



Roper Gulf Shire Council

ABN: 94 746 956 090

Financial Statements

For the Year Ended 30 June 2013

Roper Gulf Shire Council

ABN: 94 746 956 090

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For the Year Ended 30 June 2013

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Independent Audit Report to the members of Roper Gulf Shire Council

Report on the Financial Report

We have audited the accompanying financial report of the Roper Gulf Shire Council ("Council"), which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Chief Executive Officer's Certificate.

Chief Executive Officer's Responsibility for the Financial Report

The Chief Executive Officer of the Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 2008 and the Local Government (Accounting) Regulations 2008, and for such internal controls as the Chief Executive Officer determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Council's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chief Executive Officer of the Council, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the financial report of the Roper Gulf Shire Council is in accordance with the Local Government Act 2008, including:

- a) giving a true and fair view of the Council's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
- b) complying with the Australian Accounting Standards (including Australian Accounting Interpretations) and Local Government (Accounting) Regulations 2008.

Merit Partners

Merit Partners



Matthew Kennon
Director

DARWIN
Date: 31/10/2013

Chief Executive Officer's Certificate

I, Michael Berto, the Chief Executive Officer of Roper Gulf Shire Council, certify that to the best of my knowledge, information and belief:

- a. the Annual Financial Statements have been properly drawn up in accordance with Australian Accounting Standards, the Local Government Act, and the Local Government (Accounting) Regulations so as to present fairly the financial position of the Council as at 30 June 2013 and the results for the year then ended; and
- b. the financial statements are in accordance with the accounting and other records of the Council.



Chief Executive Officer

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CATHERINE

Date 31/10/13

Roper Gulf Shire Council

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Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 30 June 2013

| | 2013 | 2012 |
|--|---------------------|---------------------|
| Note | \$ | \$ |
| Grants and contributions | 20,150,912 | 24,301,045 |
| User charges and fees | 118,131 | 69,752 |
| Rates and other charges | 824,681 | 688,217 |
| Other revenue | 8,128,051 | 10,672,098 |
| Net profit (loss) on disposal of assets | 3,997 | (1,058,630) |
| Interest revenue | 433,387 | 666,195 |
| Total Revenue | 29,659,159 | 35,338,677 |
| Employee costs | (15,849,402) | (15,691,630) |
| Materials and contracts | (6,338,365) | (7,229,455) |
| Depreciation and amortisation | (4,091,484) | (3,918,628) |
| Other expenses | (8,731,904) | (9,505,733) |
| Finance costs | (34,480) | (26,700) |
| Total Expense | (35,045,635) | (36,372,146) |
| Loss for the Year | (5,386,476) | (1,033,469) |
| Other Comprehensive Income | - | - |
| Total Comprehensive Loss for the Year | (5,386,476) | (1,033,469) |

The accompanying notes form part of these financial statements.

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Roper Gulf Shire Council

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Statement of Financial Position

As At 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|-------------------------------|-------|-------------------|-------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 6 | 12,054,744 | 14,089,816 |
| Trade and other receivables | 7 | 1,376,000 | 1,709,962 |
| Inventories (cost) | 9 | 154,901 | 151,646 |
| Investments | 8 | 570,000 | 570,000 |
| Other assets | 10 | 78,908 | 515,963 |
| TOTAL CURRENT ASSETS | | <u>14,234,553</u> | <u>17,037,387</u> |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 35,328,817 | 36,612,990 |
| TOTAL NON-CURRENT ASSETS | | <u>35,328,817</u> | <u>36,612,990</u> |
| TOTAL ASSETS | | <u>49,563,370</u> | <u>53,650,377</u> |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 12 | 3,733,103 | 2,010,011 |
| Provisions | 13 | 1,394,526 | 1,567,032 |
| Borrowings | 14 | - | 63,437 |
| TOTAL CURRENT LIABILITIES | | <u>5,127,629</u> | <u>3,640,480</u> |
| NON-CURRENT LIABILITIES | | | |
| Provisions | 13 | 422,332 | 290,162 |
| Borrowings | 14 | - | 319,850 |
| TOTAL NON-CURRENT LIABILITIES | | <u>422,332</u> | <u>610,012</u> |
| TOTAL LIABILITIES | | <u>5,549,961</u> | <u>4,250,492</u> |
| NET ASSETS | | <u>44,013,409</u> | <u>49,399,885</u> |
| EQUITY | | | |
| Asset revaluation reserve | | 20,444,471 | 20,444,471 |
| Unexpended grants reserve | 1(s) | - | 5,383,754 |
| Accumulated funds | | 23,568,938 | 23,571,660 |
| TOTAL EQUITY | | <u>44,013,409</u> | <u>49,399,885</u> |

The accompanying notes form part of these financial statements.

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Statement of Changes in Equity

For the Year Ended 30 June 2013

2013

| | Asset Revaluation Reserve | Unexpended Grants Reserve | Accumulated Funds | Total |
|---------------------------------------|---------------------------------|---------------------------------|----------------------|-------------------|
| | \$ | \$ | \$ | \$ |
| Balance at 1 July 2012 | 20,444,471 | 5,383,754 | 23,571,660 | 49,399,885 |
| Loss for the year | - | - | (5,386,476) | (5,386,476) |
| Transfer to accumulated funds | - | (5,383,754) | 5,383,754 | - |
| Balance at 30 June 2013 | 20,444,471 | - | 23,568,938 | 44,013,409 |
| Balance at 1 July 2012 | 20,444,471 | - | 29,988,883 | 50,433,354 |
| Loss for the year | - | - | (1,033,469) | (1,033,469) |
| Transfer to unexpended grants reserve | - | 5,383,754 | (5,383,754) | - |
| Balance at 30 June 2012 | 20,444,471 | 5,383,754 | 23,571,660 | 49,399,885 |

The accompanying notes form part of these financial statements.

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Statement of Cash Flows For the Year Ended 30 June 2013

| | 2013 | 2012 |
|--|--------------------|-----------------------------|
| | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from customers | 9,737,651 | 12,603,366 |
| Payments to suppliers and employees | (29,135,942) | (37,120,763) |
| Interest paid | (34,480) | (26,700) |
| Interest received | 433,387 | 666,195 |
| Grants received | 20,150,912 | 24,301,045 |
| Net cash provided by operating activities | <u>1,151,528</u> | <u>423,143</u> ^c |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from sale of plant and equipment | 311,287 | 63,985 |
| Purchase of short term investments | - | (120,000) |
| Purchase of property, plant and equipment | (3,114,600) | (3,958,329) |
| Net cash used in investing activities | <u>(2,803,313)</u> | <u>(4,014,344)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of borrowings | (360,614) | (37,973) |
| Net cash used in financing activities | <u>(360,614)</u> | <u>(37,973)</u> |
| Net decrease in cash and cash equivalents held | (2,012,399) | (3,629,174) |
| Cash and cash equivalents at beginning of year | 14,067,143 | 17,696,317 |
| Cash and cash equivalents at end of year | <u>12,054,744</u> | <u>14,067,143</u> |

The accompanying notes form part of these financial statements.

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Roper Gulf Shire Council

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies

(a) General Information

The Roper Gulf Shire Council (the "Council") was established as a body corporate by a restructuring order under section 114C of the Local Government Act on 16 October 2007. The Council came into full operation on 1 July 2008, when it merged with other constituent councils to form the local government authority, also referred to as the Roper Gulf Shire Council. The new Council incorporated six (6) local government bodies:

1. Borroloola Community Government Council;
2. Jilkminggan Community Government Council;
3. Mataranka Community Government Council;
4. Numbulwar Numburindi Community Government Council;
5. Nyirranggulung Mardrulk Ngadberre Regional Council;
6. Yugul Mangi Community Government Council; and

a large area of currently unincorporated land, the Gulf, Roper Valley, Stuart Plateau and Southern Arnhem Land.

Principal place of business: 29 Crawford Street, Katherine NT 0850

Postal Address: PO Box 1321, Katherine NT 0851

The Council has its main office located in Katherine NT. The business of the Council is conducted within the community government area situated in the Northern and Eastern Regions around Katherine.

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

(b) The Local Government Reporting

The resources that the Council controls to carry on its functions have been included in the financial statements forming part of this report.

A summary of activities listing along with their contribution to the operating result and their net assets is provided at note 2(a). In the process of reporting on the local government as a single unit, all transactions and balances between those activities (for example, loans and transfers between activities) have been eliminated.

(c) Basis of preparation

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. The Council is a not-for-profit entity for financial reporting purposes.

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 transaction or other events is reported. Material accounting policies adopted in the preparation of this financial statements are presented below and have been consistently applied unless otherwise stated.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(c) Basis of preparation (Cont'd)

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.

All amounts in the financial statements have been rounded to the nearest dollar. Totals may not add due to rounding.

(d) Adoption of new and revised accounting standards

During the current year, the Council adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory. These new and revised standards did not have a material impact on the Council.

(e) New accounting standards for application in future periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Council has decided against early adoption of these Standards. The following table summarises those future requirements, and their impact on the Council:

| Standard Name | Effective date for entity | Requirements | Impact |
|---|---------------------------|---|---|
| AASB 9 Financial Instruments and amending standards AASB 2010-7 / AASB 2012-6 | 30 June 2016 | Changes to the classification and measurement requirements for financial assets and financial liabilities. New rules relating to derecognition of financial instruments. | The impact of AASB 9 has not yet been determined as the entire standard has not been released. |
| AASB 10 Consolidated Financial Statements / AASB 11 Joint Arrangements / AASB 12 Disclosures of Interests in Other Entities, AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments | 30 June 2014 | AASB 10 includes a new definition of control, which is used to determine which entities are consolidated, and describes consolidation procedures. The Standard provides additional guidance to assist in the determination of control where this is difficult to assess. AASB 11 focuses on the rights and obligations of a joint venture arrangement, rather than its legal form (as is currently the case). IFRS 11 requires equity accounting for joint ventures, eliminating proportionate consolidation as an accounting choice. AASB 12 includes disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. | The Council does not have any controlled entity or joint venture that needs to be consolidated therefore this standard will have no impact. |

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(e) New accounting standards for application in future periods (Cont'd)

| Standard Name | Effective date for entity | Requirements | Impact |
|--|---------------------------|--|---|
| AASB 13 Fair Value Measurement. | 30 June 2014 | AASB 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Accounting Standards but does not change when fair value is required or permitted. | Fair value estimates currently made by the Council will be revised and potential changes to reported values may be required. |
| AASB 2011-8 - Amendments to Australian Accounting Standards arising from AASB 13 [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] | | There are a number of additional disclosure requirements. | The Council has not yet determined the magnitude of any changes which may be needed. Some additional disclosures will be needed. |
| AASB 2011-7 - Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17] | 30 June 2014 | This standard provides many consequential changes due to the release of the new consolidation and joint venture standards. | The impact of this standard is expected to be minimal. |
| AASB 119 Employee Benefits (September 2011) | 30 June 2014 | The main changes in this standard relate to the accounting for defined benefit plans and are as follows: - elimination of the option to defer the recognition of gains and losses (the 'corridor method'); - requiring remeasurements to be presented in other comprehensive income; and - enhancing the disclosure requirements. | Since the Council does not have a defined benefit plan, the adoption of these standards will not have any impact. |
| AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements | | | |
| AASB 2012-2 - Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities [AASB 132 & AASB 7] | 30 June 2014 | Requires the inclusion of information about the effect or potential effect of netting arrangements. | There is no impact on disclosures as there are no offsetting arrangements currently in place. |

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(e) New accounting standards for application in future periods (Cont'd)

| Standard Name | Effective date for entity | Requirements | Impact |
|---|---------------------------|---|--|
| AASB 2012-5 - Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] | 30 June 2014 | <p>AASB 1 - this standard clarifies that an entity can apply AASB 1 more than once.</p> <p>AASB 101 - clarifies that a third statement of financial position is required when the opening statement of financial position is materially affected by any adjustments.</p> <p>AASB 116 - clarifies the classification of servicing equipment.</p> <p>AASB 132 and Interpretation 2 - Clarifies that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction shall be accounted for in accordance with AASB 112 Income Taxes</p> <p>AASB 134 - provides clarification about segment reporting.</p> | No expected impact on the Council's financial position or performance. |
| AASB 2012-9 Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039 | 30 June 2014 | Removes reference to withdrawn Interpretation 1039. | No impact on the financial statements. |
| AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities [AASB 132] | 30 June 2015 | This standard adds application guidance to AASB 132 to assist with applying some of the offset criteria of the standard. | There will be no impact to the Council as there are no offsetting arrangements currently in place. |

(f) Significant accounting estimates and judgments

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period except where otherwise stated.

(g) Revenue and other income

The Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of Roper Gulf Shire Council's activities as discussed below.

Roper Gulf Shire Council

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(g) Revenue and other income (Cont'd)

Grants, Donations and other Contributions

Grants, donations and other contributions are recognised in the statement of profit or loss and other comprehensive income when the entity obtains control or the right to receive the grant, donation or other contribution, it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

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

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

Interest revenue

Interest revenue 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.

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 full collection is no longer probable.

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

(h) 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is the equivalent to the date that the Council commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(i) Financial instruments (Cont'd)

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Classification and subsequent measurement

Financial instruments are subsequently measured at either fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in arm's length transaction. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

- (a) the amount at which the financial asset or financial liability is measured at initial recognition;
- (b) less principal repayments;
- (c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
- (d) less any reduction for impairment.

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

The classification of financial instruments depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and at the end of each reporting period for held-to-maturity assets.

The Council does not designate any interest as being subject to the requirements of accounting standards specifically applicable to financial instruments.

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

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(i) Financial instruments (Cont'd)

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Council's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to be realised within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Council sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

Short-term deposits are included in current assets as investments.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

The Council does not have available-for-sale financial assets in the current or comparative financial year.

(v) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Fees payable on the establishment of loan facilities are recognised as transaction costs of the loan.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Impairment

Objective evidence that a financial asset is impaired includes default by a debtor, evidence that the debtor is likely to enter bankruptcy or adverse economic conditions in the stock exchange. At the end of each reporting period, the Council assesses whether there is objective evidence that a financial asset has been impaired through the occurrence of a loss event. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to indicate that an impairment has arisen.

Where a subsequent event causes the amount of the impairment loss to decrease (e.g. payment received), the reduction in the allowance account (provision for impairment of receivables) is taken through profit and loss.

However, any reversal in the value of an impaired available for sale asset is taken through other comprehensive income rather than profit and loss.

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(i) Financial instruments (Cont'd)

Impairment (Cont'd)

Impairment losses are recognised through an allowance account for loans and receivables in the statement of profit or loss and other comprehensive income.

Derecognition

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

(j) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on the basis of first-in-first-out. Costs of purchased inventory are determined after deducting rebates and discounts.

(k) Property, plant and equipment

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

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against this reserve directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

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

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. Cost includes expenditure that is directly attributable to the asset.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Council commencing from the time the asset is held ready for use. Land is not depreciated.

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Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(k) Property, plant and equipment (Cont'd)

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

| Class of Fixed Asset | Useful Life |
|----------------------------------|--------------------|
| Buildings and Infrastructure | 10 - 40 years |
| Plant and Equipment | 4 - 10 years |
| Furniture, Fixtures and Fittings | 4 - 10 years |
| Motor Vehicles | 5 years |
| Roads | 20 years |

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Land under Roads

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*.

Land under roads acquired after 1 July 2008 will be recognised as cost. The cost of the land under roads will be the fair value as at the date of acquisition.

(l) Trade and other payables

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

(m) Employee benefits

Provision is made for the Council's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may satisfy vesting requirements. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

1 Summary of Significant Accounting Policies (Cont'd)

(n) Leases

Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the life of the lease term.

(o) Taxation

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

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(q) Comparative figures

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

(r) Economic dependence

During the year, the Council received grants from the Northern Territory and Australian Governments and the future operation of the Council is dependant upon continued government funding.

(s) Unexpended Grants Reserve

During the financial year 2011-12 the Council set up the unexpended grants reserve for grants and contributions that remained unspent as at 30 June 2012. In 2013 the Council made a decision to transfer the unexpended grants reserve back to accumulated surplus as at 30 June 2013. A reserve has not been recorded for unexpended grants as at 30 June 2013.

2 Functions

Revenues, expenses and assets have been attributed to the following functions/activities. The Council believes that it is not practical at this stage to reliably attribute the carrying amounts of the assets to the functions/activities.

COMPONENTS OF FUNCTIONS

General Public Services

Administrative, legislative and executive affairs, financial and fiscal affairs, general research and general services.

Public Order & Safety

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

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

2 Functions (Cont'd)

Economic Affairs

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

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, family planning services.

Recreation, Culture and Religion

Facilities and venues, recreation parks and reserves, culture and religion 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 school hours care, aged services, shelter protection, drug and alcohol treatment programs.

Environmental Protection

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

Notes to the Financial Statements For the Year Ended 30 June 2013

2 Functions (Cont'd)

| | General Public Services | | | Economic Affairs | | | Environmental Protection | | | Housing and Community Amenities | | |
|---------------------------------------|-------------------------|--------------------|------------------|------------------|----------------|-----------------|--------------------------|--------------------|---------|---------------------------------|---------|--|
| | Budget | Actual | | Budget | Actual | | Budget | Actual | | Budget | Actual | |
| | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | 2013 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| OPERATING REVENUE | | | | | | | | | | | | |
| Income Rates | 616,500 | 569,897 | - | - | - | - | - | - | - | 254,840 | 254,784 | |
| Income Council Fees and Charges | 251,000 | 458,149 | 28,900 | 44,618 | - | - | - | - | - | (6,655) | 19,483 | |
| Income Operating Grants Subsidies | 3,361,458 | 4,948,253 | 1,327,786 | 899,348 | 123,500 | 160,996 | 2,886,262 | 2,892,927 | | | | |
| Income Investments | 500,000 | 433,387 | - | - | - | - | - | - | - | - | - | |
| Income Reimbursements | 198,246 | 263,839 | - | 858 | - | - | - | - | - | - | 10,196 | |
| Income Agency and Commercial Services | (16,300) | 5,171 | 1,359,131 | 1,841,723 | - | - | 4,644,898 | 4,335,657 | | | | |
| Income Capital Grants | - | - | - | - | - | - | - | 191,656 | 848,866 | | | |
| Other Income | (1,847,298) | 322,910 | (1,391,123) | - | - | - | - | 5,131,931 | 1,889 | | | |
| TOTAL OPERATING REVENUE | 3,063,606 | 7,001,606 | 1,324,694 | 2,786,547 | 123,500 | 160,996 | 13,102,932 | 8,403,802 | | | | |
| OPERATING EXPENSE | | | | | | | | | | | | |
| Employee Expenses | 3,178,949 | 3,894,438 | 1,008,927 | 1,040,000 | 126,578 | 104,574 | 5,681,798 | 4,832,224 | | | | |
| Contract and Material Expenses | 1,872,185 | 2,641,326 | 513,068 | 564,488 | 16,108 | 19,701 | 3,578,743 | 3,346,363 | | | | |
| Fleet, Plant & Equipment | 347,951 | 760,600 | 283,128 | 331,483 | 14,996 | 52,485 | 827,463 | 616,283 | | | | |
| Asset Expense | 3,996,000 | 4,091,484 | - | - | - | - | - | - | | | | |
| Other Operating Expenses | 2,345,249 | 3,264,983 | 110,810 | 153,147 | 500 | 10,949 | 471,313 | 351,348 | | | | |
| Finance Expenses | 51,000 | 47,531 | - | 73 | - | 36 | - | - | | | | |
| Internal Cost Allocations | (4,169,624) | (3,512,397) | (905,703) | (709,439) | (34,682) | 51,718 | 1,476,375 | 1,387,749 | | | | |
| TOTAL OPERATING EXPENSE | 7,621,710 | 11,187,965 | 1,010,230 | 1,379,752 | 123,500 | 239,463 | 12,035,692 | 10,533,967 | | | | |
| NET RESULTS | (4,558,104) | (4,186,359) | 314,464 | 1,406,795 | - | (78,467) | 1,067,240 | (2,130,165) | | | | |

Notes to the Financial Statements For the Year Ended 30 June 2013

2 Functions (Cont'd)

| | Recreation, Culture and Religion | | Education | | Social Protection | | Total | |
|---------------------------------------|----------------------------------|------------------|------------------|------------------|-------------------|------------------|--------------------|--------------------|
| | 2013 | | 2013 | | 2013 | | 2013 | |
| | Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| OPERATING REVENUE | | | | | | | | |
| Income Rates | - | - | - | - | - | - | 871,340 | 824,681 |
| Income Council Fees and Charges | 409 | 409 | - | 32 | 12,909 | 9,939 | 286,563 | 532,630 |
| Income Operating Grants Subsidies | 1,260,951 | 1,263,368 | 3,281,512 | 3,098,400 | 5,928,261 | 5,512,469 | 18,169,730 | 18,815,761 |
| Income Investments | - | - | - | - | - | - | 500,000 | 433,387 |
| Income Contributions Donations | 44,950 | 44,950 | - | - | - | 285 | 44,950 | 45,235 |
| Income Reimbursements | 3,171 | 2,461 | - | 437 | 34,455 | 43,521 | 235,872 | 321,312 |
| Income Agency and Commercial Services | 364 | 2,520 | 56,000 | 64,989 | 888,260 | 816,502 | 6,932,353 | 7,066,562 |
| Income Capital Grants | - | - | - | - | 314,826 | - | 506,482 | 848,866 |
| Other Income | 500,273 | - | 1,749,201 | 442,032 | 88,799 | 3,893 | 4,231,783 | 770,725 |
| TOTAL OPERATING REVENUE | 1,810,118 | 1,313,708 | 5,086,713 | 3,605,890 | 7,267,510 | 6,386,609 | 31,779,073 | 29,659,159 |
| OPERATING EXPENSE | | | | | | | | |
| Employee Expenses | 701,512 | 706,968 | 2,054,645 | 1,880,401 | 3,970,299 | 3,328,128 | 16,722,708 | 15,786,733 |
| Contract and Material Expenses | 388,370 | 496,902 | 501,204 | 352,499 | 937,632 | 890,745 | 7,807,310 | 8,312,023 |
| Fleet, Plant & Equipment | 78,738 | 67,942 | 206,983 | 140,925 | 239,323 | 153,624 | 1,998,582 | 2,123,343 |
| Asset Expense | - | - | - | - | - | - | 3,996,000 | 4,091,484 |
| Other Operating Expenses | 106,163 | 113,233 | 291,110 | 312,493 | 459,529 | 478,150 | 3,784,674 | 4,684,303 |
| Finance Expenses | - | 36 | - | - | 36 | 73 | 51,036 | 47,749 |
| Internal Cost Allocations | 410,525 | 358,317 | 1,985,479 | 1,510,946 | 1,237,630 | 913,106 | - | - |
| TOTAL OPERATING EXPENSE | 1,685,308 | 1,743,398 | 5,039,421 | 4,197,264 | 6,844,449 | 5,763,826 | 34,360,310 | 35,045,635 |
| NET RESULTS | 124,810 | (429,690) | 47,292 | (591,374) | 423,061 | 622,783 | (2,581,237) | (5,386,476) |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

3 Revenue and Other Income

(a) Grants and Contributions

| | 2013 | 2012 |
|---|-------------------|-------------------|
| | \$ | \$ |
| - Operating grant - Australian government | 2,676,173 | 2,606,867 |
| - Operating grant - NT government | 2,740,396 | 4,632,930 |
| - Special purpose grant - Australian government | 9,362,365 | 10,314,808 |
| - Special purpose grant - NT government | 3,787,467 | 5,504,742 |
| - Capital grant - Australian government | 250,000 | - |
| - Capital grant - NT government | 598,866 | 429,568 |
| - Other grants and contributions | 735,645 | 812,131 |
| | <u>20,150,912</u> | <u>24,301,046</u> |

(b) User Charges and Fees

| | 2013 | 2012 |
|-----------------------------|----------------|---------------|
| | \$ | \$ |
| - Property lease rental fee | 87,141 | 14,939 |
| - Other user charge | 30,991 | 54,812 |
| | <u>118,132</u> | <u>69,751</u> |

(c) Rates and Other Charges

| | 2013 | 2012 |
|-------------------------------------|----------------|----------------|
| | \$ | \$ |
| - General rate income base | 569,897 | 549,365 |
| - Domestic waste charge income base | 254,784 | 138,852 |
| | <u>824,681</u> | <u>688,217</u> |

(d) Other Revenue

| | 2013 | 2012 |
|--------------------------|------------------|-------------------|
| | \$ | \$ |
| - Reimbursement income | 321,312 | 509,294 |
| - Sales | 61,848 | 193,238 |
| - Service fee | 1,381,232 | 1,449,165 |
| - Contract fee | 5,291,161 | 7,455,350 |
| - Other operating income | 1,072,498 | 1,065,051 |
| | <u>8,128,051</u> | <u>10,672,098</u> |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements For the Year Ended 30 June 2013

4 Expenses

(a) Employee Costs

| | 2013 | 2012 |
|--|-------------------|-------------------|
| | \$ | \$ |
| Salaries, wages and leave entitlements | 13,204,809 | 13,005,343 |
| Superannuation contributions | 1,184,052 | 1,136,813 |
| Workers compensation | 481,426 | 544,841 |
| Allowances and other staff costs | 979,115 | 1,004,634 |
| | <u>15,849,402</u> | <u>15,691,631</u> |

(b) Materials and Contracts

| | 2013 | 2012 |
|-------------|------------------|------------------|
| | \$ | \$ |
| Consultants | 1,087,475 | 638,812 |
| Contractors | 3,678,712 | 4,244,868 |
| Materials | 1,572,178 | 2,345,775 |
| | <u>6,338,365</u> | <u>7,229,455</u> |

(c) Depreciation and Amortisation

| | 2013 | 2012 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| Buildings, roads and infrastructure | 1,701,428 | 1,688,108 |
| Plant and equipment | 1,057,595 | 1,005,926 |
| Furniture and fittings | 14,956 | 20,169 |
| Motor vehicles | 1,317,505 | 1,204,425 |
| | <u>4,091,484</u> | <u>3,918,628</u> |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

4 Expenses (Cont'd)

(d) Other Expenses

| | 2013 | 2012 |
|----------------------------------|------------------|------------------|
| | \$ | \$ |
| Accounting and audit fees | 141,275 | 160,043 |
| Advertising | 32,723 | 127,582 |
| Bad debts | 44,962 | 5,818 |
| Bank charges | 13,269 | 13,130 |
| Chairman and councillor payments | 275,317 | 327,685 |
| Communication | 641,387 | 1,401,350 |
| Contributions and donations | 41,056 | 49,610 |
| Cost of sales | 245,180 | 133,573 |
| Food and catering | 517,525 | 518,453 |
| Freight | 151,945 | 211,111 |
| Fuel and oil | 1,002,295 | 1,193,820 |
| Insurance | 620,011 | 573,983 |
| Leases | 397,886 | 563,511 |
| Legal fees | 45,934 | 894 |
| Licenses and registration | 226,792 | 246,992 |
| Memberships and subscriptions | 60,893 | 57,396 |
| Repairs and maintenance | 472,287 | 752,766 |
| Printing and stationery | 189,408 | 185,726 |
| Software and computer expenses | 17,235 | 30,132 |
| Trainings and seminars | 351,161 | 645,161 |
| Travel and accommodation | 1,116,643 | 1,092,431 |
| Utilities | 896,286 | 619,002 |
| Other expenses | 1,230,435 | 595,567 |
| | 8,731,905 | 9,505,736 |

5 Net Profit (Loss) on Disposal of Assets

| | 2013 | 2012 |
|---|--------------|--------------------|
| | \$ | \$ |
| Net profit on disposal of assets - Roper Gulf | 3,997 | 55,762 |
| Loss on disposal of Numbulwar Store | - | (1,114,392) |
| | 3,997 | (1,058,630) |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

6 Cash and Cash Equivalents

| | 2013 | 2012 |
|--------------|-------------------|-------------------|
| | \$ | \$ |
| Cash at bank | 12,054,744 | 14,089,816 |
| | <u>12,054,744</u> | <u>14,089,816</u> |

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

| | 2013 | 2012 |
|---------------------------|-------------------|-------------------|
| | \$ | \$ |
| Cash and cash equivalents | 12,054,744 | 14,089,816 |
| Bank overdrafts | - | (22,673) |
| | <u>12,054,744</u> | <u>14,067,143</u> |

7 Trade and Other Receivables

| | 2013 | 2012 |
|--------------------------|------------------|------------------|
| | \$ | \$ |
| Trade receivables | 1,028,526 | 1,664,232 |
| Provision for impairment | (a) (150,000) | (358,000) |
| | <u>878,526</u> | <u>1,306,232</u> |
| GST receivable | 318,438 | 58,333 |
| Fuel tax credits | - | 142,848 |
| Other receivables | 179,036 | 202,549 |
| | <u>1,376,000</u> | <u>1,709,962</u> |

(a) Provision for impairment of receivables

Movement in provision for impairment of receivables is as follows:

| | 2013 | 2012 |
|-----------------------------------|----------------|----------------|
| | \$ | \$ |
| Balance at beginning of the year | 358,000 | 521,294 |
| Charge for year | 44,962 | 5,818 |
| Reversal of impairment | (252,962) | (169,112) |
| Balance at end of the year | <u>150,000</u> | <u>358,000</u> |

The following table details the Council's trade and other receivables exposure to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, within the terms and conditions agreed between the Council and the customer or counter party to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there is objective evidence indicating that the debt may not be fully repaid to the Council.

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

7 Trade and Other Receivables (Cont'd)

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

| | Gross amount | Past due and impaired | Not past due and not impaired | 31-60 days past due but not impaired | 61-90 days past due but not impaired | > 90 days past due but not impaired |
|----------------------------|------------------|-----------------------|-------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| 2013 | | | | | | |
| Trade and term receivables | 1,028,526 | 150,000 | 406,060 | 189,362 | 127,775 | 155,329 |
| Other receivables | 497,474 | - | 497,474 | - | - | - |
| | <u>1,526,000</u> | <u>150,000</u> | <u>903,534</u> | <u>189,362</u> | <u>127,775</u> | <u>155,329</u> |
| 2012 | | | | | | |
| Trade and term receivables | 1,664,232 | 358,000 | 416,711 | 574,692 | 116,899 | 197,930 |
| Other receivables | 403,730 | - | 403,730 | - | - | - |
| | <u>2,067,962</u> | <u>358,000</u> | <u>820,441</u> | <u>574,692</u> | <u>116,899</u> | <u>197,930</u> |

The Council does not hold any financial assets with terms that have been renegotiated, but which would otherwise be past due or impaired.

The other classes of receivables do not contain impaired assets.

The Council does not hold any collateral over any receivables balances.

8 Investments

| | 2013 | 2012 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| Short-term deposits | 520,000 | 520,000 |
| Other | 50,000 | 50,000 |
| | <u>570,000</u> | <u>570,000</u> |

The interest rate on short-term bank deposit was 4.38% which will mature on 15 November 2013.

9 Inventories

| | 2013 | 2012 |
|---------------|----------------|----------------|
| | \$ | \$ |
| Stock on hand | 154,901 | 151,646 |
| | <u>154,901</u> | <u>151,646</u> |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements For the Year Ended 30 June 2013

10 Other Assets

| | 2013 | 2012 |
|----------------------|---------------|----------------|
| | \$ | \$ |
| Accrued income | 40,388 | 418,175 |
| Other current assets | 38,520 | 97,788 |
| | <u>78,908</u> | <u>515,963</u> |

11 Property, Plant and Equipment

| | | |
|---------------------------------|---------------------|-------------------|
| Land | | |
| At fair value | <u>435,000</u> | 363,755 |
| Buildings and Infrastructure | | |
| At fair value | 36,769,768 | 36,804,928 |
| Accumulated depreciation | <u>(10,494,389)</u> | (8,897,486) |
| Written down value | <u>26,275,379</u> | 27,907,442 |
| Plant and equipment | | |
| At cost | 10,391,120 | 9,556,751 |
| Accumulated depreciation | <u>(7,092,290)</u> | (6,179,366) |
| Written down value | <u>3,298,830</u> | 3,377,385 |
| Furniture, fixture and fittings | | |
| At cost | 135,898 | 135,898 |
| Accumulated depreciation | <u>(103,219)</u> | (88,263) |
| Written down value | <u>32,679</u> | 47,635 |
| Motor vehicles | | |
| At cost | 9,402,383 | 8,354,876 |
| Accumulated depreciation | <u>(5,662,886)</u> | (5,076,560) |
| Written down value | <u>3,739,497</u> | 3,278,316 |
| Roads | | |
| At cost | 1,820,508 | 1,820,508 |
| Accumulated depreciation | <u>(273,076)</u> | (182,050) |
| Written down value | <u>1,547,432</u> | 1,638,458 |
| | <u>35,328,817</u> | <u>36,612,991</u> |

Notes to the Financial Statements
For the Year Ended 30 June 2013

11 Property, Plant and Equipment (Cont'd)

(a) Movements in Carrying Amounts

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

| | Land | Buildings and Infrastructure | Plant and Equipment | Furniture, Fixtures and Fittings | Motor Vehicles | Roads | Total |
|----------------------------------|----------------|------------------------------|---------------------|----------------------------------|------------------|------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at 30 June 2013 | | | | | | | |
| Balance at the beginning of year | 363,755 | 27,907,441 | 3,377,386 | 47,635 | 3,278,316 | 1,638,458 | 36,612,991 |
| Additions | 71,245 | 234,841 | 979,743 | - | 1,828,771 | - | 3,114,600 |
| Disposals - written down value | - | (256,500) | (704) | - | (50,086) | - | (307,290) |
| Depreciation expense | - | (1,610,403) | (1,057,595) | (14,956) | (1,317,504) | (91,026) | (4,091,484) |
| Balance at 30 June 2013 | 435,000 | 26,275,379 | 3,298,830 | 32,679 | 3,739,497 | 1,547,432 | 35,328,817 |
| Balance at 30 June 2012 | | | | | | | |
| Balance at the beginning of year | 363,755 | 28,768,877 | 2,873,728 | 107,817 | 3,109,399 | 1,729,483 | 36,953,059 |
| Additions | - | 743,716 | 1,704,736 | 7,175 | 1,502,702 | - | 3,958,329 |
| Disposals - written down value | - | (8,069) | (195,152) | (47,188) | (129,360) | - | (379,769) |
| Depreciation expense | - | (1,597,083) | (1,005,926) | (20,169) | (1,204,425) | (91,025) | (3,918,628) |
| Balance at 30 June 2012 | 363,755 | 27,907,441 | 3,377,386 | 47,635 | 3,278,316 | 1,638,458 | 36,612,991 |

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

12 Trade and Other Payables

| | 2013 | 2012 |
|-----------------------|------------------|------------------|
| | \$ | \$ |
| Unsecured liabilities | | |
| Trade payables | 2,734,625 | 1,456,032 |
| GST payable | 371,200 | - |
| Accruals | 623,752 | 552,555 |
| Other payables | 3,526 | 1,424 |
| | <u>3,733,103</u> | <u>2,010,011</u> |

13 Provisions

| | 2013 | 2012 |
|------------------------------|------------------|------------------|
| | \$ | \$ |
| CURRENT | | |
| Annual leave provision | 1,287,737 | 1,495,746 |
| Long service leave provision | 106,789 | 71,286 |
| | <u>1,394,526</u> | <u>1,567,032</u> |
| NON-CURRENT | | |
| Long service leave provision | 422,332 | 290,162 |
| | <u>422,332</u> | <u>290,162</u> |

14 Borrowings

| | 2013 | 2012 |
|-------------------------------|----------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Borrowings - interest bearing | - | 40,764 |
| Bank overdraft | - | 22,673 |
| | <u>-</u> | <u>63,437</u> |
| NON-CURRENT | | |
| Borrowings - interest bearing | - | 319,849 |
| | <u>-</u> | <u>319,849</u> |

The interest bearing liability is an unsecured loan held with Northern Territory Treasury Corporation. The loan with a principal amount of \$600,000 is for a term of 15 years, bearing fixed interest rate at 7% p.a. and is repayable in monthly instalments of \$5,393. On 12 December 2012, the Council paid the total amount of the loan in full.

15 Commitments for Expenditure

(a) Operating lease commitments

Leasing arrangements

Roper Gulf Shire Council

ABN: 94 746 956 090

Notes to the Financial Statements

For the Year Ended 30 June 2013

15 Commitments for Expenditure (Cont'd)

(a) Operating lease commitments (Cont'd)

Operating leases relate to property, equipment and motor vehicles. The property leases have term from one to three years with no option to extend. The rent is a fixed monthly amount and the Council does not have an option to purchase the building at the expiry of the lease term. A rent review may be performed annually to allow for Consumer Price Index changes. The equipment and motor vehicle operating leases have fixed periods from 36 to 60 months. There is no option to purchase the leased equipment and vehicles at the expiry of the leases.

Non-cancellable operating leases contracted for but not capitalised in the financial statements

| | 2013 | 2012 |
|------------------------------|----------------|----------------|
| | \$ | \$ |
| - no later than 1 year | 239,480 | 273,242 |
| - between 1 year and 5 years | 226,687 | 94,098 |
| | <u>466,167</u> | <u>367,340</u> |

16 Financial Risk Management

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

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

(a) Risk Management Objectives

The Council has given the Chief Executive Officer (CEO) the power to invest funds of the Council. The Council's objective is to minimise financial risk by investing only in short term deposits with local banks. Before any investments are made, banks are contacted by the Finance Committee to obtain available rates, the Finance Committee will present the information to the CEO who will approve the investment to be made. Monthly reports on investments are prepared and given out at council meetings. The CEO and Finance Committee of the Council receive monthly investment summaries from banks confirming the amount of investments.

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to Roper Gulf Shire Council and arises principally from Roper Gulf Shire Council's financial assets.

The maximum credit risk on financial assets of the Council is the carrying amount net of any allowance for doubtful debts. The Council believes that it does not have any significant credit risk exposure to any other counter party or group of counter parties as the Council actively manages credit risk by following up outstanding debtors. The Council does not have a material credit risk exposure relating to term deposits and bank accounts held with the Traditional Credit Union and Commonwealth Bank of Australia. The Council minimises risk by only investing cash in government guaranteed financial institutions or one of Australia's big four banks.

There are no material amounts of collateral held as security at 30 June 2013.

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16 Financial Risk Management (Cont'd)

(c) Liquidity risk

Liquidity risk arises from the possibility that Roper Gulf Shire Council might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Council reduces its exposure to liquidity risk by monitoring its cash flows closely through rolling future cash flows and monitoring the ageing of receivables and payables.

The maturity of financial liabilities as at 30 June is as follows:

| | Within 1 Year | | 1 to 5 Years | | Total | |
|---|------------------|-----------|--------------|----------|------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Financial liabilities | | | | | | |
| Trade and other payables | 3,361,903 | 2,010,011 | - | - | 3,361,903 | 2,010,011 |
| Borrowings (including interest component) | - | 87,388 | - | 392,302 | - | 479,690 |
| less interest component | - | (23,951) | - | (72,452) | - | (96,403) |
| Total Financial Liabilities | 3,361,903 | 2,073,448 | - | 319,850 | 3,361,903 | 2,393,298 |

The timing of expected outflows is not expected to be materially different from contracted cashflows.

Financial assets pledged as collateral

No financial assets have been pledged as security for any financial liability.

(d) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period, whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Council is exposed to interest rate risk primarily from its cash surpluses invested in short term interest bearing deposits. The deposits are only made with reputable financial institutions with maturity dates generally being no more than 30 days.

As at balance date the Council had the following financial instruments exposed to variable interest rate risk:

| 2013 | 2012 |
|------|------|
| \$ | \$ |

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16 Financial Risk Management (Cont'd)

| | 2013 | 2012 |
|---|------------|------------|
| | \$ | \$ |
| Cash and cash equivalents (excluding cash on hand) | 12,054,744 | 14,089,816 |

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.

(e) Interest Rate Risk - Sensitivity Analysis

Sensitivity analysis

The table below details the interest rate sensitivity analysis of the Council at the reporting date holding all other variables constant. A 100 basis point change is deemed to be reasonably possible and is used when reporting interest rate risk.

| | Profit | |
|------|------------------------------|---------------------------------|
| | 100 basis points increase | 100 basis points decrease |
| 2013 | 120,547 | (120,547) |
| 2012 | 140,898 | (140,898) |

The method used to arrive at the possible risk of 100 basis points was based on both statistical and non-statistical analysis. The statistical analysis has been based on the Council's cash rate for the past years. This information is then revised and adjusted for reasonableness under the current economic circumstances.

The sensitivity analysis is performed on the same basis as in 2012.

(f) Net Fair Values

The net fair value of financial assets and financial liabilities are approximated by their carrying amounts due to their short term nature.

17 Contingent Liabilities and Contingent Assets

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 services to the 8 member Shires. 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.

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17 Contingent Liabilities and Contingent Assets (Cont'd)

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.

Contingent Liabilities

As at 30 June 2013, the amount of the obligation cannot be measured with sufficient reliability, and has not been recognised in the accounts.

18 Cash Flow Information

(a) Reconciliation of result for the year to cashflows from operating activities

Reconciliation of net income to net cash provided by operating activities:

| | 2013 | 2012 |
|--|------------------|----------------|
| | \$ | \$ |
| Loss for the year | (5,386,476) | (1,033,469) |
| Cash flows excluded from profit attributable to operating activities | | |
| Non-cash flows in profit: | | |
| - Depreciation | 4,091,484 | 3,918,628 |
| - Net profit (loss) on disposal of property, plant and equipment | (3,997) | 1,058,630 |
| Changes in assets and liabilities: | | |
| - Decrease in trade and other receivables | 333,962 | 1,597,290 |
| - Decrease/(increase) in accrued income | 377,787 | (418,175) |
| - (Increase)/decrease in inventories | (3,255) | 290,455 |
| - (Increase)/decrease in other assets | 59,268 | (86,870) |
| - Increase/(decrease) in trade and other payables | 1,723,091 | (4,705,146) |
| - Decrease in employee provisions | (40,336) | (198,200) |
| Cashflow provided by operations | <u>1,151,528</u> | <u>423,143</u> |

19 Events after the end of the Reporting Period

The financial report was authorised for issue on 31 October 2013 by the Council members.

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Council, the results of those operations or the state of affairs of the Council in future financial years.