

**Upper Macquarie County Council
General Purpose Financial Statements
for the year ended 30 June 2019**

Upper Macquarie County Council

General purpose financial statements

for the year ended 30 June 2019

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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 12 September 2019. 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 2019**

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

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

- The Local Government Act 1993 and the Regulations made thereunder.
- The Australian Accounting Standards and professional pronouncements.
- The Local Government Code of Accounting Practice and Financial Reporting.

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

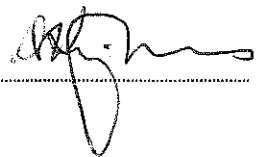
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

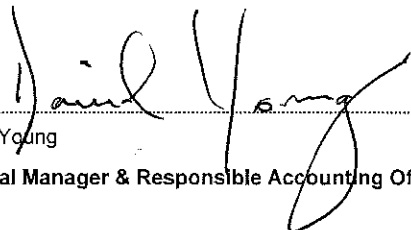
Signed in accordance with a resolution of Council made on 26 July 2019.



Cr Ian North
Chairperson



Cr David Kingham
Deputy Chairperson



David Young
General Manager & Responsible Accounting Officer

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2019

Note 1 Basis of preparation

These financial statements were authorised for issue by Council on 12 September 2019.

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.

Full dollars have been used in Note 17 Related party disclosures in relation to the disclosure of specific related party transactions.

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 16 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

Council adopted AASB 9 – Financial Instruments and associated amendments standards for the first time in the year ended 30 June 2019. This did not result in any material change to the measurement and recognition of amounts recorded in the financial statements, despite resulting in a change in accounting policy for impairment of receivables, as outlined in Note 7 – Receivables.

(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.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of preparation (continued)

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

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.

(e) 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.

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

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and which have not been early adopted by Council.

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council with the distinction between operating and finance leases removed. Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset. The only exceptions are short-term and low-value leases which are exempt from the accounting requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 applicable from 1 July 2019.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1 Basis of preparation (continued)

AASB 16 will affect Council's accounting for existing operating lease agreements that are in place as at 30 June 2019. At the end of this reporting period, Council has non-cancellable operating lease commitments of \$8,860 - refer Note 14. Council anticipates it will recognise lease liabilities on its balance sheet of \$8,860 as at 30 June 2019 and also recognise complimentary right-of-use assets totalling \$8,860 on 1 July 2019.

From a financial position standpoint, as a result of recognising the above lease liabilities and right-of-use assets, Council's net assets as at 1 July 2019 will be approximately \$8,860 lower while net current assets will be \$8,860 lower due to the presentation of a portion of the lease liability as a current liability.

From a financial performance standpoint, Council does not expect there to be a material change in the net operating result for the 2019/2020 financial year as a result of adopting the standard due to the short term and low-value characteristics of the agreement.

Operating cash flows will increase and financing cash flows decrease by approximately \$5,166 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amounts of revenue recorded in the financial statements as well as additional disclosures. An assessment of the impact on the recognition of revenue under AASB 15 is yet to be completed.

AASB 1058 Income of NFP Entities

There will be no impact on Council's financial statements in regard to the adoption of this new standard.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amounts of revenue recorded in the financial statements as well as additional disclosures. An assessment of the impact on the recognition of revenue under AASB15 is yet to be completed.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

There will be no impact on Council's financial statements in regard to the adoption of this new standard, other than as outlined in relation to AASB 16 above.

Upper Macquarie County Council

Income statement

for the year ended 30 June 2019

Original budget (1) 2019 \$'000	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Income from continuing operations			
<i>Revenue:</i>			
646	3a	427	261
20	3b	22	14
5	3c	17	5
918	3d,e	970	904
-	3d,e	-	20
<i>Other Income:</i>			
-	5	-	3
1,589		1,436	1,207
Expenses from continuing operations			
587	4a	633	534
869	4b	549	461
41	4c	53	50
97	4d	100	129
1,594		1,335	1,174
(5) Operating result from continuing operations		101	33
- 5 Net operating result for the year		101	33
<i>Attributable to:</i>			
(5) – Council		101	33
(5) Net operating result for the year before grants and contributions provided for capital purposes		101	13

Note:

(1) Original budget as approved by Council – refer Note 16

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 2019

	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Net operating result for the year – from Income statement		101	13
Other comprehensive income			
<i>Nil</i>			
Total other comprehensive income for the year		101	33
Total comprehensive income for the year		101	33
<i>Attributable to</i>			
<i>– Council</i>		101	33

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

Upper Macquarie County Council

Statement of financial position

for the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	993	818
Receivables	7	89	4
Inventories	8	39	66
Prepayments	8	4	6
Total current assets		1,125	894
Non-current assets			
Infrastructure, property, plant and equipment	9	124	175
Total non-current assets		124	175
Total assets		1,249	1,069
LIABILITIES			
Current liabilities			
Payables	10	98	52
Provisions	11	113	77
Total current liabilities		211	129
Non-current liabilities			
Provisions	11	13	16
Total non-current liabilities		13	16
Total liabilities		224	145
Net assets		1,025	924
EQUITY			
Retained earnings	12	1,025	924
Total equity		1,025	924

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

Upper Macquarie County Council

Statement of changes in equity

for the year ended 30 June 2019

	Retained earnings	Council equity interest	Total equity
\$'000			
2019			
Opening balance	924	924	924
Restated opening balance	924	924	924
Net operating result for the year	101	101	101
Closing balance	1,025	1,025	1,025
\$'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

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 2019

Original budget (1) 2019 \$'000	Notes	Actual 2019 \$'000	Actual 2018 \$'000
Cash flows from operating activities			
<i>Receipts:</i>			
646	User charges and fees	342	347
20	Investment revenue and interest	22	14
918	Grants and contributions	970	924
5	Other	17	5
<i>Payments:</i>			
(587)	Employee benefits and on-costs	(600)	(563)
(869)	Materials and contracts	(474)	(440)
(97)	Other	(100)	(129)
36	Net cash provided (or used) in operating activities	177	158
Cash flows from investing activities			
<i>Receipts:</i>			
-	Sale of infrastructure, property, plant and equipment	-	43
<i>Payments:</i>			
-	Purchase of infrastructure, property, plant and equipment	(2)	(148)
-	Net cash provided by (or used in) Investing activities	(2)	(105)
36	Net increase/(decrease) in cash and cash equivalents	175	53
765	Cash and cash equivalents at beginning of reporting period	818	765
801	Cash and cash equivalents at end of reporting period	993	818

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 2019

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Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2019

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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Functions/Activities										
Governance	-	-	28	27	(28)	(27)	-	-	-	-
Environment	1,414	1,193	1,307	1,147	107	46	1,249	1,069	349	336
General Purpose Income	22	14	-	-	22	14	-	-	-	-
Total functions & activities	1,436	1,207	1,335	1,174	101	33	1,249	1,069	349	336

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 2019

Note 3 Income from continuing operations

	2019 \$'000	2018 \$'000
(a) User charges and fees		
User charges - Chemical Sales	146	57
Total user charges	<u>146</u>	<u>57</u>
Fees		
Section 64 Certificates	11	6
Private works	270	198
Total fees	<u>281</u>	<u>204</u>
Total user charges and fees	<u><u>427</u></u>	<u><u>261</u></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	22	14
Total interest and investment revenue (losses)⁽¹⁾	<u><u>22</u></u>	<u><u>14</u></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	5
Bad debts recovered	12	-
Other Income	-	-
Total other revenue	<u><u>17</u></u>	<u><u>5</u></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 2019

Note 3 Income from continuing operations (continued)

	Operating Grants		Capital Grants	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(d) Grants				
Special purpose				
Other	349	336	-	20
Total Special Purpose	349	336	-	20
Total Grants	349	336	-	20
Comprising:				
– State funding	349	336	-	20
	349	336	-	20
(e) Contributions				
Local Land Services - Weed Book	40	-	-	-
Constituent Council Contributions	581	568	-	-
Total contributions	621	568	-	-
Total grants and contributions	970	904	-	20
			2019	2018
			\$'000	\$'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	40	-
Operating Grants recognised in previous reporting periods spent in the current reporting period	-	(27)

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 2019

Note 4 Expenses from continuing operations

	2019 \$'000	2018 \$'000
(a) Employee benefits and on costs		
Salaries and wages	476	394
Employee leave entitlements	91	75
Superannuation	50	48
Workers' Compensation Insurance	9	10
Training costs (excluding salaries)	7	7
Total employee costs expensed	633	534

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	206	203
Contractor and consultancy costs (specify material contracts/ consultancies)	319	232
Remuneration of Auditors	17	20
Operating leases	7	6
Total materials and contracts	549	461

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 2019

Note 4 Expenses from continuing operations

	Depreciation		Impairment	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
(c) Depreciation, amortisation and impairment				
Plant and equipment	53	50	-	-
Total depreciation and total impairment	53	50	-	-

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 2019

Note 4 Expenses from continuing operations

	2019 \$'000	2018 \$'000
(d) Other expenses		
Other expenses for the year including the following:		
Advertising	3	11
Mayoral fee	7	6
Councillors' fees	16	15
Councillors' (incl. Mayor) expenses	5	6
Insurance	31	29
Printing & Stationery	3	3
Software Licences	22	25
Telephone	7	9
Bad & Doubtful Debts	(3)	19
Other – (specify if material)	9	6
Total other expenses from continuing operations	100	129

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)

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 2019

Note 6 Cash Assets and Investments

	2019		2018	
	Current \$'000	Non-Current \$'000	Current \$'000	Non-Current \$'000
(a) Cash & Cash Equivalents				
Cash at bank and on hand	1	-	1	-
Deposits at call	992	-	817	-
Total Cash & Cash Equivalents	993	-	818	-

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	993	-	818	-
Comprising:				
External restrictions	40	-	14	-
Internal restrictions	386	-	386	-
Unrestricted	567	-	418	-
	993	-	818	-

	2019 restricted cash \$'000	2018 restricted cash \$'000
External restrictions		
Included in liabilities	-	14
Specific purpose unexpended grants	40	-
Total external restrictions	40	14
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	426	400

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2019

Note 7 Receivables

	2019		2018	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Deferred debtors	90	-	21	-
GST Due	2	-	4	-
Super Guarantee Due	-	-	-	-
Total	92	-	25	-
Less: Provision for impairment:				
– Other	(3)	-	(21)	-
Total Net Receivables	89	-	4	-
Restricted/ unrestricted receivables				
Unrestricted	89	-	4	-
Total Receivables	89	-	4	-

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

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating RCL, the council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both qualitative and quantitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

For debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial asset is more than 90 days past due.

Credit losses are measured at present value as the difference between what is owed and what is expected to be received.

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2019

Note 8 Inventories & Other Assets

	2019		2018	
	Current \$'000	Non- Current \$'000	Current \$'000	Non- Current \$'000
Inventories				
Stores and materials	39	-	66	-
Total inventories	39	-	66	-
Other assets				
Prepayments	4	-	6	-
Total other assets	4	-	6	-
Restricted/unrestricted inventories and other assets				
Unrestricted	43	-	72	-
Total inventories and other assets	43	-	72	-

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 2019

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

By asset type	At 30 June 2018			Movements during year			At 30 June 2019		
	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	326	151	175	2	-	(53)	328	204	124
Buildings – Specialised	21	21	-	-	-	0	21	21	-
Totals	347	172	175	2		(53)	349	225	124

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 2019

Note 10 Payables

	2019		2018	
	Current \$'000	Non- Current \$'000	Current \$'000	Non-Current \$'000
Payables				
Goods and services	71	-	5	-
Accrued wages and salaries - tax deductions	10	-	9	-
Accrued expenses – Other	17	-	23	-
Payments received in advance	-	-	15	-
Total payables	98	-	52	-
(a) Liabilities relating to unrestricted assets	98	-	52	-
(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

	2019 \$'000	2018 \$'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 2019

Note 11 Provisions

	2019		2018	
	Current	Non-Current	Current	Non-Current
Provisions				
Time in Lieu	16	-	5	-
Annual leave	53	-	44	-
Long service leave	44	13	28	16
Total provisions	113	13	77	16

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 2019

Note 12 Equity - Retained Earnings

	Note	2019 \$'000	2018 \$'000
Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		924	891
Net operating result for the year		101	33
At end of year		1,025	924

Note 13 Statement of cash flows - additional information

(a) Reconciliation of cash assets

Total cash and cash equivalents	6a	993	818
Balances as per cash flow statement		993	818

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

Net operating result from Income statement		101	33
Add:			
Depreciation and impairment		53	50
Decrease in receivables		-	86
Decrease in inventories		27	3
Decrease in prepayments		2	-
Increase in payables		46	18
		128	157
Less:			
Decrease in employee leave entitlements		(33)	(29)
Increase in receivables		85	-
Gain on sale of assets		-	(3)
Net cash provided from (or used in) operating activities from Statement of cash flows		177	158

Note 14 Commitments for expenditure

	Note	Actual 2019 \$'000	Actual 2018 \$'000
(a) Capital commitments (exclusive of GST)		Nil	Nil
(b) Finance lease commitments		Nil	Nil
(c) Non-cancellable operating lease commitments		9	14
Commitments under non-cancellable operating leases at the reporting date but not recognised in the financial statements are payable as follows:			
- Not later than one year		5	5
- Later than one year and not later than 5 years		4	9
- Later than 5 years		-	-
Total		9	14

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2019

Note 15 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	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets				
Cash and cash equivalents	993	818	993	818
Receivables	89	4	89	4
	<u>1,082</u>	<u>822</u>	<u>1,082</u>	<u>822</u>
Financial liabilities				
Payables	98	52	98	52
	<u>98</u>	<u>52</u>	<u>98</u>	<u>52</u>

(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 2019

Note 15 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:

2019	\$'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%	98	-	-	98	98
			98	-	-	98	98
2018	\$'000						
Payables		0.00%	52	-	-	52	52
			52	-	-	52	52

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2019

Note 16 Material budget variations

Council's original budget was adopted by the Council on 15 June 2018. 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	646	427	-219	-34%
Only one aerial spraying program was run during the year in Autumn 2019 as the weather was not conducive to running the budgeted Spring program in 2018				
Interest & investment revenue	20	22	2	10%
Ensured more cash was invested in an interest-bearing account for longer				
Other revenues < 10% variance	5	17	12	240%
Grants & contributions < 10% variance	918	970	52	6%
Expenses				
Employee Costs < 10% variance	587	633	46	8%
Materials and contracts	869	549	-320	-37%
Only one aerial spraying program was run during the year in Autumn 2019 as the weather was not conducive to running the budgeted Spring program in 2018				
Depreciation and amortisation	41	53	12	29%
The depreciation budget did not take into account various capital purchases during the previous year.				
Other Expenses < 10% variance	97	100	3	3%

Note 17 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	2019 \$'000	2018 \$'000
Short-term benefits	108	102
Post employment benefits	8	9
Other long-term benefits	-	-
Termination Benefits	-	-
Total	116	111

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 2019

Note 18 Statement of performance measurement

	Amounts 2019 \$'000	2019 indicators	2018 indicators	Benchmark
1. Operating performance				>0
Total continuing operating revenue ^[1] excluding capital grants and contributions – operating expenses	101	7.03%	0.84%	
<hr/>				
Total continuing operating revenue ¹ excluding capital grants and contributions	1,436			
2. Own source operating revenue				>60%
Total continuing operating revenue ¹ less all grants and contributions	466	32.45%	23.26%	
<hr/>				
Total continuing operating revenue ¹ inclusive of capital grants and contributions	1,436			
3. Unrestricted current ratio				>1.5x
Current assets less all external restrictions	1,085	5.14	6.82	
<hr/>				
Current liabilities less specific purpose liabilities	211			
4. Debt service cover ratio				n/a
Operating results ¹ before capital excluding interest and depreciation/impairment/ amortisation (EBTDA)	-	0.00%	0.00%	
<hr/>				
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%	
<hr/>				
Rates and annual charges collectible	-			
6. Cash expense cover ratio				
Current year's cash and cash equivalents + term deposits	993	10.15	8.67	> 3 months
<hr/>				
Payments from cash flow of operating and financing activities	1,174			

[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 statements

Upper Macquarie County Council

To the Councillors of the Upper Macquarie County Council

Opinion

I have audited the accompanying financial statements of Upper Macquarie County Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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 statements 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 Statements' 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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements 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 statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 Statements

My objectives are to:


- obtain reasonable assurance about whether the financial statements as a whole are 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 statements.

A description of my responsibilities for the audit of the financial statements 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 16 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

12 September 2019
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: D1920175/1825

12 September 2019

Dear Ian

**Report on the Conduct of the Audit
for the year ended 30 June 2019
Upper Macquarie County Council**

I have audited the general purpose financial statements (GPFS) of the Upper Macquarie County Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$000'	\$000'	%
User Fees and Charges	427	261	↑ 63.6
Grants and contributions revenue	970	924	↑ 5.0
Operating result for the year	101	33	↑ 206

Council's operating result \$101,000, including the effect of depreciation expense of \$53,000, was \$68,000 higher than the 2017–18 result. The increase was due to:

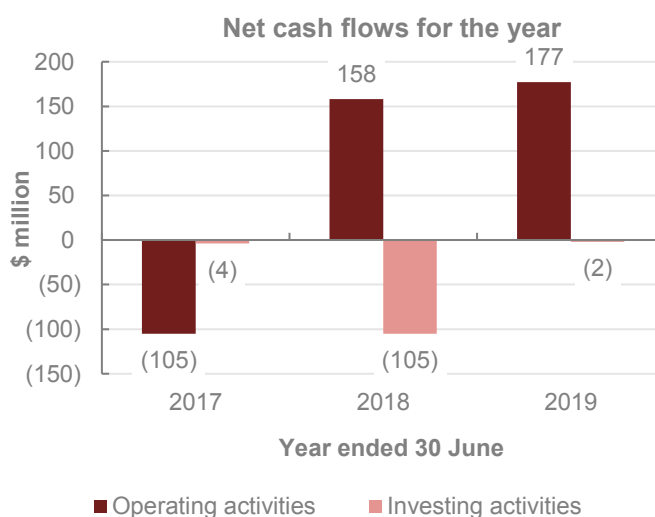
- The 2019 aerial spraying program generated \$67,000 more income than the previous year despite same number of programs. (2017–18: Spring and 2018–19: Autumn).
- Income from grants increasing by \$66,000, largely due to a one-off grant from Local Land Services for graphic design and publishing of a weeds identification book (\$40,000). Council also successfully secured the unspent portion of the 2017–18 innovation funds this year (\$14,000).
- Increases in income were slightly offset by higher payroll costs, due to Council maintaining a steady workforce for the 2018–19 year compares with previous years.

STATEMENT OF CASH FLOWS

Council had approximately \$175,000 more cash at 30 June 2019 (\$993,000) than it did at 30 June 2018 (\$818,000).

This is attributable to an increase in grant funding, which also resulted in higher interest received.

Whilst payments for materials and contracts and employee benefits increased, they did so by less than the increase in cash receipts. In addition, there no major asset purchases during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	40	14	• Given the nature of Council there are very few externally restricted funds. These relate to unspent grant monies
Internal restrictions	386	386	• Council has elected to retain the same level of internal restrictions in the current year.
Unrestricted	567	418	• Overall cash has increased from prior year. The movement has been explained in the 'Statement of Cash Flows' section above.
Cash and investments	993	818	

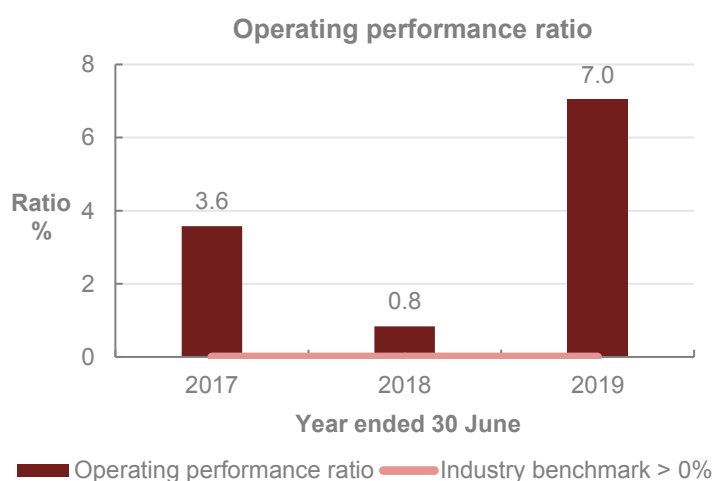
PERFORMANCE

Operating performance ratio

Council has exceeded the benchmark for the last three years.

Due to the size of Council's operations, small dollar value changes can result in large movement in performance measures.

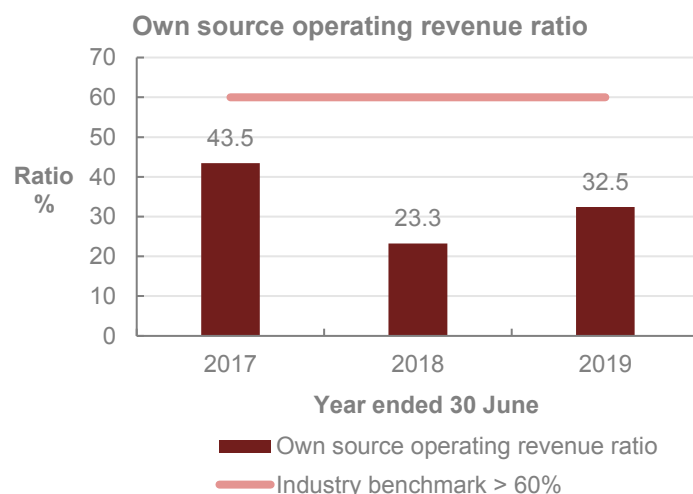
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

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

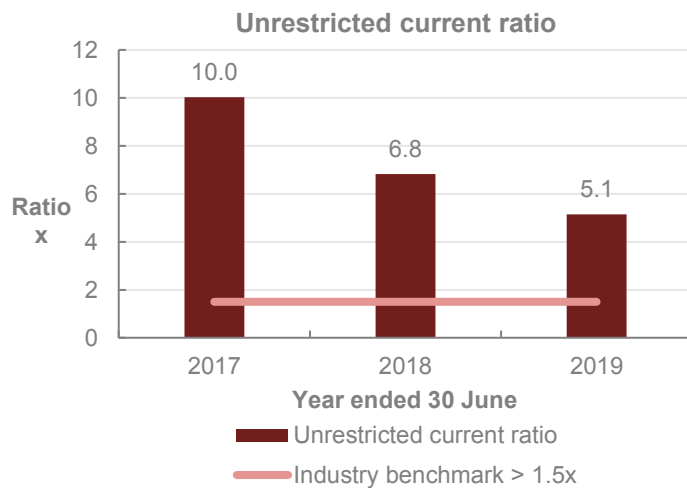
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

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

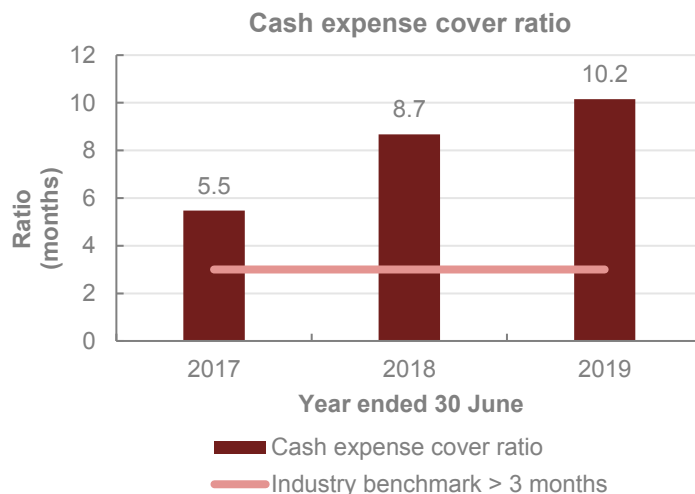
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Cash expense cover ratio

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

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 the former OLG is greater than three months.



OTHER MATTERS

New accounting standards implemented

There were no new accounting standards due for implementation in the year ended 30 June 2019 which impacted Upper Macquarie County Council.

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 statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS 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.

A handwritten signature in blue ink, appearing to read "Karen Taylor". The signature is written in a cursive style and is positioned above the printed name and title.

Karen Taylor
Delegate of the Auditor-General for New South Wales

cc: David Young - General Manager

**Upper Macquarie County Council
Special Schedules
for the year ended 30 June 2019**

Upper Macquarie County Council
Special schedules
for the year ended 2019

Contents

<i>Special Schedules (Not Audited)</i>	Page
Report on Infrastructure Assets	SS-3

**Upper Macquarie County Council
Special Schedule
Report on Infrastructure Assets as at 30 June 2019**

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	
Buildings	Chemical Storage Shed	\$'000	\$'000	-	\$'000	-	\$'000	-	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 Schedules
Report on Infrastructure Assets as at 30 June 2019 (continued)

Infrastructure Asset Performance Indicators – Consolidated

	Amounts	Current year indicators	2018	2017
	\$'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>Actual asset maintenance</u>	-			
Required asset maintenance	-			
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			