

**Upper Macquarie County Council
General Purpose Financial Statements
for the year ended 30 June 2018**

Upper Macquarie County Council

General purpose financial statements

for the year ended 30 June 2018

Contents

General purpose financial statements	Page
Statement by Councillors and Management	3
Income Statement	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Auditors' reports	29

These financial statements are general purpose financial statements of Upper Macquarie County Council and its controlled entities and are presented in the Australian currency.

Upper Macquarie County Council is constituted under the Local Government Act 1993 and has its principal place of business at:

Upper Macquarie County Council
7 Lee Street
Kelso NSW 2795.

The financial statements were authorised for issue by the Council on 21 September 2018. Council has the power to amend and reissue the financial statements.

UPPER MACQUARIE COUNTY COUNCIL

General Purpose Financial Statements
for the year ended 30 June 2018

Statement by Councillors and Management
made pursuant to Section 413 (2c) of the *Local Government Act*
1993 (NSW) (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

To the best of our knowledge and belief, these statements:

- present fairly NSW Council's operating result and financial position for the year
- accord with NSW Council's accounting and other records.

We are not aware of any matter that would render this report false or misleading in any way.

Signed in accordance with a resolution of Council made on 21st September 2018.



Cr Ian North
Chairman
21st September 2018



Cr David Kingham
Deputy Chairman
21st September 2018



Lisa Monardo
Acting General Manager & Acting Responsible
Accounting Officer
21st September 2018

Upper Macquarie County Council

Income statement

for the year ended 30 June 2018

Original budget (1) 2018 \$'000	Notes	Actual 2018 \$'000	Actual 2017 \$'000
Income from continuing operations			
<i>Revenue:</i>			
782 User charges and fees	3a	261	669
19 Interest and investment revenue	3b	14	5
4 Other revenues	3c	5	6
824 Grants and contributions provided for operating purposes	3d,e	904	885
- Grants and contributions provided for capital purposes	3d,e	20	-
<i>Other Income:</i>			
7 Net gain from the disposal of assets	5	3	-
1,636 Total income from continuing operations		1,207	1,565
Expenses from continuing operations			
571 Employee benefits and on-costs	4a	534	477
926 Materials and contracts	4b	461	862
40 Depreciation and amortisation	4c	50	48
121 Other expenses	4d	129	122
1,658 Total expenses from continuing operations		1,174	1,509
- 22 Operating result from continuing operations		33	56
- 22 Net operating result for the year		33	56
<i>Attributable to:</i>			
- 22 – Council		33	56
- 22 Net operating result for the year before grants and contributions provided for capital purposes		13	56

Note:

(1) Original budget as approved by Council – refer Note 15.

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

Upper Macquarie County Council

Statement of comprehensive income

for the year ended 30 June 2018

	Notes	Actual 2018 \$'000	Actual 2017 \$'000
Net operating result for the year – from Income statement		13	56
Other comprehensive income			
<i>Nil</i>			
Total other comprehensive income for the year		<u>33</u>	<u>56</u>
Total comprehensive income for the year		<u><u>33</u></u>	<u><u>56</u></u>
<i>Attributable to</i>			
<i>– Council</i>		33	56

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Upper Macquarie County Council

Statement of financial position

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	818	765
Receivables	7	4	90
Inventories	8	72	75
Total current assets		894	930
Non-current assets			
Infrastructure, property, plant and equipment	9	175	116
Total non-current assets		175	116
Total assets		1,069	1,046
LIABILITIES			
Current liabilities			
Payables	10	52	33
Provisions	11	77	57
Total current liabilities		129	90
Non-current liabilities			
Provisions	11	16	65
Total non-current liabilities		16	65
Total liabilities		145	155
Net assets		924	891
EQUITY			
Retained earnings	12	924	891
Total equity		924	891

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

Upper Macquarie County Council

Statement of changes in equity

as at 30 June 2018

	Retained earnings	Council equity interest	Total equity
\$'000			
2018			
Opening balance	891	891	891
Restated opening balance	891	891	891
Net operating result for the year	33	33	33
Closing balance	924	924	924
\$'000			
2017			
Opening balance	835	835	835
Restated opening balance	835	835	835
Net operating result for the year	56	56	56
Closing balance	891	891	891

The above Statement of changes in equity should be read in conjunction with accompanying note 12.

Upper Macquarie County Council
Statement of cash flows
for the year ended 30 June 2018

Original budget (1) 2018 \$'000	Notes	Actual 2018 \$'000	Actual 2017 \$'000
Cash flows from operating activities			
<i>Receipts:</i>			
782	User charges and fees	347	677
19	Investment revenue and interest	14	5
824	Grants and contributions	924	885
4	Other	5	6
<i>Payments:</i>			
(571)	Employee benefits and on-costs	(563)	(643)
(926)	Materials and contracts	(440)	(913)
(121)	Other	(129)	(122)
11	Net cash provided (or used) in operating activities	158	(105)
Cash flows from investing activities			
<i>Receipts:</i>			
-	Sale of infrastructure, property, plant and equipment	43	-
<i>Payments:</i>			
(55)	Purchase of infrastructure, property, plant and equipment	(148)	(4)
(55)	Net cash provided by (or used in) Investing activities	(105)	(4)
(44)	Net increase/(decrease) in cash and cash equivalents	53	(109)
765	Cash and cash equivalents at beginning of reporting period	765	874
721	Cash and cash equivalents at end of reporting period	818	765

The above Statement of cash flow should be read in conjunction with the accompanying notes.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Contents of the notes to the financial statements

Note	Page	
1	Summary of significant accounting policies	10
2(a)	Functions or activities	12
2(b)	Components of functions or activities	12
3	Income from continuing operations	13
4	Expenses from continuing operations	15
5	Gain or loss from disposal of assets	17
6(a)	Cash and cash equivalents	18
6(b)	Restricted cash, cash equivalents and investments	18
7	Receivables	19
8	Inventories and other assets	20
9	Infrastructure, property, plant and equipment	21
10	Payables	22
11	Provisions	23
12	Retained Earnings	24
13	Statement of cash flows - additional information	24
14	Financial risk management	25
15	Material budget variations	27
16	Related Party Transactions	27
17	Statement of performance measures	28

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2018

Note 1 Basis of preparation

These financial statements were authorised for issue by Council on 21 September 2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 15 – Material budget variations

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) employee benefit provisions – refer Note 11

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2018

Note 1 Basis of preparation (Continued)

(c) Significant accounting estimates and judgements (continued)

Significant judgements in applying the Council's accounting policies

(ii) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(d) Monies and other assets received by Council

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(d) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2018

Note 2(a) Council functions and activities - Financial information

	Income from continuing operations		Expenses from continuing operations		Operating results from continuing operations		Total assets held (current and non-current)		Grants included in income from continuing operations	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Functions/Activities										
Governance	-	-	27	27	(27)	(27)	-	-	-	-
Environment	1,193	1,560	1,147	1,482	46	78	1,069	1,046	587	588
General Purpose Income	14	5	-	-	14	5	-	-	-	-
Total functions & activities	1,207	1,565	1,174	1,509	33	56	1,069	1,046	587	588

Note 2(b) Components of functions or activities

Governance

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

Environment

Noxious plants and insect/vermin control, other environmental protection.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 3 Income from continuing operations

	2018 \$'000	2017 \$'000
(a) User charges and fees		
User charges - Chemical Sales	57	47
Total user charges	<u>57</u>	<u>47</u>
Fees		
Section 64 Certificates	6	14
Private works	198	608
Total fees	<u>204</u>	<u>622</u>
Total user charges and fees	<u>261</u>	<u>669</u>

Accounting Policy for User fees and charges

User charges & fees are recognised as revenue when the service has been provided.

(b) Interest & Investment Revenue (incl losses)

Interest and Dividends		
– Cash and Investments	14	5
Total interest and investment revenue (losses)⁽¹⁾	<u>14</u>	<u>5</u>

Accounting Policy for Interest & investment revenue

Interest income is recognised using the effective interest rate at the date the interest is earned.

(c) Other revenues

Insurance Rebates	5	-
Other Income	-	6
Total other revenue	<u>5</u>	<u>6</u>

Accounting Policy for other revenues

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council, and specific criteria have been met for each of the activities.

The insurance rebate was recognised when received.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 3 Income from continuing operations (continued)

	Operating Grants		Capital Grants	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(d) Grants				
Special purpose				
Other (specify if material)	336	326	20	-
Total Special Purpose	336	326	20	-
Total Grants	336	326	20	-
Comprising:				
– State funding	336	326	20	-
	336	326	20	-
(e) Contributions				
Constituent Council Contributions	568	559	-	-
Total contributions	568	559	-	-
Total grants and contributions	904	885	20	-

2018
\$'000

2017
\$'000

(f) Restrictions relating to grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner:

Operating grants and contributions recognised in the current period that have not been spent	-	27
Operating Grants recognised in previous reporting periods spent in the current reporting period	(27)	(80)

Accounting Policy for Grants and Contributions

Control over grants and contributions is normally obtained upon their receipt.

Where grants or contributions are obtained on condition that they be expended in a particular manner and those conditions were undischarged at reporting date, the unused grant or contribution is shown above. A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at reporting date.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations

	2018 \$'000	2017 \$'000
(a) Employee benefits and on costs		
Salaries and wages	394	559
Employee leave entitlements	75	(130)
Superannuation	48	38
Workers' Compensation Insurance	10	10
Training costs (excluding salaries)	7	-
Total employee costs expensed	534	477

Accounting Policy for Employee Benefits and on costs

Employee benefit expenses are recorded when the service has been provided by the employee.

(b) Materials and contracts

Raw materials and consumables	203	260
Contractor and consultancy costs (specify material contracts/ consultancies)	232	581
Remuneration of Auditors	20	14
Operating leases	6	7
Total materials and contracts	461	862

Accounting Policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight-line basis over the period of the lease.

Auditors remuneration

Auditors of the Council - NSW Auditor General

(i) Audit and other assurance services

Audit and review of financial statements	17	17
Total remuneration for audit and other assurance services	17	17
Total fees paid or payable to the Auditor-General	17	17

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations

	Depreciation		Impairment	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
(c) Depreciation, amortisation and impairment				
Plant and equipment	50	48	-	-
Total depreciation and total impairment	50	48	-	-

Accounting Policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event'), and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 4 Expenses from continuing operations

	2018 \$'000	2017 \$'000
(d) Other expenses		
Other expenses for the year including the following:		
Advertising	11	5
Mayoral fee	6	7
Councillors' fees	15	15
Councillors' (incl. Mayor) expenses	6	5
Insurance	29	31
Printing & Stationery	3	4
Software Licences	25	31
Telephone	9	13
Bad & Doubtful Debts	19	-
Other – (specify if material)	6	11
	129	122
Total other expenses from continuing operations	129	122

Accounting Policy for other expenses

Other expenses are recorded on an accruals basis as the goods or services are received.

Note 5 Gains or losses from the disposal of assets

Gain (or loss) on disposal of Infrastructure, Property, Plant and Equipment

Proceeds from disposal	42	-
Less: Carrying amount of assets sold	(39)	-
	3	-

Gain (or loss) on disposal of IPPE

	3	-
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Net gain (or loss) from disposal of assets

	3	-
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Accounting Policy for disposal of assets

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is derecognised.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 6 Cash Assets and Investments

	2018		2017	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
(a) Cash & Cash Equivalents				
Cash at bank and on hand	1	-	30	-
Deposits at call	817	-	735	-
Total Cash & Cash Equivalents	818	-	765	-

Accounting Policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(b) Restricted Cash, Cash Equivalents & Investments

Total cash, cash equivalents and investments	818	-	765	-
Comprising:				
External restrictions	14	-	27	-
Internal restrictions	386	-	386	-
Unrestricted	418	-	352	-
	818	-	765	-

	2018 restricted cash \$'000	2017 restricted cash \$'000
External restrictions		
Included in liabilities	14	-
Specific purpose unexpended grants	-	27
Total external restrictions	14	27
Internal restrictions		
Plant replacement	97	97
Infrastructure replacement	89	89
Employee leave entitlements	150	150
Carry-over works	50	50
Total internal restrictions	386	386
Total restrictions	400	413

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 7 Receivables

	2018		2017	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Deferred debtors	21	-	85	-
GST Due	4	-	4	-
Super Guarantee Due	-	-	3	-
Total	25	-	92	-
Less: Provision for impairment:				
– Other	(21)	-	(2)	-
Total Net Receivables	4	-	90	-
Restricted/ unrestricted receivables				
Unrestricted	4	-	90	-
Total Receivables	4	-	90	-

Accounting Policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in the Statement of Financial Position. Receivables (Note 7) are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2018

Note 8 Inventories & Other Assets

	2018		2017	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
Stores and materials	66	-	75	-
Total inventories	66	-	75	-
Other assets				
Prepayments	6	-	-	-
Total other assets	6	-	-	-
Restricted/unrestricted inventories and other assets				
Unrestricted	72	-	-	-
Total inventories and other assets	72	-	75	-

Accounting Policy for inventories and other assets

Stores

Stores are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 9(a) Infrastructure, Property, Plant & Equipment

By asset type	At 30 June 2017			Movements during year			At 30 June 2018		
	Gross Carrying Amount	Accum depn and impairment	WDV	Additions	WDV of disposals	Depn and impairment	Gross Carrying Amount	Accum depn and impairment	WDV
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment	271	155	116	148	- 39	- 50	326	151	175
Buildings – Specialised	21	21	-	-	-	-	21	21	-
Totals	292	176	116	148	- 39	- 50	347	172	175

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. The carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation on assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant & Equipment 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Note 9(b) Externally Restricted Infrastructure, Property, Plant & Equipment

Council has no externally restricted Infrastructure, Property, Plant & Equipment.

Note 9(c) Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2018

Note 10 Payables

	2018		2017	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods and services	5	-	19	-
Accrued wages and salaries - tax deductions	9	-	-	-
Accrued expenses – Other	23	-	14	-
Payments received in advance	15	-	-	-
Total payables	52	-	33	-
(a) Liabilities relating to unrestricted assets	52	-	33	-
(b) Current payables not expected to be settled within the next 12 months	-	-	-	-

(c) Financing arrangements

Undrawn facilities

The amount relating to undrawn finance facilities available at reporting date is

	2018 \$'000	2017 \$'000
- Bank overdraft facility	50	50
	50	50

Accounting Policy for payables

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 11 Provisions

	2018		2017	
	Current	Non-Current	Current	Non-Current
Provisions				
Time in Lieu	5	-	-	-
Annual leave	44	-	46	26
Long service leave	28	16	11	39
Total provisions	77	16	57	65

Current provisions not expected to be settled within the next 12 months **Nil**

Accounting Policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

Short-term obligations: Liabilities for wages and salaries (including non-monetary benefits, annual leave, vesting sick leave and vesting time off in lieu expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave, vesting sick leave and vesting time off in lieu is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations: The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 12 Equity - Retained Earnings

	Note	2018 \$'000	2017 \$'000
Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		891	835
Net operating result for the year		33	56
At end of year		924	891

Note 13 Statement of cash flows - additional information

(a) Reconciliation of cash assets

Total cash and cash equivalents	6a	818	765
Balances as per cash flow statement		818	765

(b) Reconciliation of net operating result to cash provided from operating activities

Net operating result from Income statement		33	56
Add:			
Depreciation and impairment		50	48
Decrease in receivables		86	8
Decrease in inventories		3	-
Increase in payables		18	-
		157	56
Less:			
Decrease in employee leave entitlements		(29)	(166)
Increase in inventories		-	(40)
Decrease in payables		-	(11)
Gain on sale of assets		(3)	-
Net cash provided from (or used in) operating activities from Statement of cash flows		158	(105)

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 14 Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

Council does hold tradable investments therefore are is not subject to price risk.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Financial risk management is carried out by the General Manager and administration staff under policies approved by the Council.

Council held the following financial instruments at reporting date:

	Carrying Value		Fair Value	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Financial assets				
Cash and cash equivalents	818	765	818	765
Receivables	4	90	4	90
	822	855	822	855
Financial liabilities				
Payables	52	34	52	34
	52	34	52	34

(a) Cash and cash equivalents

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The General Manager and administration staff manage the cash and investments portfolio. Council has an investment policy which complies with the Local Government Act and Minister's Order. The policy is regularly reviewed by Council and an Investment Report provided to Council at each meeting setting out the make-up and performance of the portfolio.

The risks associated with the investments held are:

Interest rate risk – the risk that movements in interest rates could affect returns.

Credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 14 Financial risk management (continued)

(b) Receivables

Council's major receivables comprise of user charges and fees. The major risk associated with these receivables is credit risk – the risk that the debts may not be repaid. Council manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

Council makes a suitable provision for doubtful receivables as required.

(c) Payables

Payables and borrowings are both subject to liquidity risk – that is the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due. Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer. Payment terms can be extended and overdraft facilities drawn upon in extenuating circumstances.

The contractual undiscounted cash flows of Council's Payables and Borrowings are set out in the maturity table below:

2018	\$'000	Interest Rate	Due within 1 year	Due between 1 and 5 years	Due after 5 years	Total Contractual Cash flows	Carrying values
Payables		0.00%	52	-	-	52	52
			52	-	-	52	52
2017	\$'000						
Payables		0.00%	33	-	-	33	33
			33	-	-	33	33

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 15 Material budget variations

Council's original budget was adopted by the Council on 20 June 2017. The original projections on which the budget was based have been affected by a number of factors. These include State and Federal Government decisions policy decisions, including new grant programs, changing economic activity, the weather, and by decisions made by the Council.

Revenue	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
User charges & fees	782	261	-521	-67%
The spring aerial spray program was abandoned early and the autumn aerial spray program was abandoned completely, resulting in a decrease of actuals compared with budget.				
Interest & investment revenue	19	14	-5	-26%
Investment balances were lower than expected, due to the aerial spray programs.				
Other revenues	4	5	1	25%
Although the percentage variance is greater than 10%, the dollar amount is immaterial.				
Grants & contributions	824	904	80	10%
Council was able to secure an extra \$100,000 in grant funding.				
Expenses				
Materials and contracts	926	461	-465	-50%
The spring aerial spray program was abandoned early and the autumn aerial spray program was abandoned completely, resulting in a decrease of actuals compared with budget.				
Depreciation and amortisation	40	50	10	25%
The depreciation budget did not take into account various capital purchases during the year.				

Note 16 Related Party Transactions

Key Management Personnel

Key Management Personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the income statement is:

Compensation	2018 \$'000	2017 \$'000
Short-term benefits	102	42
Post employment benefits	9	2
Other long-term benefits	-	-
Termination Benefits	-	-
Total	111	44

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of council delivering a public service objective will not be disclosed.

There have been no transactions to disclose.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2018

Note 17 Statement of performance measurement

	Amounts 2018 \$'000	2018 indicators	2017 indicators	Benchmark
1. Operating performance				>0
Total continuing operating revenue ^[1] excluding capital grants and contributions – operating expenses	10	0.84%	3.58%	
Total continuing operating revenue ¹ excluding capital grants and contributions	1,184			
2. Own source operating revenue				>60%
Total continuing operating revenue ¹ less all grants and contributions	280	23.26%	43.45%	
Total continuing operating revenue ¹ inclusive of capital grants and contributions	1,204			
3. Unrestricted current ratio				>1.5x
Current assets less all external restrictions	880	6.82	10.03	
Current liabilities less specific purpose liabilities	129			
4. Debt service cover ratio				n/a
Operating results ¹ before capital excluding interest and depreciation/impairment/ amortisation (EBTDA)	-	0.00%	0.00%	
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	-			
5. Rates and annual charges outstanding percentage				n/a
Rates and annual charges outstanding	-	0.00%	0.00%	
Rates and annual charges collectible	-			
6. Cash expense cover ratio				> 3 months
Current year's cash and cash equivalents + term deposits	818	8.67	5.47	
Payments from cash flow of operating and financing activities	1,132			

[1] Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets and net share of interests in joint ventures



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Upper Macquarie County Council

To the Councillors of the Upper Macquarie County Council

Opinion

I have audited the accompanying financial report of Upper Macquarie County Council (the Council), which comprise the Income statement and Statement of comprehensive income for the year ended 30 June 2018, the Statement of financial position as at 30 June 2018, the 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 Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Report' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine 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.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Report

My 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
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original budget information included in the Income statement, Statement of cash flows, and Note 15 Material budget variations
- on the Special Schedules
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Karen Taylor
Director

9 October 2018
SYDNEY

Cr Ian North
Chairperson
Upper Macquarie County Council
PO Box 703
BATHURST NSW 2795

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1823846/1825

9 October 2018

Dear Ian

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Upper Macquarie County Council**






I have audited the general-purpose financial statements of Upper Macquarie County Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general-purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general-purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$ 000's	2017 \$ 000's	Variance %
User charges and fees	261	669	61.0 
Grants and contributions revenue	924	885	4.4 
Materials and contracts	461	862	46.5 
Operating result for the year	33	56	41.1 
Net operating result before capital amounts	13	56	76.8 

Council’s operating result (\$33,000 including the effect of depreciation expense of \$50,000) was \$23,000 lower than the 2016–17 result. The net operating result before capital grants and contributions (\$13,000) was \$43,000 lower than the 2016–17 result. The movement is the result of a decrease in user charges income and associated expenses slightly offset by an increase in grants and contributions funding. The reasons for these movements have been explained below.

The dry weather conditions experienced during the year resulted in the Spring Aerial Spraying Program being abandoned early and the Autumn Aerial Spraying Program abandoned completely. In turn, user fees and charges revenue from spraying (\$261,000) decreased by \$408,000 and materials and contracts expenditure (\$461,000) decreased by \$401,000.

Grants and contributions revenue (\$924,000) increased by \$39,000 (4.4 per cent) in 2017–2018 this was largely due to an increase in funding relating to the Weeds Action Plan from NSW Department of Primary Industries (increased from \$297,000 in 2016-2017 to \$337,000 in 2017-2018).

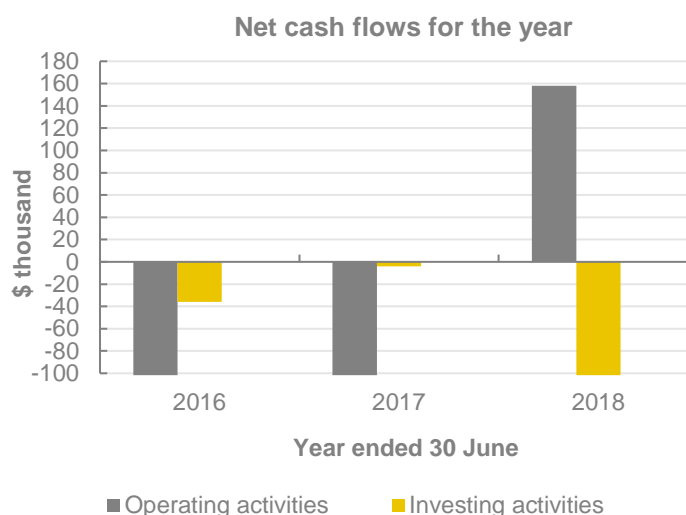
A capital grant of \$20,000 was received during the year to purchase drones and associated equipment. There were no capital grants received in the prior year.

STATEMENT OF CASH FLOWS

Overall council has approximately \$53,000 more in cash at 30 June 2018 (\$818,000) than it did at 30 June 2017 (\$765,000). This was due to a turnaround in cash flow from operating activities, mainly caused by a decrease in payments for materials and contracts, due to reduced aerial spraying activity.

Council also received an additional \$39,000 in grants and contributions in 2018.

Conversely, cash flows from investing activities increased due to the purchase of three vehicles during the year as well as the purchase of drones and associated equipment.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$000'	\$000'	
External restrictions	14	27	Given the nature Council there are very few externally restricted funds. Typically, these relate to unspent grant monies.
Internal restrictions	386	386	Council has elected to retain the same level of internal restrictions as in the prior year.
Unrestricted	418	352	Overall cash has increased from prior year and this has explained in the 'Statement of Cash Flows' section above.
Cash and investments	818	765	

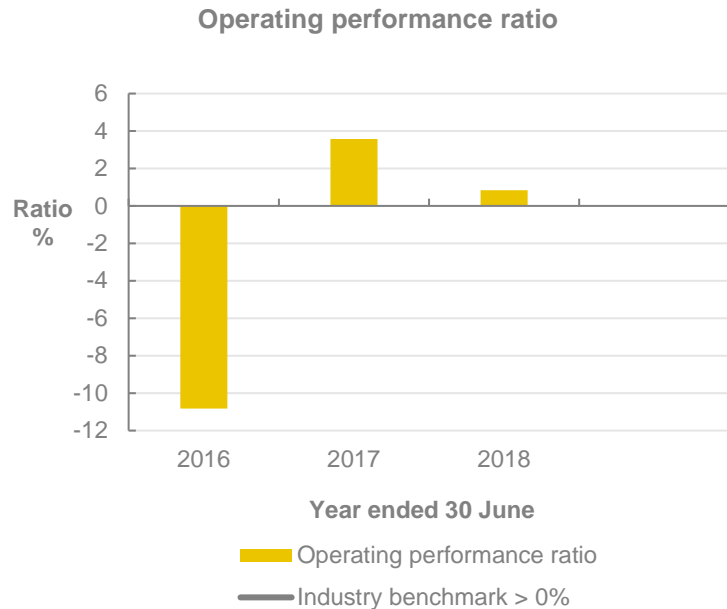
PERFORMANCE RATIOS

The definition of each ratio analysed below is included in Note 17 of the Council's audited general-purpose financial statements.

Operating performance ratio

The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.

Council has exceeded the benchmark for the last two financial years.

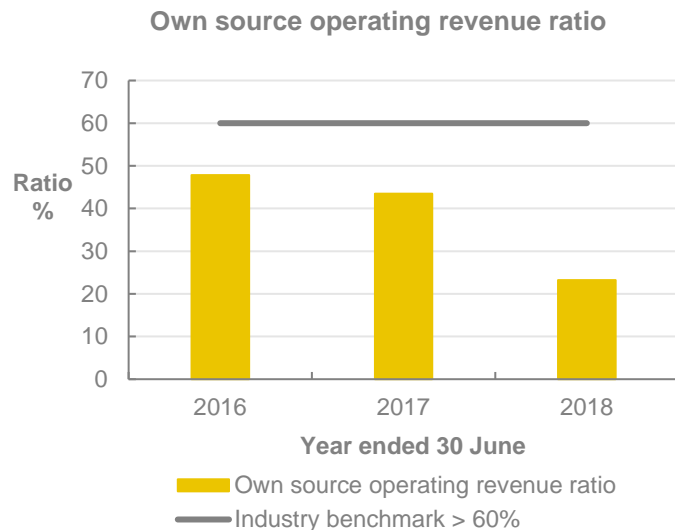


Own source operating revenue ratio

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

The Council has remained below the industry benchmark due to its reliance on the Weeds Action Plan Funding and constituent Council contributions.

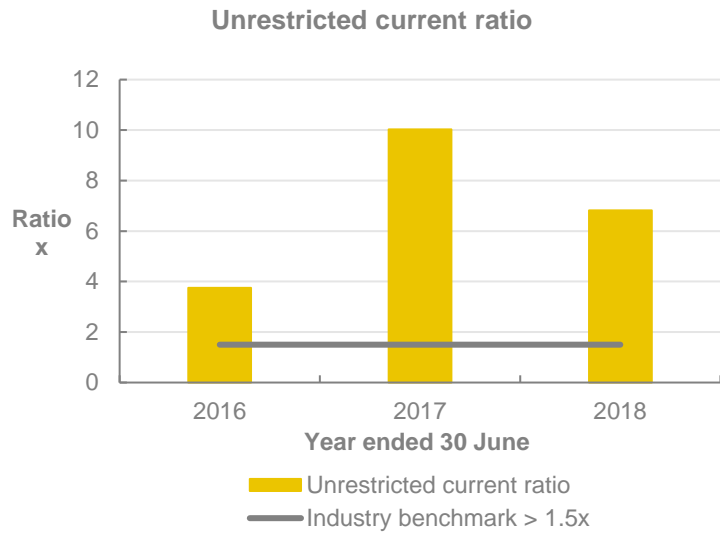
The current year ratio has also been impacted by the decrease in private works income, resulting from the reduction in the aerial spraying program.



Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.

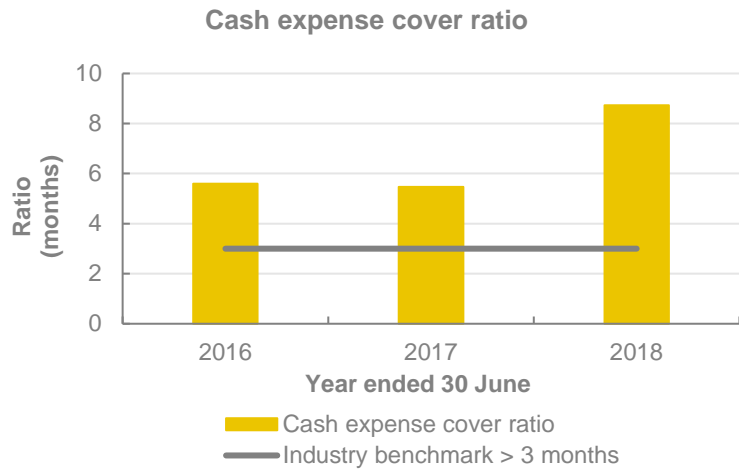
Council has consistently managed its liquidity to exceed the industry benchmark over the last 3 years.



Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

Council's high level of liquidity is apparent in this measure. Council exceeded the benchmark for the last 3 years.



OTHER MATTERS

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports.

The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general-purpose financial statements
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

**Upper Macquarie County Council
Special Schedules
for the year ended 30 June 2018**

Upper Macquarie County Council

Special schedules

for the year ended 2018

Contents

Special Schedules (Not Audited)		Page
Special Schedule No. 1	Net cost of services	SS-3
Special Schedule No. 2	Permissible Income Calculation	SS-4
Special Schedule No. 3	Water Supply Operations	SS-4
Special Schedule No. 4	Water Supply - Net Assets Committed	SS-4
Special Schedule No. 5	Sewerage Service Operations	SS-4
Special Schedule No. 6	Sewerage - Net Assets Committed	SS-4
Special Schedule No. 7	Report on Infrastructure Assets	SS-5

Upper Macquarie County Council
Special Schedule No. 1
Net cost of services for the year ended 2018

Function or Activity	Expenses	Income	Income from	Net cost of services
	from continuing operations	from continuing operations (non capital)	continuing operations (capital)	
	\$'000	\$'000	\$'000	\$'000
Governance	27	-	-	(27)
Administration	-	-	-	-
Total Public Order & Safety	-	-	-	-
Health	-	-	-	-
Environment				
Noxious Plants and Insect / Vermin control	1,147	1,173	20	46
Total Environment	1,147	1,173	20	46
Community Services & Education	-	-	-	-
Housing & Community Amenities	-	-	-	-
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-
Total Recreation & Culture	-	-	-	-
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing & Construction	-	-	-	-
Transport & Communication	-	-	-	-
Economic Affairs	-	-	-	-
Totals – Functions	1,174	1,173	20	19
General Purpose Revenues(2)				14
Share of interests in joint ventures and associates using the equity method(1)				-
Net operating result for the year(1)				33

Notes:

- (1) As reported on the Income statement.
- (2) The definition of general purpose income for the purposes of disclosure in Note 2 (a) is the aggregation of specific income items disclosed in Note 3 viz., ordinary rates, general purpose untied grants, interest on (overdue rates and annual charges, internally restricted assets and general council cash and investments) and ex-gratia rates.

Upper Macquarie County Council

Special Schedule No. 2 Permissible Income

Council has no Permissible Income

Special Schedule No. 3 Water Supply Operations

Council has no Water Supply Operations

Special Schedule No. 4 Water Supply - Net Assets Committed

Council has no Water Supply Operations

Special Schedule No. 5 Sewerage Service Operations

Council has no Sewerage Operations

Special Schedule No. 6 Sewerage - Net Assets Committed

Council has no Sewerage Operations

Upper Macquarie County Council

Special Schedule No. 7

Report on Infrastructure Assets as at 30 June 2018

Asset Class	Asset Category	Estimated cost to bring to a satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	Required Maintenance	Actual Maintenance	Carrying Value	Gross Replacement Cost	Assets in Condition as % of Gross Replacement Cost *				
								1	2	3	4	5
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000					
Buildings	Chemical Storage Shed	-	-	-	-	-	21	-	100	-	-	-
Total Classes	Total All Assets	-	-	-	-	-	21	-	100	-	-	-

*In accordance with Note 9.

Infrastructure Asset Condition Assessment

Level	Condition	Description
1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Upper Macquarie County Council

Special Schedule No. 7

Report on Infrastructure Assets as at 30 June 2018 (continued)

Infrastructure Asset Performance Indicators – Consolidated

	Amounts	Current year indicators	2017	2016
	\$'000			
Building and infrastructure renewals ratio		-	-	-
<u>Asset renewals (building and infrastructure)</u>	-			
Depreciation, amortisation and impairment	-			
Infrastructure backlog ratio		-	-	-
<u>Estimated cost to bring assets to a satisfactory standard</u>	-			
Carrying value* of infrastructure assets	-			
Asset maintenance ratio		-	-	-
<u>Required asset maintenance</u>	-			
Cost to bring assets to agreed service level		-	-	-
<u>Estimated cost to bring to agreed service level set by Council</u>	-			
Gross Replacement Cost	21			