| Note 13 Grants & Contributions with Conditions | 27 |
| Note 14 Financial Risk Management | 30 |
| Note 15 Fair Value Measurement | 33 |
| Note 16 Reserves | 34 |
| Note 17 Related Party Transactions | 34 |
| Note 18 Contingent Assets and Contingent Liabilities | 36 |
| Note 19 Auditor's Remuneration | 36 |
| Note 20 Events after reporting date | 37 |



Independent audit report to the Chief Executive Officer of Tiwi Islands Regional Council

Qualified Opinion

We have audited the accompanying general purpose financial report of Tiwi Islands Regional Council ("the Council"), which comprises the statement of financial position as at 30 June 2018, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Chief Executive Officer's Statement.

In our opinion, except for the matters described in the Basis for Qualified Opinion paragraphs, the financial report of Tiwi Islands Regional Council is in accordance with the *Northern Territory Local Government Act*, including:

- (a) giving a true and fair view of the financial position of Tiwi Islands Regional Council as at 30 June 2018 and of the Council's performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government (Accounting) Regulations*.

Basis for Qualified Opinion

We were unable to obtain sufficient appropriate evidence to support the opening balance of Prescribed Buildings of \$16,558,525 and Prescribed Infrastructure of \$2,717,489 as at 1 July 2017. These assets are carried 'at revaluation' within Note 8 to the financial statements. As no independent valuations had been obtained on these assets since 30 June 2010, we were unable to determine if their opening carrying values reflected current market conditions at 1 July 2017.

We were unable to obtain sufficient appropriate evidence to support the opening balance of Inventories of \$405,886 in the statement of financial position as at 1 July 2017, and were unable to satisfy ourselves by alternative means concerning the completeness, accuracy, existence and valuation of these inventories.

Since opening balances enter into the determination of financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the deficit/surplus for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

We conducted our audit in accordance with 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 *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.

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

Emphasis of Matter Regarding Going Concern

Without further modifying our opinion, we draw attention to Note 1 Economic Dependency and Going Concern in the financial report which indicates that the Council incurred an operational deficit after depreciation of \$1,468,317 for the year ended 30 June 2018 (2017: deficit of \$2,371,795)

At the date of this report, the Council has and is undertaking reforms in relation to its operations and governance to improve its cash requirements and financial position. The future operations of the Council depend upon the continued funding from government, the outcome and the successful implementation of the reforms, and its ability to source other funds to address its net current liabilities position and negative operating cash flow position. As the outcome of the reforms is not yet determinable and along with the other matters set forth in Note 1 Economic Dependency and Going Concern, there exists a material uncertainty that may cast a significant doubt on the Council's ability to continue as a going concern and therefore the Council may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Responsibility of the Chief Executive Officer and Those Charged with Governance for the Financial Report

The Chief Executive Officer ("CEO") of the Council is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Northern Territory Local Government Act* and for such internal control as the CEO determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Those charged with governance 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 the financial report.

As part of an audit in accordance with 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 the CEO.
- Conclude on the appropriateness of the CEO's 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.
- 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 the Chief Executive Officer and 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.

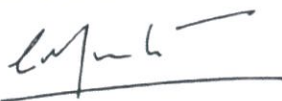
Report on Legal and Regulatory Requirements

We report the following instances of non-compliance with the *Northern Territory Local Government Act* and the *Local Government (Accounting) Regulations*:

- The financial statements do not include information as required under Part 7 Section 15(2)(d)(i) of the *Local Government (Accounting) Regulations* which requires disclosures on the carrying value of assets that can be reliably attributed to each function (as defined in the ABS Local Government Purpose Classification).
- The audited financial statements for the year ended 30 June 2017 were not submitted to the Northern Territory Grants Commission, on or before 15 November 2017 as required by Part 7 Section 17(1)(a) of the *Local Government (Accounting) Regulations*

Merit Partners

Merit Partners



MunLi Chee
Director

DARWIN

30 October 2018



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info@tiwislands.nt.gov.au
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ABN 61 507 431 031

CHIEF EXECUTIVE OFFICER'S STATEMENT

I, Marion Scrymgour, the Chief Executive Officer of the Tiwi Islands Regional Council, certify that the Annual Financial Statements:

- a) Have been, to the best of my knowledge, information and belief, properly drawn up in accordance with all applicable Australian Accounting Standards, the Local Government Act and the Local Government (Accounting) Regulations (with the exception of those matters described in the modified audit report) so as to present fairly the financial position of the Council for the year ended 30 June 2018 and its results for the year then ended; and
- b) Are in accordance with the accounting and other records of the Council.

Signed by:

Date: 30/10/18



Marion Scrymgour
Chief Executive Officer



TIWI ISLANDS REGIONAL COUNCIL

**Statement of Comprehensive Income
for the year ended 30 June 2018**

| | Notes | 2018 | 2017 |
|--|-------|--------------------|--------------------|
| REVENUE | | \$ | \$ |
| Grants and contributions provided for operating purposes | 3e | 8,385,038 | 7,961,781 |
| Other Operating Revenue | 3d | 2,434,713 | 2,358,188 |
| User Charges and Fees | 3b | 1,358,676 | 1,239,233 |
| Rates and Annual Charges | 3a | 1,459,222 | 1,390,902 |
| Interest Revenue | 3c | 24,757 | 32,966 |
| Contributions and Donations | 3f | 3,000 | 3,100 |
| Net Profit from Disposal of assets | 3g | 2,572 | 27,213 |
| TOTAL REVENUE | | 13,667,978 | 13,014,383 |
| | | | |
| EXPENSES | | | |
| Employee Costs | 4a | 7,663,784 | 7,848,755 |
| Materials and Contracts | 4e | 6,159,062 | 5,201,894 |
| Interest Charges | 4b | 5,410 | 6,105 |
| Other Operating Expenses | 4d | 610,825 | 584,804 |
| TOTAL EXPENSES | | 14,439,081 | 13,641,558 |
| | | | |
| DEFICIT BEFORE DEPRECIATION AND CAPITAL GRANTS | | (771,103) | (628,175) |
| | | | |
| Grants & Contributions provided for: Acquisition of assets (Capital Grants Revenue) | 3e | 1,342,199 | 324,542 |
| | | | |
| OPERATIONAL SURPLUS/(DEFICIT) BEFORE DEPRECIATION AND ASSET CLASSIFICATION | | 571,096 | (303,632) |
| | | | |
| Depreciation | 4c | 2,039,413 | 2,068,163 |
| | | | |
| DEFICIT BEFORE INCOME TAX EXPENSE | | (1,468,317) | (2,371,795) |
| | | | |
| Income Tax Expense | | - | - |
| | | | |
| TOTAL COMPREHENSIVE DEFICIT FOR THE YEAR | | (1,468,317) | (2,371,795) |

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

TIWI ISLANDS REGIONAL COUNCIL

Statement of Financial Position
as at 30 June 2018

| | Notes | 2018 | 2017 |
|---|--------|-------------------|-------------------|
| CURRENT ASSETS | | \$ | \$ |
| Current Operating Accounts & Cash on Hand | 5, 10a | 2,873,576 | 3,495,555 |
| Trade and Other Receivables | 6 | 671,278 | 588,019 |
| Other Assets | 7 | 184,985 | 434,495 |
| TOTAL CURRENT ASSETS | | 3,729,839 | 4,518,069 |
| NON CURRENT ASSETS | | | |
| Buildings Prescribed | 8a&b | 19,109,442 | 16,558,525 |
| Infrastructure Prescribed | 8a&b | 2,835,882 | 2,717,489 |
| Plant | 8a&b | 798,348 | 1,083,310 |
| Equipment | 8a&b | 298,700 | 193,096 |
| Motor Vehicles | 8a&b | 464,589 | 373,288 |
| Work in Progress | 8a&b | 220,418 | 125,322 |
| TOTAL NON CURRENT ASSETS | | 23,727,379 | 21,051,030 |
| TOTAL ASSETS | | 27,457,218 | 25,569,099 |
| CURRENT LIABILITIES | | | |
| Trade and Other Payables | 9a | 797,725 | 929,940 |
| Current Provisions | 9c | 902,591 | 852,771 |
| Other Current Liabilities | 9b | 722,516 | 1,739,687 |
| Unexpended Grant Liability | 9b,13 | 1,686,754 | 1,481,339 |
| TOTAL CURRENT LIABILITIES | | 4,109,586 | 5,003,737 |
| NON CURRENT LIABILITIES | | | |
| Non-Current Provisions | 9d | 296,235 | 257,426 |
| Non-Current Borrowings | 9e | 666,667 | 666,667 |
| TOTAL NON CURRENT LIABILITIES | | 962,902 | 924,093 |
| TOTAL LIABILITIES | | 5,072,488 | 5,927,830 |
| NET ASSETS | | 22,384,730 | 19,641,269 |
| EQUITY | | | |
| Accumulated Funds | | (13,938,180) | (12,497,384) |
| Revaluation Reserve | | 36,177,569 | 31,965,790 |
| Other Reserves | | 145,342 | 172,863 |
| TOTAL EQUITY | | 22,384,730 | 19,641,269 |

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

TIWI ISLANDS REGIONAL COUNCIL

Statement of Changes in Equity
for the year ended 30 June 2018

| | Note | Retained Earnings | Asset Revaluation Reserve | Other Reserves | Total Equity |
|--|------|----------------------|---------------------------------|-------------------|-------------------|
| | | | \$ | \$ | \$ |
| Balance at 1 July 2016 | | (10,114,297) | 31,965,790 | 161,571 | 22,013,064 |
| Deficit for the year | | (2,371,795) | - | - | (2,371,795) |
| Transfers between equity | | (11,292) | - | 11,292 | - |
| Balance at 30 June 2017 | | (12,497,384) | 31,965,790 | 172,863 | 19,641,269 |
| Deficit for the year | | (1,468,317) | - | - | (1,468,317) |
| Transfers between equity | 16 | 27,522 | - | (27,522) | - |
| Gain on revaluation of buildings and infrastructure assets | | - | 4,211,779 | - | 4,211,779 |
| Balance at 30 June 2018 | | (13,938,180) | 36,177,569 | 145,342 | 22,384,730 |

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

TIWI ISLANDS REGIONAL COUNCIL

**Statement of Cash Flows
for the year ended 30 June 2018**

| | Notes | 2018 | 2017 |
|---|------------|-------------------------|-------------------------|
| Cash Flows from Operating Activities | | \$ | \$ |
| <i>Receipts</i> | | | |
| Receipts from rates & annual charges | | 1,387,765 | 1,355,496 |
| Receipts from user charges & fees | | 1,400,115 | 1,239,233 |
| Interest received | | 24,757 | 32,966 |
| Grants & contributions | | 9,730,237 | 8,289,424 |
| Other operating receipts | | 2,416,501 | 2,102,734 |
| | | <u>14,959,375</u> | <u>13,019,853</u> |
| <i>Payments</i> | | | |
| Payments to employees | | 7,575,154 | 7,860,839 |
| Payments for materials & contracts | | 7,165,586 | 3,655,691 |
| Payments of interest | | 5,410 | 6,105 |
| Other operating payments | | 333,793 | 675,898 |
| | | <u>15,079,943</u> | <u>12,198,533</u> |
| Net Cash Flows generated from/(used in) Operating Activities | 10b | <u>(120,568)</u> | <u>821,320</u> |
| Cash Flows from Investing Activities | | | |
| <i>Receipts</i> | | | |
| Proceeds from sale of assets | | 2,572 | 73,923 |
| | | <u>2,572</u> | <u>73,923</u> |
| <i>Payments</i> | | | |
| Purchase of assets | | 503,983 | 500,945 |
| | | <u>503,983</u> | <u>500,945</u> |
| Net Cash Flows used in Investing Activities | | <u>(501,411)</u> | <u>(427,022)</u> |
| NET INCREASE/(DECREASE) IN CASH HELD | | (621,979) | 394,298 |
| Cash at Beginning of Reporting Period | | 3,495,555 | 3,101,257 |
| Cash at End of Reporting Period | 10a | <u><u>2,873,576</u></u> | <u><u>3,495,555</u></u> |

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

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies****General Information**

This note sets out the principal accounting policies adopted in the preparation of the financial statements by Tiwi Islands Regional Council (the "Council").

The Local Government Reporting Entity Tiwi Islands Regional Council is established under the *Northern Territory Local Government Act* and has its principal place of business at Puti Drive, Wurrumiyanga Community, Bathurst Island.

The purpose of this financial report is to provide information about the cash flows, financial performance and position of the Council, and accountability of the resources entrusted to it.

Economic Dependency and Going Concern

The financial report has been prepared on the going concern basis, which assumes that the Council will be able to realise its assets and discharge its liabilities in the normal course of business.

The Council has an operational surplus before depreciation of \$571,096 for the year ended 30 June 2018 (2017: operational deficit before depreciation of \$303,632). After depreciation, the Council recorded a deficit for the year of \$1,468,317 (2017: Deficit of \$2,371,795).

The ability of the Council to continue as a going concern is dependent on its ability to implement the following:

- Appropriately cost contracts and agreements taking indirect costs into consideration;
- Establish robust budgets and manage financial performance in line with those budgets;
- Enhance internal financial processes to enable effective debt recovery;
- Ensure that corporate cost structures are financially efficient and funded from current year operations; and
- Investigate other opportunities for self-generated income.

The Council is dependent on Government funding for the majority of its revenue used to operate the business. The future operations of the Council depend upon the continued funding from the Government, the outcome and the successful implementation of the above reforms. As the outcome of the reforms is not yet determinable and due to the other matters set forth above, there exists material uncertainty that may cast significant doubt on the Council's ability to continue as a going concern and therefore the Council may be unable to realise its assets and discharge its liabilities in the normal course of business.

At the date of this report, the Council members have no reason to believe the Government will not continue to support the Council and, acknowledging the uncertainty disclosed above, are of the opinion that the Council will be able to continue as a going concern for the ensuing 12 months from the date of this report.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies (Cont.)***Statement of Compliance*

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, the requirements of the *Local Government Act*, the *Local Government (Accounting) Regulations* and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The Council is a not-for-profit entity for financial reporting purposes.

Adoption of new and revised accounting standards

In the current year the Council has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period.

Future Australian Accounting Standard Requirements

The Council has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective with the exception of AASB 2015-7 *Amendments to Australian Accounting Standards - Fair Value Disclosures of Not-for-Profit Public Sector Entities*. Generally, the Council applies standards and interpretations in accordance with their respective commencement dates. The early adoption of AASB 2015-7 has exempted the Council from the disclosure of quantitative information and sensitivity analysis for some valuations categorised within Level 3 of the fair value hierarchy.

The following new standards/revised standards/Interpretations/amending standards were issued by the Australian Accounting Standards Board prior to the sign-off date, which are expected to have a material financial impact on Council for future reporting periods:

AASB 16 Leases

AASB 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20. When the standard is effective it will supersede AASB 117 *Leases* and requires the majority of leases to be recognised on the balance sheet.

For lessees with operating leases, a right-of-use asset will now come onto the balance sheet together with a lease liability for all leases with a term of more than 12 months, unless the underlying assets are of low value. The Statement of Comprehensive Income will no longer report operating lease rental payments, instead a depreciation expense will be recognised relating to the right-to-use asset and interest expense relating to the lease liability.

While for lessors, the finance and operating lease distinction remains largely unchanged. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

Accounting Standard AASB 116 *Leases* may have a material effect on the amounts disclosed in these reports, particularly in relation to Property, Plant and Equipment, but does not commence until the 2019/20 financial period, and it is not the Council's intention to adopt this Standard early.

AASB 1058 Income for not-for-profit entities and AASB 15 Revenue from contracts with customers

AASB 1058 *Income for Not-for-Profit Entities* and AASB 15 *Revenue from Contracts with Customers* are effective for annual reporting periods beginning on or after 1 January 2019 and will be reported in these financial statements for the first time in 2019-20.

Under the new AASB 1058 *Income for Not-for-Profit Entities*, revenue from grants and donations will be recognised when any associated performance obligation to provide goods or services is satisfied, and not immediately upon

TIWI ISLANDS REGIONAL COUNCIL

**Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**

receipt as currently occurs. Consequently, more liabilities will be recognised in the balance sheet after adoption of this standard.

AASB 1058 clarifies and simplifies income-recognition requirements that apply to not-for-profit entities in conjunction with AASB 15 *Revenue from Contracts with Customers*.

While the full impacts are yet to be determined, potential impacts identified include:

- Grants received to construct or acquire a non-financial asset will be recognised as a liability, and subsequently recognised as revenue as the performance obligations under the grant are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants with an enforceable agreement and sufficiently specific performance obligations will be recognised as revenue progressively as the associated performance obligations are satisfied. At present, such grants are recognised as revenue on receipt.
- Grants that have an enforceable agreement but no specific performance obligations but have restrictions on the timing of expenditure will also continue to be recognised on receipt as time restriction on the use of funds is not sufficiently specific to create a performance obligation.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have minimal impact on future financial reporting.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. Material accounting policies adopted in the preparation of financial statements are presented below and have been consistently applied unless otherwise stated.

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

Basis of Preparation

The financial statements 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. All amounts are presented in Australian dollars, unless otherwise noted.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the accounting policies, management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies (Cont.)***Revenue Recognition*

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

(i) Rates

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

(ii) User Charges, Fees and Annual Charges

User Charges, Service Fee and Annual Charges revenue are recognised when the outcome of such transactions can be estimated reliably.

(iii) Grants, donations and other contributions

Grants, donations and other contributions are recognised in the statement of comprehensive income when the Council obtains control over or the right to receive the grant, donation or other contribution, it is probable that the economic benefits gained from the grant, donation or other contributions will flow to the Council and the amount can be measured reliably. Control over granted and contributed assets is normally obtained upon their receipt (or acquittal), and is valued at their fair value at the date of transfer.

Where grants, contributions and donations recognised as revenue during the reporting period were obtained on the condition that they be expended in a particular manner or used over a particular period, and those conditions were undischarged as at the reporting date, the nature of and amounts pertaining to those undischarged conditions are disclosed in these notes.

(iv) Disposal of property, plant and equipment

The gain or loss on disposal of an asset is determined when control of the asset has passed from the Council and can be measured reliably.

(v) Interest revenue

Interest is recognised as it accrues, when it is probable that the future economic benefits will flow to the Council and it can be measured reliably.

(vi) Commercial and contract revenue

The Council undertakes activities of a commercial, or quasi commercial nature such as maintenance contracts, building construction, and operation of cash businesses. Commercial income is recognised as it accrues, when it is probable that the future economic benefits will flow to the Council and it can be measured reliably.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less which are convertible to a known amount of cash and subject to an insignificant risk of change in value.

Financial Assets

(i) Loans and Receivables

The Council recognises financial assets as loans and other receivables. The classification depends on the purpose for which the financial instrument was acquired and is determined at initial recognition and re-evaluated at reporting date. Financial instruments 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 recognised as expenses in profit or loss immediately. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method less impairment.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies (Cont.)****(ii) Effective Interest Method**

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments.

(iii) Impairment of financial assets

Financial assets are evaluated at each balance sheet date to determine any evidence of impairment. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial assets the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.

(iv) De-recognition of financial assets

The Council derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Council neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset the Council recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Council retains substantially all the risks and rewards of ownership of a transferred financial asset, the Council continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Inventory

Inventory is stated at the lower of cost and net realisable value.

Leased Assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

As lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to the qualifying assets, in which case they are capitalised in accordance with the Council's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Finance leased assets are depreciated on a straight line basis over the estimated useful life of the asset.

Operating lease payments are recognised as an expense on a straight line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Plant and Equipment

Acquisition of Plant and Equipment is recognised at cost when control of the asset passes to the Council. Cost includes expenditure that is directly attributable to the acquisition. Cost related to plant, equipment and infrastructure gifted, donated or granted to the Council is the fair value of the asset, plus costs directly attributable to the acquisition.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

1. Summary of Accounting Policies (Cont.)

Land

The *Aboriginal Land Rights Act* establishes native title over land in the Tiwi Islands. In the absence of clear title no land assets are recognised in the Council's Statement of Financial Position.

Land under Roads

As the Council does not own any land, the Council has elected not to value or recognise as an asset land under roads acquired prior to 1 July 2008 in accordance with the election available under AASB 1051 *Land under Roads*.

Property, Buildings and Infrastructure

In 2006 the *Land Rights Act* was amended to enable township leasing. Leasing arrangements currently exist for Wurrumiyanga, Milikapiti and Wurankuwu. It is envisaged Pirlangimpi community will adopt township leasing in due course. It is proposed that in future periods the Council will lease its major operating buildings from the Office of Township Leasing. Buildings and infrastructure assets are recognised in the financial statements as prescribed assets. This is due to the status Tiwi Islands Regional Council has under 'Right of Occupation' from section 6.2 of the Head Lease agreement and the fact that under general property law it is the Executive Director of Township leasing who has the leasehold ownership interest in the land.

Building and Infrastructure assets were recognised in the financial statements as prescribed assets at their 30 June 2018 re-valued amounts. Revised valuations were provided in the fixed asset register where net values are recognised at 30 June 2018. Building and Infrastructure assets commenced depreciating, at their re-valued amounts, on 1 July 2018.

Revaluation increments arising from recognising assets at valuation are offset against one another within the class of assets. Net revaluation increments in the carrying amounts of these assets are recognised directly in accumulated equity under the heading of prescribed asset reserve to the extent that the increment reverses a decrement that was previously recognised as an expense in the net profit or loss in respect of the same class of assets. No amounts were recognised in the accounts arising from previous revaluations so all increments are recognised in revaluation reserve.

The Fair Value measurement of the Council's Prescribed Buildings and Infrastructure as at 30 June 2018 was performed by Jones Lang Lasalle (JLL), who are independent valuers not related to the Council. JLL are members of the Australian Valuers Institute, and have the appropriate qualifications and recent experience in the fair value measurement of the properties in various locations.

Depreciation

All property, plant and equipment, with the exception of land, is systematically depreciated over its useful life in a manner which reflects the consumption of the service potential embodied in those assets from the time that the item of property plant and equipment is available for use.

Depreciation is provided for on a straight line method using useful lives which are reviewed each reporting period.

The estimated useful lives used for each class of depreciable assets are:

| | |
|-----------------------------|---------------|
| Buildings/ Other Structures | 10 - 25 Years |
| Plant and Equipment | 1 - 25 Years |
| Motor Vehicles | 3 - 5 Years |

Valuation

The Council recognises assets over the value of \$5,000.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies (Cont.)***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 to sell 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.

Financial Liabilities

(i) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of the financial year which remain unpaid. The amounts are unsecured and usually paid within thirty days of recognition.

(ii) Other Financial Liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(iii) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Employee benefits expected to be settled within 12 months:

Provisions in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Employee benefits not expected to be settled within 12 months:

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash flows to be made by the Council in respect of services provided by the employees up to reporting date.

(iv) Superannuation

The Council pays fixed contributions into independent entities in relation to the nominated accounts by individual employees. The Council has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

(v) Unexpended Grant Funds

Grant funding has been treated in the accounts according to the provisions of AASB 1004 Contributions. Where funds are provided on the condition that the Council is to make a reciprocal transfer of economic benefits, and that transfer has not occurred prior to the reporting date, a liability is recognised as at the reporting date in respect of such amounts.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**1. Summary of Accounting Policies (Cont.)***Budget Information*

Note 2(a) provides budget information of revenues and expenditure of each of the major activities of the Council.

Taxation

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

Provisions

Provisions are recognised when the Council has a present obligation (legal or constructive) as a result of a past event, it is probable that the Council will be required to settle the obligation, and reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation.

Goods and Services Tax (GST)

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

i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense;

or

ii) for receivables and payables which are recognised inclusive of GST, the net amount recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from or payable to the taxation authority, is classified as operating cash flows.

Rounding

Unless otherwise stated, amounts in the financial reports have been rounded to the nearest dollar and are presented in full dollars. All amounts are expressed in Australian dollars.

Comparatives

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

2a. Functions

As required by Section 15 (d) of the *Local Government (Accounting) Regulations*, the income derived from each function, the expenditure that can be reliably attributed to each function and the comparison between the budgeted and actual result for the financial year for each Council function are as follows:

TIWI ISLANDS REGIONAL COUNCIL
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| 2a Functions (Cont.) | 01 General Public Services | | 02 Public Order & Safety | | 03 Economic Affairs | | 04 Environmental Protection | | 05 Housing | |
|-----------------------------------|----------------------------|--------------------|--------------------------|------------------|---------------------|------------------|-----------------------------|----------------|------------------|------------------|
| | 2018 Budget | 2018 Actual | 2018 Budget | 2018 Actual | 2018 Budget | 2018 Actual | 2018 Budget | 2018 Actual | 2018 Budget | 2018 Actual |
| OPERATING REVENUES | | | | | | | | | | |
| Income Rates General | 926,373 | 936,476 | - | - | - | - | - | - | - | - |
| Income Rates Waste | - | - | - | - | - | - | 512,813 | 522,746 | - | - |
| Income Council Fees and Charges | 252,088 | 266,412 | - | - | 859,607 | 765,038 | 18,400 | 19,703 | 293,060 | 275,542 |
| Income Operating Grants Subsidies | 2,645,199 | 2,448,920 | 1,276,732 | 1,159,513 | 2,563,292 | 2,930,149 | - | - | 209,576 | 175,273 |
| Income Investments | 34,000 | 10,660 | - | 9,893 | - | - | - | - | - | - |
| Income Contributions Donations | 3,000 | 3,000 | - | - | - | - | - | - | - | - |
| Income Reimbursements | 25,154 | 50,524 | - | 2,780 | - | - | - | - | - | - |
| Income Agency & Commercial Serv | 712,022 | 612,472 | - | - | 1,697,355 | 1,486,134 | - | - | 172,110 | 163,927 |
| Income Capital Grants | - | 45,000 | - | 279,734 | - | 778,621 | - | - | - | - |
| Inc Sale of Assets | 2,572 | 2,572 | - | - | - | - | - | - | - | - |
| Other Operating Revenue | 23,000 | 45,060 | - | 11,250 | - | - | - | - | - | - |
| TOTAL REVENUES | 4,623,408 | 4,421,096 | 1,276,732 | 1,463,170 | 5,120,254 | 5,959,942 | 531,213 | 542,449 | 674,746 | 614,741 |
| OPERATING EXPENSES | | | | | | | | | | |
| Employee Expenses | 4,883,929 | 4,798,941 | 836,724 | 628,370 | 577,451 | 469,431 | - | - | 720,541 | 777,814 |
| Contract and Material Expenses | 2,128,536 | 1,201,769 | 60,132 | 37,246 | 2,762,165 | 2,680,966 | 1,450 | 150 | 467,512 | 566,475 |
| Utility expenses | 71,768 | 76,575 | 27,700 | 26,065 | 27,192 | 37,998 | - | - | 52,410 | 57,661 |
| Fuel Expenses | 412,000 | 412,262 | 1,000 | - | 8,500 | 5,441 | - | - | 60,000 | 51,916 |
| Finance Expenses | 6,050 | 5,410 | - | - | - | - | - | - | - | - |
| Communication Expenses | 361,617 | 314,297 | 2,700 | 2,210 | 18,959 | 18,583 | 600 | 750 | 35,635 | 35,547 |
| Depreciation | 2,057,642 | 2,039,413 | - | - | - | - | - | - | - | - |
| Asset Expense | 500 | - | - | - | - | - | - | - | - | - |
| Training | 70,300 | 17,441 | 11,000 | - | 4,000 | 3,750 | - | - | 4,450 | - |
| Travel and Accommodation | 118,853 | 118,149 | 26,184 | 13,575 | 10,890 | 7,021 | - | - | 600 | 2,095 |
| Councillor/ Local Authority exp | 300,716 | 310,090 | - | - | - | - | - | - | - | - |
| Miscellaneous Expenses | 467,240 | 456,049 | 5,420 | 2,302 | 40,500 | 20,663 | 3,995 | 5,674 | - | 1,003 |
| TOTAL EXPENSES | 10,879,151 | 9,750,397 | 970,860 | 709,769 | 3,449,658 | 3,243,852 | 6,045 | 6,574 | 1,341,148 | 1,492,511 |
| NET SURPLUS / (DEFICIT) | (6,255,743) | (5,329,301) | 305,872 | 753,400 | 1,670,596 | 2,716,090 | 525,168 | 535,875 | (666,402) | (877,770) |

TIWI ISLANDS REGIONAL COUNCIL
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| 2a Functions (Cont.) | 07 Recreation, Culture and Religion | | 08 Education | | 09 Social Protection | | Total | |
|-----------------------------------|-------------------------------------|----------------|------------------|----------------|----------------------|--------------------|--------------------|-------------|
| | Budget 2018 | Actual 2018 | Budget 2018 | Actual 2018 | Budget 2018 | Actual 2018 | Budget 2018 | Actual 2018 |
| OPERATING REVENUES | | | | | | | | |
| Income Rates General | - | - | - | - | - | - | 926,373 | 936,476 |
| Income Rates Waste | - | - | - | - | - | - | 512,813 | 522,746 |
| Income Council Fees and Charges | 21,170 | 23,098 | 754 | 3,724 | 5,159 | 1,445,079 | 1,358,676 | |
| Income Operating Grants Subsidies | 632,688 | 684,081 | 104,908 | 191,950 | 795,153 | 8,307,073 | 8,385,038 | |
| Income Investments | - | 2,959 | - | 941 | 304 | 34,000 | 24,757 | |
| Income Contributions Donations | - | - | - | - | - | 3,000 | 3,000 | |
| Income Reimbursements | - | - | - | - | - | 25,154 | 53,304 | |
| Income Agency & Commercial Serv | - | 1,559 | 89,726 | 59,092 | 1,916 | 2,673,713 | 2,325,099 | |
| Income Capital Grants | - | 238,844 | - | - | - | - | 1,342,199 | |
| Inc Sale of Assets | - | - | - | - | - | 2,572 | 2,572 | |
| Other Operating Revenue | - | - | - | - | - | 23,000 | 56,310 | |
| TOTAL REVENUES | 653,858 | 950,541 | 195,388 | 255,707 | 802,532 | 13,952,777 | 15,010,177 | |
| OPERATING EXPENSES | | | | | | | | |
| Employee Expenses | 434,184 | 342,869 | 293,703 | 218,416 | 427,943 | 8,254,751 | 7,663,784 | |
| Contract and Material Expenses | 60,236 | 52,811 | 37,192 | 32,672 | 55,485 | 5,591,163 | 4,627,574 | |
| Utility expenses | 50,453 | 66,545 | 5,700 | 2,262 | 29,867 | 270,451 | 296,973 | |
| Fuel Expenses | - | - | - | - | - | 481,500 | 469,620 | |
| Finance Expenses | - | - | - | - | - | 6,050 | 5,410 | |
| Communication Expenses | 3,120 | 8,541 | 2,500 | 2,866 | 2,050 | 428,581 | 384,844 | |
| Depreciation | - | - | - | - | - | 2,057,642 | 2,039,413 | |
| Asset Expense | - | - | - | - | - | 500 | - | |
| Training | 1,300 | 1,269 | 3,000 | - | 5,935 | 101,550 | 28,395 | |
| Travel and Accommodation | 12,900 | 11,005 | 7,161 | 6,909 | 4,641 | 188,293 | 163,396 | |
| Councillor/ Local Authority exp | - | - | - | - | - | 300,716 | 310,090 | |
| Miscellaneous Expenses | 277 | 137 | 180 | 2,098 | 1,068 | 519,329 | 488,994 | |
| TOTAL EXPENSES | 562,470 | 483,178 | 349,436 | 265,224 | 526,990 | 18,200,527 | 16,478,494 | |
| NET SURPLUS / (DEFICIT) | 91,388 | 467,363 | (154,048) | (9,517) | 275,542 | (4,247,750) | (1,468,317) | |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**2b. Component Functions**

The activities relating to the Regional functions are as follows:

GENERAL PUBLIC SERVICES**Executive and Legislative Functions**

Administration, operation and support of executive and legislative functions and all elements associated with Corporate governance.

Financial and Fiscal Affairs

Administration of Council's finances and compliance with legislative provisions of *Local Government (Accounting) Regulations*.

General Public Services - including General Administration, Corporate Services/Community Services/ Works & Infrastructure, Other and Office Personnel Maintenance

Administration, support, regulation, research, operation of general public services including insurance and Natural Disaster relief where applicable.

PUBLIC ORDER & SAFETY

Fire protection, local emergency services, control of animals and impounding, control of public places, control of signs, hoarding and advertising, community policing and probationary matters.

ECONOMIC AFFAIRS

General economic, agriculture and forestry, fuel and energy, other labour and employment affairs, transport and other industries, saleyards and tourism.

ENVIRONMENTAL PROTECTION

Waste management, pollution reduction, protection of biodiversity and landscape and protection and remediation of soil, groundwater and surface water.

HOUSING AND COMMUNITY AMENITIES

Housing, housing and community development, water supply and street lighting.

HEALTH

Well baby clinics, dental health services and home nursing services, nursing and convalescent home services, immunisation, infant nutrition and child health, and family planning services.

RECREATION, CULTURE AND RELIGION

Facilities and venues, recreation parks and reserves, cultural and religious services museums and libraries.

EDUCATION

Administration, inspection, support, operation, etc. of education programs and services.

SOCIAL PROTECTION

Outlays on day care services, family day care, occasional care and outside schools hour care, aged services, shelter protection, drug and alcohol treatment programs. Also includes relief from man-made disasters.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 3. Operating Revenue | | |
| a RATES AND CHARGES | | |
| <u>Ordinary Rates</u> | | |
| General Rates | 936,476 | 887,405 |
| Total Ordinary Rates | 936,476 | 887,405 |
| <u>Annual Charges</u> | | |
| Domestic Waste Charges | 522,746 | 503,497 |
| Total Annual Charges | 522,746 | 503,497 |
| Total Rates & Annual Charges | 1,459,222 | 1,390,902 |
| b USER CHARGES & FEES | | |
| User Charge Fee Income | 870,861 | 811,386 |
| Property Lease Rental Fee Income | 394,504 | 329,103 |
| Equipment Hire Income | 76,114 | 78,364 |
| Other Charges & Fees | 17,197 | 20,380 |
| Total User Charges & Fees | 1,358,676 | 1,239,233 |
| c INTEREST | | |
| Interest on Investments | 24,757 | 32,966 |
| Total Interest Revenue | 24,757 | 32,966 |
| d OTHER OPERATING REVENUE | | |
| Reimbursements | 53,304 | 135,976 |
| Service Fee Income | 589 | 2,434 |
| Sales Income | 577,570 | 748,198 |
| Contract Fees | 1,695,421 | 1,422,249 |
| Employment Related Outcome Payments | 56,310 | 3,250 |
| Other Operating Revenue | 51,519 | 46,081 |
| Total Other Operating Revenues | 2,434,713 | 2,358,188 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| 3. Operating Revenue (Cont.) | 2018 | 2017 |
|---|------------------|------------------|
| e GRANTS | \$ | \$ |
| <u>Commonwealth Special Purpose Funding</u> | | |
| Jirmani Day Care Centre | 379,365 | 310,667 |
| Child Services Pirlangimpi | 160,552 | 126,014 |
| Creche Milikapiti | 201,500 | 200,000 |
| After School Care Wurrumiyanga | 63,687 | 111,571 |
| After School Care Pirlangimpi | 70,812 | 68,846 |
| After School Care Milikapiti | 58,176 | 57,580 |
| Night Patrol Shire | 1,053,626 | 1,053,626 |
| ISRP - Indigenous Sport & Recreation Program Shire | 345,000 | 345,000 |
| NT Jobs Packages (Broadcasting) Shire | 89,849 | 89,849 |
| Roads (R2R) | 243,103 | 1,567,384 |
| NAIDOC Week | 6,000 | 8,000 |
| Pirlangimpi School Meals Program | 104,911 | 104,911 |
| Milikapiti Oval Upgrade ABA | 170,069 | - |
| Community Safety Regional | 34,999 | - |
| R2R (TBA) | 326,853 | - |
| Upgrade Fencing at Bathurst Island (Wurrumiyanga) Aerodrome | 66,113 | - |
| Upgrade Fencing at Snake Bay (Milikapiti) Aerodrome | 30,937 | - |
| Installation of Second solar powered windsock BI Aerodrome | 4,488 | - |
| Replacement of lighting system at Bathurst Island Aerodrome | 22,723 | - |
| Upgrade Ranku Aerodrome | 151,712 | - |
| Total Commonwealth Special Purpose Funding | 3,584,475 | 4,043,448 |
| <u>Operational Funding</u> | | |
| NT FAA Operating Grant | 1,397,659 | 1,333,387 |
| FAA Roads | 958,468 | 938,781 |
| General Purpose | 443,652 | 429,598 |
| Total Operational Funding | 2,799,779 | 2,701,766 |
| <u>NT Special Purpose Funding</u> | | |
| Youth Diversion Scheme | 223,106 | 225,000 |
| Active Remote Communities Sport & Recreation Shire | 127,000 | 127,000 |
| Library | 58,544 | 63,165 |
| Outstations Essential Services | 134,381 | 64,619 |
| Outstations Converted Jobs Program | 123,450 | - |
| Outstations Housing Management | - | 27,934 |
| Matching Funds Salary Income | 571,000 | 531,000 |
| Outstations Housing Maintenance | 51,823 | - |
| Family as First Teachers | - | 271,227 |
| Australia Day | - | 1,364 |
| Local Authorities Wurrumiyanga | 236,720 | 219,206 |
| Local Authorities Pirlangimpi | 57,950 | 55,334 |
| Local Authorities Milikapiti | 65,210 | 69,004 |
| Early Intervention Youth Boot Camp | - | 18,422 |
| Regional & Remote Communities | - | 24,000 |
| HSTAC | - | 10,640 |
| Black Spot Program 15/16 | 111,099 | - |
| Executive Leadership Finance & Compliance | 550,000 | - |
| Total NT Special Purpose Funding | 2,310,283 | 1,707,915 |
| Current Operating Funding Total | 8,694,537 | 8,453,129 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 3. Operating Revenue (Cont.) | | |
| <u>Prior Year Grants Brought Forward Operating</u> | | |
| Pirlangimpi OSHC | - | 27,457 |
| Community Safety – Operational | - | 149,824 |
| ISARP – Sport for Life | - | 38,414 |
| Milikapiti Creche | - | 8,851 |
| Active Remote Communities Sport & Recreation Regional | - | 20,000 |
| Family as First Teachers | 103,865 | - |
| Total Prior Year Operating Grants | 103,865 | 244,546 |
| <u>Operating Grant Liability</u> | | |
| Pirlangimpi School Meals Program | (16,826) | (55,224) |
| ISARP - Sport for Life | - | (34,655) |
| Community Safety Regional | (117,219) | (379,547) |
| Active Remote Communities Sport & Recreation Program | (56,244) | (35,570) |
| NAIDOC Week | (5,310) | (2,320) |
| Youth Diversion | - | (32,959) |
| NT Jobs Package Culture & Support | (50,827) | (38,121) |
| Families as First Teachers | - | (103,864) |
| Regional & Remote Communities | - | (2,523) |
| MESSPG – Telecommunications Repeaters | - | (45,000) |
| Early Intervention Youth Boot Camp | - | (6,110) |
| Jirnani Day Care Centre | (26,778) | - |
| Creche Milikapiti | (31,377) | - |
| After School Care Wurrumiyanga | (9,926) | - |
| After School Care Pirlangimpi | (29,570) | - |
| After School Care Milikapiti | (25,369) | - |
| Child Services Pirlangimpi | (15,919) | - |
| Community Safety Regional | (27,999) | - |
| Total Operating Grant Liability | (413,364) | (735,893) |
| TOTAL OPERATIONAL FUNDING | 8,385,038 | 7,961,781 |
| <u>NT Capital Funding</u> | | |
| SPG - 12 cubic metre garbage truck | - | 216,559 |
| SPG – 2 x tractors with slashers & 4 x ride on mowers | - | 114,146 |
| New Car and Passenger Ferry - Regional | 500,000 | - |
| Second-Hand Grader - Regional | 278,621 | - |
| Installation of Security Alarm System | 279,734 | - |
| Installation of Dumb Barge Pontoon - Pirlangimpi | 238,844 | - |
| Purchase of Plant and Equipment for Pirlangimpi | 45,000 | - |
| NT Capital Funding Total | 1,342,199 | 330,705 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 3. Operating Revenue (Cont.) | | |
| <u>Capital Grant Liability</u> | | |
| SPG – 10m3 Tipper | - | (6,163) |
| Total Capital Grant Liability | <u>-</u> | <u>(6,163)</u> |
| TOTAL CAPITAL FUNDING | <u>1,342,199</u> | <u>324,542</u> |
| TOTAL GRANTS | <u>9,727,237</u> | <u>8,286,323</u> |
| f CONTRIBUTIONS & DONATIONS | | |
| Cash Donations | 3,000 | 3,100 |
| | <u>3,000</u> | <u>3,100</u> |
| g GAINS ON DISPOSAL OF ASSETS | | |
| Net Profit from Disposal of assets | 2,572 | 27,214 |
| Total Profit from Disposal of assets | <u>2,572</u> | <u>27,214</u> |
| 4. Operating Expenses | | |
| a EMPLOYEE COSTS | | |
| Wages and Salaries | 5,888,167 | 6,035,374 |
| Annual Leave and Long Service Leave Movements | 1,010,502 | 1,077,504 |
| Superannuation | 638,493 | 657,098 |
| FBT | 4,014 | 21,154 |
| Workers Compensation | 121,808 | 50,100 |
| Relocation/Recruitment | 800 | 7,525 |
| TOTAL EMPLOYEE COSTS | <u>7,663,784</u> | <u>7,848,755</u> |
| b INTEREST CHARGES | | |
| Bank Fees | 5,356 | 6,105 |
| Interest Expenses | 54 | - |
| Total Interest Charges | <u>5,410</u> | <u>6,105</u> |
| c DEPRECIATION | | |
| Buildings Depreciation | 1,306,866 | 1,306,353 |
| Infrastructure | 241,788 | 241,741 |
| Plant and Machinery Depreciation | 285,701 | 286,875 |
| Equipment Depreciation | 75,077 | 66,337 |
| Motor Vehicles Depreciation | 129,981 | 166,857 |
| Total Depreciation | <u>2,039,413</u> | <u>2,068,163</u> |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 4. Operating Expenses (Cont.) | | |
| d OTHER OPERATING EXPENSES | | |
| Council Chairman's Allowance | 90,139 | 92,728 |
| Councillor Allowance Expenses | 210,911 | 213,133 |
| Local Authority Allowances | 9,040 | 9,040 |
| Electoral Commission Expenses | 27,522 | - |
| Insurance | 273,213 | 269,903 |
| Total Other Operating Expenses | 610,825 | 584,804 |
| e MATERIALS & CONTRACTS | | |
| Accounting Fees | 82,735 | 77,136 |
| Provision for Doubtful Debts | (6,792) | - |
| Communication Expenses | 72,305 | 98,369 |
| Consultants & Legal Expenses | 336,197 | 99,547 |
| Contract Labour | 2,588,661 | 1,549,105 |
| Contract Materials | 6,507 | 5,348 |
| Electricity | 136,001 | 162,989 |
| Freight | 171,715 | 236,157 |
| Fuel & Oil Motor Vehicles | 469,620 | 456,742 |
| Gas Expenditure | 3,475 | 1,656 |
| Material Expenditure | 1,175,488 | 1,288,788 |
| Operating Lease Expenses | 253,039 | 233,149 |
| Software/Internet/Support | 386,824 | 349,544 |
| Travel/Accommodation/Training | 191,791 | 288,853 |
| Other Materials & Contracts | 291,496 | 354,511 |
| Total Materials & Contracts | 6,159,062 | 5,201,894 |
| 5. Cash and Investments | | |
| CASH | | |
| Current Operating Accounts & Cash on Hand | 2,873,576 | 3,495,555 |
| TOTAL CASH | 2,873,576 | 3,495,555 |
| Restricted Cash | | |
| Reseal Wurrumiyanga Roads | - | 1,117,520 |
| Foreshore Drain Wurrumiyanga | 68,391 | 83,891 |
| SPG Re-Branding Regional Council | - | 590 |
| Homelands Extra Allowance | 42,326 | 42,326 |
| HMP Fencing Program | 50,469 | 99,753 |
| Local Authorities – Wurrumiyanga | 349,290 | 431,633 |
| Local Authorities - Pirlangimpi | 126,253 | 88,265 |
| Local Authorities – Milikapiti | 199,204 | 154,333 |
| Strengthening Local Authorities Fund | - | 25,614 |
| Refurbish Aerodrome Ablution Blocks | 10,476 | 41,702 |
| MESSPG – Paru Pontoon | 31,393 | 31,393 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| 5. Cash and Investments (Cont.) | | |
| MESSPG – Paru Water Tank | 34,119 | 40,449 |
| MESSPG – Tank Stand Takaprimil | 32,506 | 32,506 |
| SPG – 12m3 Garbage Truck | - | 216,223 |
| SPG – 2 x Tractors/Slashers & 4 x Ride-on Mowers | 16,366 | 114,146 |
| Bathurst Island Oval Upgrade ABA - Portable Stage | 37,055 | - |
| Milikapiti Oval Upgrade ABA | 103,409 | - |
| R2R (TBA) | 326,853 | - |
| Upgrade Fencing at Bathurst Island (Wurrumiyanga) Aerodrome | 66,113 | - |
| Upgrade Fencing at Snake Bay (Milikapiti) Aerodrome | 30,313 | - |
| Installation of Second solar powered windsock BI Aerodrome | 4,489 | - |
| Replacement of lighting system at Bathurst Island Aerodrome | 22,723 | - |
| Upgrade Ranku Aerodrome | 151,712 | - |
| Executive Leadership Finance & Compliance | 346,345 | - |
| NT Jobs Package (formerly Converted Jobs) | 7,687 | - |
| New Car and Passenger Ferry - Regional | 500,000 | - |
| Second-Hand Grader - Regional | 277,991 | - |
| Installation of Security Alarm System | 279,734 | - |
| Installation of Dumb Barge Pontoon - Pirlangimpi | 238,844 | - |
| Purchase of Plant and Equipment for Pirlangimpi | 45,000 | - |
| Total Restricted Cash | 3,399,062 | 2,520,344 |
| Total Unrestricted | (525,486) | 975,211 |
| Total Cash Available | 2,873,576 | 3,495,555 |
| 6. Current Assets - Receivables | | |
| Rates & Annual Charges | 395,328 | 309,952 |
| GST Receivables | 36,313 | 51,926 |
| Accrued Income | 84,618 | 22,820 |
| Other Receivables | 406,261 | 461,355 |
| Less Provision for Doubtful Debts | (251,242) | (258,034) |
| TOTAL RECEIVABLES | 671,278 | 588,019 |
| a Trade receivables and allowance for doubtful debts | | |
| Trade receivables are non-interest bearing and are generally on 30 day terms. The ageing of trade receivables at 30 June 2018 is detailed below: | | |
| Not past due | 436,940 | 485,154 |
| Past due 31-60 days | 24,217 | 18,743 |
| Past due 61-90 days | 9,102 | 7,456 |
| Past due 91 days | 452,261 | 334,700 |
| Total Gross Trade Receivables | 922,520 | 846,053 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| 6. Current Assets – Receivables (Cont.) | | |
| b Impaired receivables | | |
| As at 30 June 2018, receivables with a nominal value of \$251,242 were impaired (2017: \$258,034). Receivables are assessed for impairment by ascertaining the recoverability of the amounts, and are provided for when there is objective evidence indicating that the debt may not be fully recoverable to the Council. The ageing of the impaired receivables are as follows: | | |
| Not past due | - | - |
| Past due 31-60 days | - | - |
| Past due 61-90 days | - | 784 |
| Past due 91 days | 251,242 | 257,250 |
| Total Impaired Receivables | 251,242 | 258,034 |
| Movements in the provision for impairment are as follows | | |
| Balance at beginning of year | (258,034) | (258,034) |
| Provision for impairment recognised during the year | (251,242) | - |
| Reversal of provision for impairment | 258,034 | - |
| Balance at end of year | (251,242) | (258,034) |
| As at 30 June 2018, current receivables of the Council with a nominal value of \$234,339 (2017: \$102,865) were past due but not impaired. These relate to a number of customers for whom there is no history of default. The ageing of these receivables are as follows: | | |
| Past due 31-60 days | 24,217 | 18,743 |
| Past due 61-90 days | 9,102 | 6,672 |
| Past due 91 days | 201,019 | 77,450 |
| Total Receivables | 234,339 | 102,865 |
| 7 Other Assets | | |
| Inventories: | | |
| Fuel Stock | 56,086 | 75,149 |
| Stores and Material | 127,899 | 330,737 |
| Prepayments | 1,000 | 28,609 |
| TOTAL OTHER ASSETS | 184,985 | 434,495 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 8. Property Plant & Equipment | | |
| a Gross carrying amount and accumulated depreciation | | |
| Prescribed Buildings - at revaluation | 19,109,442 | 25,512,578 |
| Less: Accumulated Depreciation and Impairment | - | (8,954,053) |
| Total | 19,109,442 | 16,558,525 |
| Prescribed Infrastructure - at revaluation | 2,835,882 | 4,361,958 |
| Less: Accumulated Depreciation and Impairment | - | (1,644,469) |
| Total | 2,835,882 | 2,717,489 |
| Plant and Machinery - at cost | 3,089,846 | 3,089,107 |
| Less: Accumulated Depreciation and Impairment | (2,291,498) | (2,005,797) |
| Total | 798,348 | 1,083,310 |
| Equipment - at cost | 739,569 | 558,888 |
| Less: Accumulated Depreciation and Impairment | (440,869) | (365,792) |
| Total | 298,700 | 193,096 |
| Motor Vehicles - at cost | 1,649,697 | 1,428,415 |
| Less: Accumulated Depreciation and Impairment | (1,185,108) | (1,055,127) |
| Total | 464,589 | 373,288 |
| Work in Progress | 220,418 | 125,322 |
| Total | 220,418 | 125,322 |
| Total Property, Plant and Equipment | 23,727,379 | 21,051,030 |
| b Movements in carrying amounts | | |
| Buildings | | |
| Buildings - at Written Down Value | 16,558,525 | 17,864,878 |
| Plus: Revaluation | 3,851,598 | - |
| Plus: Acquisitions | 6,185 | - |
| Less: Sold/Written Off | - | - |
| Less: Depreciation | (1,306,866) | (1,306,353) |
| Less: Prescribed Asset Transfer | (19,109,442) | - |
| Total | - | 16,558,525 |
| Prescribed Buildings – at revaluation | | |
| Plus: Prescribed Asset Transfer | 19,109,442 | - |
| Total | 19,109,442 | - |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|-------------------|-------------------|
| | \$ | \$ |
| 8. Property Plant & Equipment (Cont.) | | |
| Prescribed Infrastructure | | |
| Infrastructure - at Written Down Value | 2,717,489 | 2,904,948 |
| Plus: Revaluation | 360,181 | - |
| Plus: Acquisitions | - | 54,283 |
| Less: Depreciation | (241,788) | (241,742) |
| Less: Prescribed Asset Transfer | (2,835,882) | - |
| Total | - | 2,717,489 |
| Prescribed Infrastructure – at revaluation | | |
| Prescribed Asset Transfer | 2,835,882 | - |
| Total | 2,835,882 | - |
| Plant and Machinery | | |
| Plant and Machinery - at Written Down Value | 1,083,310 | 1,252,443 |
| Plus: Acquisitions | 739 | 160,437 |
| Less: Sold/Written Off | - | (42,695) |
| Less: Depreciation | (285,701) | (285,875) |
| Total | 798,348 | 1,083,310 |
| Equipment | | |
| Equipment - at Written Down Value | 193,096 | 183,695 |
| Plus: Acquisitions | 180,681 | 75,738 |
| Less: Depreciation | (75,077) | (66,337) |
| Total | 298,700 | 193,096 |
| Motor Vehicles | | |
| Motor Vehicles at Written Down Value | 373,288 | 351,073 |
| Plus: Acquisitions | 221,282 | 193,085 |
| Less: Sold/Written Off | - | (4,013) |
| Less: Depreciation | (129,981) | (166,857) |
| Total | 464,589 | 373,288 |
| Work in Progress | | |
| Opening Balance | 125,322 | 107,920 |
| Disposals | - | - |
| Additions | 503,983 | 500,945 |
| Capitalisation | (408,887) | (483,543) |
| Total | 220,418 | 125,322 |
| TOTAL - All Non-Current Assets | 23,727,379 | 21,051,030 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 9. Trade and Other Payables, Provisions & Borrowings | | |
| a Trade and Other Payables | | |
| Goods & Services | 581,626 | 722,057 |
| Employee Related | 125,582 | 138,468 |
| GST Payable | 90,517 | 70,324 |
| Credit Cards Payable | - | (909) |
| Total Trade and Other Payables | 797,725 | 929,940 |
| b Other Current Liabilities | 722,516 | 1,739,687 |
| Unexpended Grant Liability | 1,686,754 | 1,481,339 |
| | 2,409,270 | 3,221,026 |
| c Provision - Current | | |
| Annual Leave | 727,769 | 704,242 |
| Long Service Leave | 174,822 | 148,529 |
| Total Current Provisions | 902,591 | 852,771 |
| d Provisions - Non Current | | |
| Long Service Leave | 296,235 | 257,426 |
| Total Non-Current Provisions | 296,235 | 257,426 |
| TOTAL PROVISIONS | 1,198,826 | 1,110,197 |
| e Borrowings (Unsecured) | | |
| The Department of Housing and Community Development (previously known as the Department of Local Government) provided the Council with an interest-free loan of \$1,000,000 to assist the Council to pay outstanding debtors and staff transferred to the Council from the old Tiwi Islands Local Government as part of the Council Amalgamation in July 2008. The Council made a payment of \$333,333 towards the loan in January 2014. The Department has confirmed that the loan will not be called within the next 12 months. | | |
| Non Current Borrowings | 666,667 | 666,667 |
| TOTAL BORROWINGS | 666,667 | 666,667 |
| TOTAL TRADE AND OTHER PAYABLES, PROVISIONS & BORROWINGS | 5,072,488 | 5,927,830 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|---|------------------|------------------|
| | \$ | \$ |
| 10. Statement of Cash Flows | | |
| a Reconciliation of Cash | | |
| Cash on hand and at Bank | 71,009 | 337,947 |
| Cash Management Account | 2,802,567 | 3,157,608 |
| Balances as per Statement of Cash Flow | <u>2,873,576</u> | <u>3,495,555</u> |
| b Reconciliation of Change in Net Assets to Cash from Operating Activities | | |
| Change in net assets after operations | (1,468,317) | (2,371,795) |
| Add: | | |
| Depreciation and Amortisation | 2,039,413 | 2,068,163 |
| Decrease in Stock | 221,901 | - |
| Decrease in Prepayments | 27,609 | - |
| Increase in Provisions | 88,629 | - |
| Increase in Other Current Liabilities | - | 2,079,662 |
| | <u>909,235</u> | <u>1,776,030</u> |
| Less: | | |
| Decrease in Trade Creditors | 167,245 | 535,716 |
| Decrease in Other Current Liabilities | 811,756 | - |
| Decrease in Provisions | - | 12,084 |
| Increase in Trade and Other Receivables | 48,230 | 290,859 |
| Increase in Prepayments | - | 28,609 |
| Increase in Stock | - | 60,228 |
| Profit on Sale of Fixed Assets | 2,572 | 27,214 |
| | <u>1,029,803</u> | <u>954,710</u> |
| Net Cash generated from/(used in) operating activities | <u>(120,568)</u> | <u>821,320</u> |

11 Operating Leases

Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:

| | | |
|--|------------------|------------------|
| Not later than one year | 227,544 | 245,143 |
| Later than one year and not later than 5 years | 848,240 | 860,495 |
| Later than 5 years | 2,048,082 | 2,246,769 |
| Total | <u>3,123,866</u> | <u>3,352,407</u> |

12 Commitments for Expenditure

The Council has entered into contracts for future capital expenditure which are not provided in the financial statements. These commitments are for motor vehicles and equipment as follows:

| | | |
|--|----------------|----------------|
| Not later than one year | 183,838 | 238,763 |
| Later than one year and not later than 5 years | - | - |
| Later than 5 years | - | - |
| | <u>183,838</u> | <u>238,763</u> |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| 13 Grants & Contributions with Conditions | | |
| Grant and Contributions that were obtained on the condition that they be expended on specific purposes but which are not yet expended in accordance with those conditions, are as follows: | | |
| Grant Liability from 10/11 Funding Year | | |
| CIGP – Miscellaneous Repairs to Bores | 545 | 545 |
| 10/11 Grant Liability Total | 545 | 545 |
| Grant Liability from 11/12 Funding Year | | |
| Community Fitness | 1,249 | 1,249 |
| Cape Forcroy Road | 46,240 | 46,240 |
| 11/12 Grant Liability Total | 47,489 | 47,489 |
| Grant Liability from 12/13 Funding Year | | |
| Child Care Pirlangimpi | 95 | 95 |
| SPG – Bunded Fuel Tanks Milikapiti | 2,392 | 2,392 |
| 12/13 Grant Liability Total | 2,487 | 2,487 |
| Grant Liability from 13/14 Funding Year | | |
| ISARP – Jobs Creation Package | 109,097 | 109,097 |
| NAIDOC Week | 5,664 | 5,664 |
| Active Remote Communities | 30,653 | 30,653 |
| Active Remote Communities – Variation Money | 2,005 | 2,005 |
| Install Cricket Pitch | 201 | 201 |
| 13/14 Grant Liability Total | 147,620 | 147,620 |
| Grant Liability from 14/15 Funding Year | | |
| ISARP – Jobs Creation Package | 51,874 | 51,874 |
| Regional Night Patrol | 4,042 | 4,042 |
| Youth Diversion Unit | 21,884 | 21,884 |
| Active Remote Communities – BNT Women's Basketball | 1,725 | 1,725 |
| 14/15 Grant Liability Total | 79,525 | 79,525 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|----------------|----------------|
| | \$ | \$ |
| 13 Conditions Over Grants & Contributions (Cont.) | | |
| Grant Liability from 15/16 Funding Year | | |
| OSHC Wurrumiyanga | 48,183 | 48,184 |
| OSHC Pirlangimpi | 32,892 | 32,892 |
| OSHC Milikapiti | 11,853 | 11,853 |
| Child Care Wurrumiyanga | 5,000 | 5,000 |
| Child Care Pirlangimpi | 5,000 | 5,000 |
| NAIDOC Week | 3,643 | 3,643 |
| NT Jobs Package Culture & Support | - | 30,394 |
| Road Reseal Consultancy Wurrumiyanga | 296 | 296 |
| Youth Diversion Unit | 21,308 | 21,308 |
| Outstations Housing Maintenance | 85,520 | 85,520 |
| Outstations Municipal & Essential Services | 132,394 | 132,394 |
| NT Jobs Package (Converted Jobs) | 85,133 | 85,133 |
| 15/16 Grant Liability Total | 431,223 | 461,617 |
| Grant Liability from 16/17 Funding Year | | |
| ISARP - Sport for Life | 34,655 | 34,655 |
| Regional Night Patrol | 379,547 | 379,547 |
| NAIDOC Week | 2,320 | 2,320 |
| NT Jobs Package Culture & Support | - | 38,121 |
| Pirlangimpi School Meals Program | 55,224 | 55,224 |
| Families as First Teachers | - | 103,864 |
| Youth Diversion Unit | 32,959 | 32,959 |
| Early Intervention Youth Boot Camp | 6,110 | 6,110 |
| Active Remote Communities | - | 35,570 |
| Regional & Remote Communities | 2,523 | 2,523 |
| SPG - 10m3 tipper | 6,163 | 6,163 |
| MESSPG - Telecommunications Repeaters | 45,000 | 45,000 |
| 16/17 Grant Liability Total | 564,501 | 742,056 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

| | 2018 | 2017 |
|--|------------------|------------------|
| | \$ | \$ |
| 13 Conditions Over Grants & Contributions (Cont.) | | |
| Grant Liability from 17/18 Funding Year | | |
| OSHC Wurrumiyanga | 9,926 | - |
| OSHC Pirlangimpi | 29,570 | - |
| OSHC Milikapiti | 25,369 | - |
| Child Care Wurrumiyanga | 26,778 | - |
| Child Care Pirlangimpi | 15,919 | - |
| Regional Night Patrol | 117,219 | - |
| NAIDOC Week | 5,310 | - |
| NT Jobs Package Culture & Support | 50,827 | - |
| Pirlangimpi School Meals Program | 16,826 | - |
| Milakipiti Child Care | 31,377 | - |
| Community Safety Regional | 27,999 | - |
| Active Remote Communities | 56,244 | - |
| 17/18 Grant Liability Total | 413,364 | - |
| Total Grant Liability | 1,686,754 | 1,481,340 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018**14. Financial Risk Management**

The main risks the Council is exposed to through its financial instruments are liquidity risk, credit risk, market risk and interest rate risk.

Liquidity Risk

Liquidity risk is the risk that the Council will not be able to meet its obligations as and when they fall due. The Council manages its liquidity risk by monitoring cash flows and also through its budget management process. Due to the nature of its business, the Council is able to estimate its income and cash flows based on grant funding timeframes.

Credit Risk

Credit risk is the risk of financial loss to the Council if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Exposure to credit risk is monitored by management on an ongoing basis. The maximum exposure to credit risk, excluding the value of any collateral or other security, is limited to the total carrying value of financial assets, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. The Council does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Council.

The majority of the Council's debtors are government owned and funded entities and credit risk for the Council is low.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices will affect the Council's income or the value of its holdings of financial instruments. Exposure to market risk is closely monitored by the Council. The Council does not have any material market risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates. The Council manages its interest rate risk by maintaining floating rate cash and floating rate debt.

Sensitivity analysis

At balance date, the Council had the following financial assets exposed to variable interest rate risk:

| | 2018 | 2017 |
|-------------------------|------------------|------------------|
| | \$ | \$ |
| Financial Assets | | |
| Cash at bank | 2,873,576 | 3,495,555 |
| Investment | - | - |
| | <u>2,873,576</u> | <u>3,495,555</u> |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

14. Financial Risk Management (Cont.)

At balance sheet date the Council has not entered into any loans or other financial commitments that present exposure to interest rate risk. Credit cards are the only short term financial instrument used by the Council and balances are cleared at month end. The table below details the interest rate sensitivity analysis of the Council at balance date, holding all other variables constant. A 100 basis point change is deemed to be possible change and is used when reporting interest rate risk.

| | Change in Variable | Effect on Profit or Loss 2018 \$ | Effect on Equity 2018 \$ | Effect on Profit or Loss 2017 \$ | Effect on Equity 2017 \$ |
|------------------------------|--------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|
| Financial Assets | | | | | |
| Cash at bank and Investments | 1% | 28,736 | 28,736 | 34,956 | 34,956 |
| | (1)% | (28,736) | (28,736) | (34,956) | (34,956) |

14b. Net fair values of financial assets and liabilities

Cash and cash Equivalents: The carrying amounts of cash and cash equivalents approximate their fair value due to its short term to maturity nature.

Loans and receivables and Trade and other payables: Their carrying amounts approximate their fair value due to its short term to maturity nature.

TIWI ISLANDS REGIONAL COUNCIL
Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

14c. Financial Instruments Composition and Maturity Analysis

The table below reflects the undiscounted contractual settlement terms for the financial instruments of a fixed period of maturity, as well as management's expectation of the settlement period for the all financial instruments.

| Financial Instruments | Within 1 year | | 1 - 5 years maturing in 1 year or less | | Over 5 years maturing in 1 to 5 years | | Total Carrying amount | |
|---|------------------|------------------|--|----------|---------------------------------------|----------------|-----------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Financial Assets - cash flows realisable | | | | | | | | |
| Cash on Hand | 2,873,576 | 3,495,555 | - | - | - | - | 2,873,576 | 3,495,555 |
| Trade and other receivables | 671,278 | 588,019 | - | - | - | - | 671,278 | 588,019 |
| Total | 3,544,854 | 4,083,574 | - | - | - | - | 3,544,854 | 4,083,574 |
| Financial Liabilities due for payment | | | | | | | | |
| Trade and other payables | 797,725 | 929,940 | - | - | - | - | 797,725 | 929,940 |
| Borrowings | - | - | - | - | 666,667 | 666,667 | 666,667 | 666,667 |
| Other Current Liabilities | 722,516 | 1,739,687 | - | - | - | - | 722,516 | 1,739,687 |
| Unexpended Grant Liability | 1,686,754 | 1,481,340 | - | - | - | - | 1,686,754 | 1,481,340 |
| Total | 3,206,995 | 4,150,966 | - | - | 666,667 | 666,667 | 3,873,662 | 4,817,633 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

15. Fair Value Measurement

In accordance with AASB 13, the fair value of financial assets and liabilities and non-financial assets which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant standards, are categorised into 3 levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels:

- a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- b) Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable data).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(a) Financial Assets and Liabilities

The Council has no financial assets and liabilities measured at fair value as at 30 June 2018.

(b) Non-Financial Assets

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|----------------------------|----------------|----------------|----------------|--------------|
| 30 June 2018 | | | | |
| Buildings & Infrastructure | | | \$21,945,324 | \$21,945,324 |
| 30 June 2017 | | | | |
| Buildings & Infrastructure | | | \$19,276,014 | \$19,276,014 |

Buildings and infrastructure

The fair values of the Buildings and Infrastructure are estimated using a market approach which uses prices and other market data derived from observed transactions for the same or similar assets. Assets used by not for profit and public sector entities, which also have a commercial use, are likely to be valued based on observable market values considering the highest and best use requirements of AASB 13. The buildings and infrastructure used for a public service or as an administration building by a government agency in close proximity to other offices used for commercial purposes would be competing with commercial users for that office space within the market. As a result these properties' fair value could be determined based on sales of comparable buildings.

There were no changes during the period in the valuation techniques used by the Council to determine fair values.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

16. Reserves

Asset Revaluation Reserve

The asset revaluation reserve is used to record increments and decrements arising from changes in fair value of non-current assets and available-for-sale financial assets.

Election Reserve

This reserve will fund expenses related to Local Government elections and By-Elections.

The Council in its meeting held on 27 May 2015 decided to transfer the unspent balance of the budget allocation for election expenses at 30 June each year from accumulated funds to the election reserve and use that amount of money to fund future Council general elections and by-elections at the direction of the CEO. A General Election was held for the Council in August 2017. Following the CEO's direction election costs of \$27,522 were paid out of the election reserve.

Asset Replacement Reserve

This reserve holds funding for renewal, replacement or upgrading of existing assets and/or the establishment of new assets in line with the Council's asset management plans.

At the same meeting the Council decided to transfer an initial amount of \$25,000 from the recent sale of surplus Council vehicles from accumulated funds to the asset replacement reserve and to use that amount to fund future Council motor vehicle and major plant / equipment purchases as directed by the CEO. Future proceeds from the sale or auction of Council motor vehicles / plant / equipment are to be credited to the asset replacement reserve as directed by the CEO.

The movements of the reserve for the year ended 30 June 2018 are as follows:

| | 1-Jul-17 | Net Increments (Decrements) | Transfers, Impairments | 30-Jun-18 |
|--|-------------------|--------------------------------|---------------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Asset Revaluation Reserve | | | | |
| Prescribed Buildings | 29,120,340 | 3,851,598 | - | 32,971,938 |
| Prescribed Infrastructure | 2,845,450 | 360,181 | - | 3,205,631 |
| Total Asset Revaluation Reserve | 31,965,790 | 4,211,779 | - | 36,177,569 |
| | | | | |
| | 1-Jul-17 | Transfer to Reserve | Transfer from Reserve | 30-Jun-18 |
| | \$ | \$ | \$ | \$ |
| Other Reserves | | | | |
| Election Reserve | 30,000 | - | 27,522 | 2,479 |
| Asset Replacement Reserve | 142,863 | - | - | 142,863 |
| Total Other Reserves | 172,863 | - | 27,522 | 145,342 |

17. Related party transactions

- The related parties of the Council include: the key management personnel because they have authority and responsibility for planning, directing and controlling the activities of the Council directly;

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

- spouses, children and dependants who are close family members of the key management personnel; and
- any entities controlled or jointly controlled by key management personnel's or controlled or jointly controlled by their close family members.

Key Management Personnel

Key management personnel of the Council are those persons having authority and responsibility for planning, directing and controlling the activities of Council. These include the Councillors, Chief Executive Officer and General Managers of Directorates as listed below.

a Key Management Personnel

Names of persons holding the position of key management personnel at the Council during the financial year are:

| | | |
|--------------------------------|----------------------------|-------------------|
| Councillors | Lynette De Santis | |
| | Connell Tipiloura | |
| | Pius Tipungwuti | |
| | Mary Dunn | |
| | Therese Bourke | |
| | Pirrawayingi Puruntatameri | |
| | Gawin Tipiloura | |
| | Stanley Tipiloura | |
| | Leslie Tungatalum | |
| | Wesley Kerinaiaua | |
| | Francisco Babui | |
| | Kevin Doolan | |
| | Regis Pangiraminni | (ceased 11/12/17) |
| | Barry Puruntatameri | (ceased 04/09/17) |
| Emmanuel Rioli | (ceased 04/09/17) | |
| John Naden | (ceased 04/09/17) | |
| Anita Moreen | (ceased 04/09/17) | |
| Venard Pilakui | (ceased 04/09/17) | |
| Chief Executive Officer | Marion Scrymgour | |
| GMs of Directorates | Rosanna De Santis | |
| | Bruce Mann | |

b Remuneration of Key Management Personnel

The aggregate compensation made to key management personnel and other members of key management personnel in the financial year is set out below:

| | 2018 | 2017 |
|------------------------------|---------|---------|
| | \$ | \$ |
| Short term employee benefits | 834,853 | 816,607 |
| Post employment benefits | 57,557 | 84,388 |
| Other Long Term benefits | 10,953 | 7,956 |
| Termination benefits | - | 47,392 |
| | 903,363 | 956,343 |

c No retirement benefits have been made by the Council to Key Management Personnel.

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

- d No loans have been made, guaranteed or secured by the Council to Key Management Personnel during the reporting year 2017/18.
- e No transactions other than remuneration payment or reimbursement of approved expenses were entered into by the Council with Key Management Personnel, or Related Parties of such Key Management Personnel during the reporting year 2017/18.

f **Investment in Councilbiz**

CouncilBiz was incorporated as a Local Government subsidiary on 10 June 2008 and commenced operations on 1 July 2008 providing administrative, ICT and Business Systems support to the 8 member Councils. It is a Local Government subsidiary, created as part of the Northern Territory Local Government Reform Agenda, under the *Local Government Act 2008* and Regulations.

Upon the incorporation of CouncilBiz, the Council made an initial funding contribution of \$50,000. Under the terms and conditions of CouncilBiz's Constitution, the debts and liabilities of CouncilBiz are guaranteed by the members in equal shares or on the basis of the formula agreed by the members. Upon the dissolution of CouncilBiz, the amount that remains after such dissolution and the settlement of all debts and liabilities shall be transferred to another organisation with a similar purpose as agreed to by the members with similar rules to CouncilBiz, such as prohibiting the distribution of assets and income to its members. As the Council will not realise any returns from its \$50,000 funding contribution to CouncilBiz, this amount was expensed when it was incurred.

18. Contingent Assets and Contingent LiabilitiesContingent Liabilities

Under the terms and conditions of the Constitution of CouncilBiz, the Council and other members have guaranteed the debts and liabilities of CouncilBiz. As at 30 June 2018, the amount of the obligation cannot be measured with sufficient reliability, and has not been recognised in the accounts.

As at 30 June 2018, the Council has a security deposit guarantee in favour of Cooper Holdings (NT) Pty Ltd amounting to \$8,694 (2017: \$8,694).

Rehabilitation of Landfill Sites

The Council operates a land fill site at Tiwi Islands giving rise to an obligation to rehabilitate the site in the future. The Council at this stage is unable to quantify the amount to rehabilitate the site as the liability cannot be reliably estimated.

Other Contingent Liabilities

The Council is involved from time to time in various claims incidental to the ordinary course of business. It is not practical to estimate any potential liability at this stage.

The Council believes that it is appropriately covered for claims through its insurance coverage and does not expect any material liabilities to eventuate.

| | 2018 | 2017 |
|--|---------------|---------------|
| | \$ | \$ |
| 19. Auditor's Remuneration | | |
| Amounts received or due and receivable by the auditors of Tiwi Islands Regional Council | | |
| - Audit or Review Services | 46,054 | 64,530 |
| - Other Services | 36,651 | 12,600 |
| Total Remuneration | 82,705 | 77,130 |

TIWI ISLANDS REGIONAL COUNCIL

Notes to and forming part of the Financial Statements
for the year ended 30 June 2018

20. Events after the reporting period

At the date of this report, no matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Council, the results of those operations, or the state of affairs of the Council in future financial years.