

**Upper Macquarie County Council
General Purpose Financial Statements
for the year ended 30 June 2021**

Upper Macquarie County Council

General purpose financial statements

for the year ended 30 June 2021

Contents

General purpose financial statements	Page
Statement by Members 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	38

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 6 August 2021. 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 2021

Statement by Members 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 6 August 2021.



Cr Ian North
Chairperson



Cr Andrew McKibbin
Deputy Chairperson

David Young

David Young
General Manager & Responsible Accounting Officer

Upper Macquarie County Council

Income statement

for the year ended 30 June 2021

Original unaudited budget 2021 \$'000	Notes	Actual 2021 \$'000	Actual 2020 \$'000
Income from continuing operations			
15 User charges and fees	B2-1	642	249
11 Other revenues	B2-2	24	20
1,056 Grants and contributions provided for operating purposes	B2-3	1,062	989
- Grants and contributions provided for capital purposes	B2-4	-	-
2 Interest and investment revenue	B2-4	7	18
1,084 Total income from continuing operations		1,735	1,276
Expenses from continuing operations			
675 Employee benefits and on-costs	B3-1	683	637
197 Materials and services	B3-2	870	533
212 Depreciation and amortisation	B3-3	42	48
- Other expenses	B3-4	2	14
- Net loss from the disposal of assets	B4-1	1	-
1,084 Total expenses from continuing operations		1,598	1,232
- Operating result from continuing operations		137	44
- Net operating result for the year attributable to Council		137	44
- Net operating result for the year before grants and contributions provided for capital purposes		137	44

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 2021

	Notes	Actual 2021 \$'000	Actual 2020 \$'000
Net operating result for the year – from Income statement		137	44
Other comprehensive income		-	-
<i>Nil</i>			
<i>Amounts which will be reclassified subsequent to operating result when specific conditions are met</i>			
<i>Nil</i>		-	-
Total other comprehensive income for the year		<u>137</u>	<u>44</u>
Total comprehensive income for the year attributable to Council		<u><u>137</u></u>	<u><u>44</u></u>

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 2021

	Notes	2021 \$'000	2020 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	1,327	1,107
Receivables	C1-3	16	18
Inventories	C1-4	98	33
Other assets		9	10
Total current assets		1,450	1,168
Non-current assets			
Infrastructure, property, plant and equipment	C1-5	75	92
Total non-current assets		75	92
Total assets		1,525	1,260
LIABILITIES			
Current liabilities			
Payables	C2-1	150	47
Contract liabilities	C2-2	44	44
Employee benefit provisions	C2-3	139	118
Total current liabilities		333	209
Non-current liabilities			
Employee benefit provisions	C2-3	26	22
Total non-current liabilities		26	22
Total liabilities		359	231
Net assets		1,166	1,029
EQUITY			
Accumulated surplus		1,166	1,029
Total equity		1,166	1,029

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 2021

	Retained earnings	Council equity interest	Total equity
\$'000			
2021			
Opening balance at 1 July	1,029	1,029	1,029
Net operating result for the year	137	137	137
Closing balance at 30 June	1,166	1,166	1,166
\$'000			
2020			
Opening balance at 1 July	985	985	985
Net operating result for the year	44	44	44
Closing balance at 30 June	1,029	1,029	1,029

The above Statement of changes in equity should be read in conjunction with accompanying notes

Upper Macquarie County Council
Statement of cash flows
for the year ended 30 June 2021

Original unaudited budget 2021 \$'000		Notes	Actual 2021 \$'000	Actual 2020 \$'000
Cash flows from operating activities				
<i>Receipts:</i>				
15	User charges and fees		658	320
2	Investment revenue and interest		7	18
1,056	Grants and contributions		1,062	993
11	Other		24	20
<i>Payments:</i>				
(675)	Employee benefits and on-costs		(654)	(622)
(197)	Materials and services		(849)	(585)
-	Other		(2)	(14)
212	Net cash provided (or used) in operating activities	F1-1	246	130
Cash flows from investing activities				
<i>Receipts:</i>				
<i>Payments:</i>				
-	Purchase of infrastructure, property, plant and equipment		(26)	(16)
-	Net cash provided by (or used in) Investing activities		(26)	(16)
212	Net increase/(decrease) in cash and cash equivalents		220	114
765	Cash and cash equivalents at beginning of reporting period	F1-1	1,107	993
977	Cash and cash equivalents at end of reporting period	F1-1	1,327	1,107

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

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2021

Contents of the notes to the financial statements

Note	Page
A. About Council and these financial statements	10
A1-1 Basis of preparation	
B. Financial Performance	
B1. Functions or activities	
B1-1 Function or activities - income, expenses and assets	12
B1-2 Components of functions or activities	12
B2. Sources of income	
B2-1 User charges and fees	13
B2-2 Other revenue	14
B2-3 Grants and contributions	15
B2-4 Interest and investment income	17
B3. Costs of providing services	
B3-1 Employee benefits and on-costs	18
B3-2 Materials and services	19
B3-3 Depreciation, amortisation and impairment of non-financial assets	20
B3-4 Other expenses	21
B4. Gains or losses	
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets	22
B5. Performance against budget	
B5-1 Material budget variations	23
C. Financial position	
C1. Assets we manage	
C1-1 Cash and cash equivalents	24
C1-2 Restricted cash, cash equivalents and investments	24
C1-3 Receivables	25
C1-4 Inventories	26
C1-5 Infrastructure, property, plant and equipment	27
C2. Liabilities of Council	
C2-1 Payables	28
C2-2 Contract liabilities	29
C2-3 Employee benefit provisions	30
D. Risks and accounting uncertainties	
D1-1 Risks relating to financial instruments held	31
D3-1 Contingencies	32
E. People and relationships	
E1. Related party disclosures	
E1-1 Key management personnel (KMP)	33
F1-2 Members and Chairman's fees	34
E2. Other relationships	
E2-1 Audit fees	35
F. Other matters	
F1-1 Statement of Cash Flows information	36
F2-1 Commitments	36
F3-1 Statement of performance measures	37

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2021

A1-1 Basis of Preparation

These financial statements were authorised for issue by Council on 6 August 2021.

Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend 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.

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.

Historical Cost Convention

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

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: employee benefit provisions – refer Note C2-3.

Significant judgements in applying the council's accounting policies

- i. Impairment of receivables – refer Note C1-3.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 Revenue from Contracts with Customers and / or AASB 1058 Income of Not-for-Profit Entities – refer to Notes B2-2 – B2-3.

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2021

A1-1 Basis of Preparation

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.

The Trust Fund

In accordance with the provisions of s 411 of the Local Government Act 1993, a separate and distinct Trust Fund is maintained to account for all money and property received by Council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

A separate statement of monies held in the Trust Fund is available for inspection at Council's offices by any person free of charge.

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.

New accounting standards and interpretations issued not yet effective

There are no new accounting standards currently published will affect Upper Macquarie County Council.

New accounting standards adopted during the year

Council adopted all standards which were mandatorily effective for the first time at 30 June 2021.

B. Financial Performance

B1. Functions or activities

B1-1 Council functions and activities - Financial information

	Income		Expenses		Operating Results		Grants		Carrying Amount of Assets	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Functions/Activities										
Governance	-	-	27	29	(27)	(29)	-	-	-	
Environment	1,728	1,258	1,571	1,203	157	55	1,062	989	1,525	1,260
Other	7	18			7	18	-	-	-	-
Total functions & activities	1,735	1,276	1,598	1,232	137	44	1,062	989	1,525	1,260

Note B1-2 Components of functions or activities

Governance

Council 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

Council carries out the functions of the Biosecurity Act 2015 (Th Act) - The primary object of this Act is to provide a framework for the prevention, elimination and minimisation of biosecurity risks posed by biosecurity matter, dealing with biosecurity matter, carriers and potential carriers, and other activities that involve biosecurity matter, carriers or potential carriers. The Biosecurity matter focus is noxious weeds.

B2. Sources of Income

B2-1 User charges and fees

	2021	2020
	\$'000	\$'000
User charges		
User charges - Chemical Sales	63	60
Total user charges	63	60
Fees		
Section 64 Certificates	5	5
Private works	574	184
Total fees	579	189
Total user charges and fees	642	249
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	480	184
User charges and fees recognised at a point in time	162	65
Total user charges and fees	642	249

Accounting Policy for User fees and charges

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods/services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of service or in some cases, the customer is required to pay in advance of the good or service being provided. Council may be required to provide a refund if the good or service is not provided.

B2. Sources of Income

B2-2 - Other revenue

	2021 \$'000	2020 \$'000
B2-2 - Other revenue		
Insurance Rebates	5	5
Other Income	19	15
Total other revenue	24	20
Timing of revenue recognition for other revenue		
Other revenue recognised over time	-	-
Other revenue recognised at a point in time	24	20
Total other revenue	24	20

Accounting Policy for other revenues

Where the revenue is earned for the provision of specified goods/services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-3 - Grant and contributions

	Operating		Capital	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Special purpose grants and non-developer contributions (tied)				
Cash contributions				
Other	349	343	-	-
Constituent Council Contributions	713	646	-	-
Total special purpose grants and non-developer contributions (tied)	<u>1,062</u>	<u>989</u>	<u>-</u>	<u>-</u>
Total grants and non-developer contributions	<u>1,062</u>	<u>989</u>	<u>-</u>	<u>-</u>
Total grants and contributions	<u>1,062</u>	<u>989</u>	<u>-</u>	<u>-</u>
Timing of revenue recognition				
Grants and contributions recognised over time	-	4	-	-
Grants and contributions recognised at a point in time	1,062	985	-	-
Total grants and contributions	<u>1,062</u>	<u>989</u>	<u>-</u>	<u>-</u>

Unspent grants and contributions

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

	Operating		Capital	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unspent funds at 1 July	44	44	-	-
Unspent funds at 30 June	<u>44</u>	<u>44</u>	<u>-</u>	<u>-</u>

B2-3 - Grant and contributions (continued)

Accounting Policy

Grants and contributions - enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligation is transferred.

The performance obligations may vary according to the agreement, but include conducting specific services in relation to dealing with noxious weeds, or supply of agreed deliverables such as publications. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods/services at a single time (e.g. completion of the project when a report/outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods of costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construction or purchase is completed.

For acquisitions of assets, revenue is recognised when the asset is acquired and controlled by the Council.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then the income is recognised for any remaining asset value at the time that the asset is received.

B2-4 Interest and investment income

	2021	2020
	\$'000	\$'000
Interest on financial assets measured at amortised cost		
- Cash and investments	7	18
Total interest and investment income	<u>7</u>	<u>18</u>

Accounting Policy

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

B3. Costs of providing services

B3-1 Employee benefits and on-costs

	2021 \$'000	2020 \$'000
Salaries and wages	502	484
Employee leave entitlements	95	79
Superannuation	54	52
Workers' Compensation Insurance	15	9
Training costs (excluding salaries)	7	9
Other (specify if material)	10	4
Less: Capitalised costs	-	-
Total employee costs expensed	683	637

Accounting Policy for Employee Benefits and on costs

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

All employees of Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

B3. Costs of providing services

B3-2 Materials and services

	2021 \$'000	2020 \$'000
Raw materials and consumables	208	164
Contractor costs	464	199
Consultancy costs	21	19
Legal fees	8	2
IT expenses	37	24
Chairman's fee	8	8
Member's fees	16	16
Member's (incl. Chairman's) expense	3	5
Insurance	34	31
Subscriptions and publications	2	2
Telephone	7	7
Postage, printing and stationary	4	3
Rent	6	2
Motor vehicles	50	47
Other	2	4
Total materials and services	870	533

Accounting Policy

Expenses are recorded on an accruals basis as Council receives the goods or services.

B3. Costs of providing services

B3-3 Depreciation, amortisation and impairment of non-financial assets

	2021 \$'000	2020 \$'000
Depreciation and amortisation		
Plant and equipment	42	48
Total depreciation and amortisation	42	48
Total depreciation, amortisation and impairment of non-financial assets	42	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.

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.

B3. Costs of providing services**B3-4 Other expenses**

	2021	2020
	\$'000	\$'000
Bad & Doubtful Debts	2	14
Total other expenses from continuing operations	2	14

Accounting Policy for other expenses

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

B4. Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

	2021 \$'000	2020 \$'000
(1) Gain (or loss) on disposal of Infrastructure, Property, Plant and Equipment		
Proceeds from disposal	-	-
Less: Carrying amount of assets sold	(1)	-
Gain (or loss) on disposal of IPPE	(1)	-
Net gain (or loss) from disposal of assets	(1)	-

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.

B5. Performance Against Budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 26 May 2020 and is not required to be audited. 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.

While these general purpose financial statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Revenue	Budget \$'000	Actual \$'000	Variance \$'000	Variance %
User charges & fees	15	642	627	4180%
Two aerial spraying programs were run during the year in Spring 2020 & Autumn 2021 - Spring program focusing primarily on Serrated tussock and Autumn program on Blackberry.				
Other revenues < 10% variance	11	24	13	N/A
Grants & contributions < 10% variance	1,056	1,062	6	1%
Interest & investment revenue National economic movements provided for higher than expected interest rates.	2	7	5	250%
Expenses				
Employee Costs < 10% variance	675	683	8	1%
Materials and contracts	197	870	673	342%
Two aerial spraying programs were run during the year in Spring 2020 & Autumn 2021 - Spring program focusing primarily on Serrated tussock and Autumn program on Blackberry.				
Depreciation and amortisation	42	42	-	0%
Other Expenses < 10% variance	2	2	-	0%

C. Financial Position

C1. Assets we manage

C1-1 Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank and on hand	1	1
Deposits at call	1,326	1,106
	1,327	1,107
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	1,327	1,107
Less: bank overdraft	-	-
Balances as per Statement of Cash Flows	1,327	1,107

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.

C1-2 Restricted cash, cash equivalents and investments

	2021		2020	
	Actual Current \$'000	Actual Non- Current \$'000	Actual Current \$'000	Actual Non- Current \$'000
Total cash, cash equivalents and investments	1,327	-	1,107	-
	2021 \$'000		2020 \$'000	
External restrictions				
Included in liabilities	44		44	
Total external restrictions	44		44	
Internal restrictions				
Business viability fund	400		300	
Biosecurity enforcement	14		-	
Plant replacement	153		97	
Infrastructure replacement	100		44	
Employee leave entitlements	150		150	
Other	50		50	
Total internal restrictions	867		641	
Total restrictions	911		685	

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected.

C1-3 Receivables

	2021		2020	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
User charges and fees	24	-	24	-
Other debtors	9	-	9	-
GST Due	-	-	2	-
Total	33	-	35	-
Less: Provision for impairment:				
– User charges and fees	(8)	-	(13)	-
– Other	(9)	-	(4)	-
Total Net Receivables	16	-	18	-

Accounting Policy for receivables**Recognition and measurement**

Receivables 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 to settlement within 30 days.

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 ECL, 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 presumption 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.

C1-4 Inventories

	2021		2020	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
At cost:				
Stores, materials and trading stock	98	-	33	-
Total inventories	98	-	33	-

Accounting Policy**Raw materials and 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.

C1-5 Infrastructure, property, plant and equipment**(8) Infrastructure, property, plant and equipment**

By asset type	At 30 June 2020			Movements during year			At 30 June 2021		
	Gross Carrying Amount	Accumulated depreciation and impairment	WDV	New Assets	Carrying value of disposals	Depreciation	Gross Carrying Amount	Accumulated depreciation and impairment	WDV
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Plant and equipment	344	252	92	26	- 1	- 42	188	113	75
Buildings – Specialised	21	21	-	-	-	-	21	21	-
Totals	365	273	92	26	- 1	- 42	209	134	75

Accounting policy for infrastructure, property, plant and equipment

Plant and Equipment is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

Useful life of Property Plant and Equipment

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.

C2. Liabilities of Council

C2-1 Payables

	2021		2020	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Payables				
Goods and services	95	-	10	-
Accrued wages and salaries	20	-	16	-
Accrued expenses	21	-	20	-
Deposits and retentions	1	-	1	-
GST & PAYG Payable	13	-	-	-
Total payables	150	-	47	-
(b) Current payables not expected to be settled within the next 12 months				
	-	-	-	-
	-	-	-	-

Accounting Policy

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.

C2-2 Contract liabilities

	2021		2020	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Contract Liabilities				
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 (i)	44	-	44	-
Total Contract Liabilities	44	-	44	-

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

Revenue recognised that was included in the contract liability balance at the beginning of the period	2021 \$'000	2020 \$'000
Funds received prior to performance obligation being satisfied (upfront payments) - AASB 15 (i)	44	44
	44	44

Accounting Policy for contract liabilities

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C2-3 Employee benefit provisions

	2021		2020	
	Current	Non-Current	Current	Non-Current
	\$'000	\$'000	\$'000	\$'000
Time in Lieu	14	-	4	-
Annual leave	77	-	68	-
Sick leave	-	-	-	-
Long service leave	48	26	46	22
Total employee benefit provisions	139	26	118	22

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

104

Accounting Policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts includes superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

D. Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

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 Council.

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 managerial 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.

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

The risks associated with the financial instruments held

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.

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

(a) Market risk - interest rate risk

The impact on result for the year and equity of a reasonable possible movement in interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at reporting date.

	2021	2020
	\$'000	\$'000
Impact of 0.30% movement in interest rates:		
Equity/Income Statement	-	-

D1-1 Risks relating to financial instruments held (continued)**(b) Credit risk**

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.

Credit risk profile**Receivables - non-rates and annual charges**

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined as follows: The expected credit losses incorporate forward-looking information

	Not yet due	Overdue debts				Total
		< 30 days	30 - 60 days	60-90 days	> 90 days	
2021						
	Gross carrying amount (\$'000)	10	6	-	17	33
	Expected credit loss rate (%)	0%	0%	0%	0%	0%
	ECL provision (\$'000)	-	-	-	-	-
2020						
	Gross carrying amount (\$'000)	9	-	-	24	33
	Expected credit loss rate (%)	0%	0%	0%	0%	0%
	ECL provision (\$'000)	-	-	-	-	-

D1-1 Risks relating to financial instruments held (continued)**(c) Liquidity risk**

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:

2021	\$'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%	150	-	-	150	150
			150	-	-	150	150
2020	\$'000						
Payables		0.00%	47	-	-	47	47
			47	-	-	47	47

D3-1 Contingencies**Contingent liabilities**

Upper Macquarie County Council (UMCC) has taken unprecedented enforcement action against a landholder that has to-date substantially failed to meet their biosecurity duty. The action would serve as a 'test case'. Council has allocated a budget of \$25,000 for this 'test case' including contractor works and legal costs.

E. People and relationships

E1. Related party disclosures

E1-1 Key management personnel (KMP)

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

Compensation	2021 \$'000	2020 \$'000
Short-term benefits	127	126
Post employment benefits	10	10
Other long-term benefits	2	2
Termination Benefits	-	-
Total	139	138

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.

E1-2 Members and Charimans fees and associated expenses

	2021 \$'000	2020 \$'000
Chairman's fee	8	8
Member's fees	16	16
Member's (including Chairman) expenses	3	5
Total	27	29

E2. Other relationships

E2-1 Audit fees

Audit and other assurance services: Auditors of Council - NSW Auditor-General:	2021	2020
	\$'000	\$'000
Audit and review of financial statements	18	18
Other assurance services	-	-
Total fees paid or payable to the Auditor-General	18	18

F. Other matters

F1-1 Statement of Cash Flows

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

Net operating result from Income statement	137	44
Add:		
Depreciation, amortisation and impairment	42	48
Non-cash adjustment due to change in accounting policy	-	(40)
Increase/(decrease) in provision for leave entitlements	25	14
(Increase)/decrease in receivables	2	71
(Increase)/decrease in inventories	(65)	6
(Increase)/decrease in prepayments	1	(6)
Increase/(decrease) in payables	103	(51)
Increase/(decrease) in contract liabilities	-	44
(Profit)/ loss on sale of assets	1	-
Other	-	-
Net cash provided from (or used in) operating activities from Statement of cash flows	246	130

F2-1 Commitments

	Note	Actual 2021 \$'000	Actual 2020 \$'000
(a) Capital commitments (exclusive of GST)		Nil	Nil

F3. Statement of performance measures

F3-1 Statement of performance measures

	Amounts 2021 \$'000	2021 indicators	2020 indicators	Benchmark
1. Operating performance				>0
Total continuing operating revenue ^[1] excluding capital grants and contributions – operating expenses	<u>137</u>	7.90%	3.45%	
Total continuing operating revenue ¹ excluding capital grants and contributions	1,735			
2. Own source operating revenue				>60%
Total continuing operating revenue ¹ less all grants and contributions	<u>673</u>	38.79%	22.49%	
Total continuing operating revenue ¹ inclusive of capital grants and contributions	1,735			
3. Unrestricted current ratio				>1.5x
Current assets less all external restrictions	<u>1,406</u>	4.22	5.38	
Current liabilities less specific purpose liabilities	333			
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	<u>1,327</u>	10.58	10.88	
Payments from cash flow of operating and financing activities	1,505			
	x 12			

[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 Statement by Members and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, 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 (including Independence Standards)' (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 2021 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.

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.

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.

The scope of my audit does not include, nor 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 B5-1 Material budget variations
- on the Special Schedules.
- 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
Delegate of the Auditor-General for New South Wales

13 August 2021
SYDNEY



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

Contact: Karen Taylor
Phone no: 9275 7311
Our ref: D2116428

13 August 2021

Dear Ian

**Report on the Conduct of the Audit
for the year ended 30 June 2021
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 2021 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 2021 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.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$000'	\$000'	%
User Charges and Fees Revenue	642	249	↑ 157.8
Grants and contributions revenue	1,062	989	↑ 7.4
Operating result from continuing operations	137	44	↑ 211.4

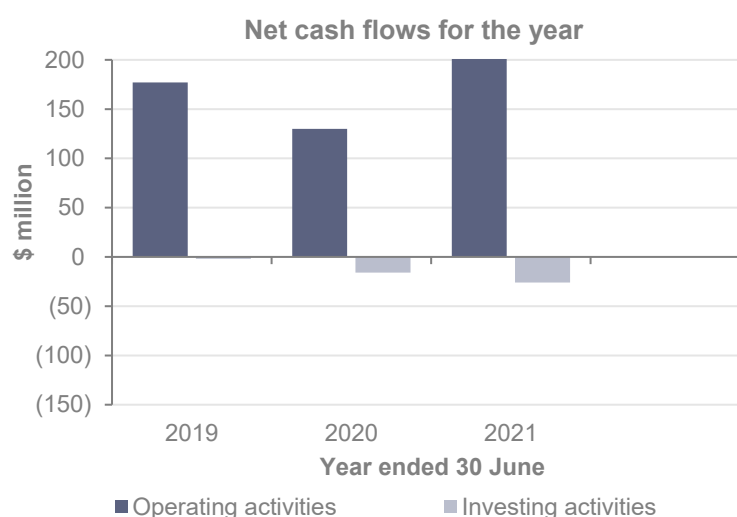
The Council's operating result from continuing operations (\$137,000 including depreciation and amortisation expense of \$42,000) was \$93,000 higher than the 2019–20 result. The movement was due to:

- the spring and autumn aerial spraying program both went ahead in the 2020–21 year due to the optimal weather conditions. This is compared with the 2019–2020 year where, due to dry conditions, only the spring program went ahead. The suitable weather conditions also meant more landowners engaged with the Council's spray programs.
- Increase in user charges increased due to one-off work performed for Bathurst Regional Council and Department of Planning Industries and Environment.
- the increase in constituent council contributions (10.4 per cent) and other government grants increased (3 per cent).
- more activity contributed to increased material and services expenditure (63.2 per cent) and increased salaries and wages (7.2 per cent).

STATEMENT OF CASH FLOWS

Council had \$220,000 more cash at 30 June 2021 (\$1,327,000) compared to 30 June 2020 (\$1,107,000).

This is attributable to the profit of \$137,000 adjusted for non-cash items.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$000'	\$000'	
Total cash, cash equivalents and investments	1,327	1,107	<ul style="list-style-type: none"> • Externally restricted funds relate to unspent grant monies. • Council authorised changes to the internally restricted funds during the year. This included \$100,000 increase in business viability reserves.
Restricted cash and investments:			
• External restrictions	44	44	<ul style="list-style-type: none"> • Overall cash has increased from the prior year. The movement has been explained in the 'Statement of Cash Flows' section above.
• Internal restrictions	867	641	

PERFORMANCE

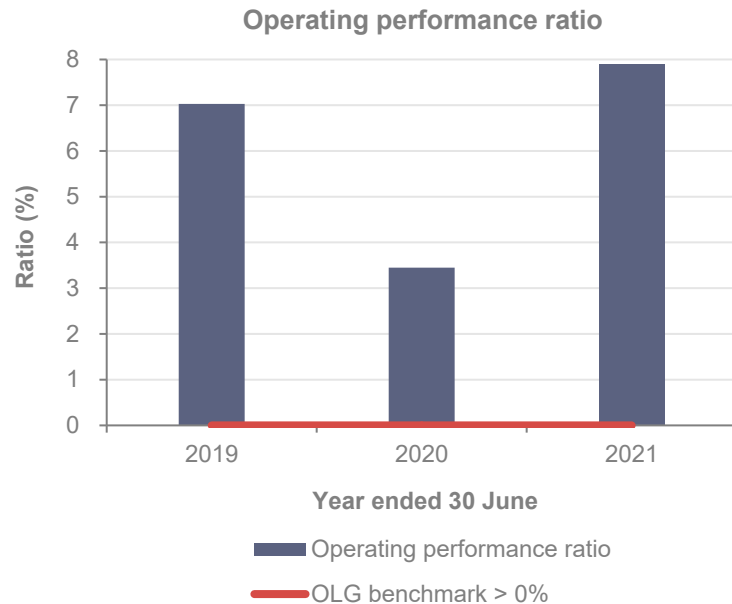
Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

The Council continues to exceed the OLG benchmark for the current reporting period. The size of Council's operations means small dollar movements result in large percentage movements in this ratio.

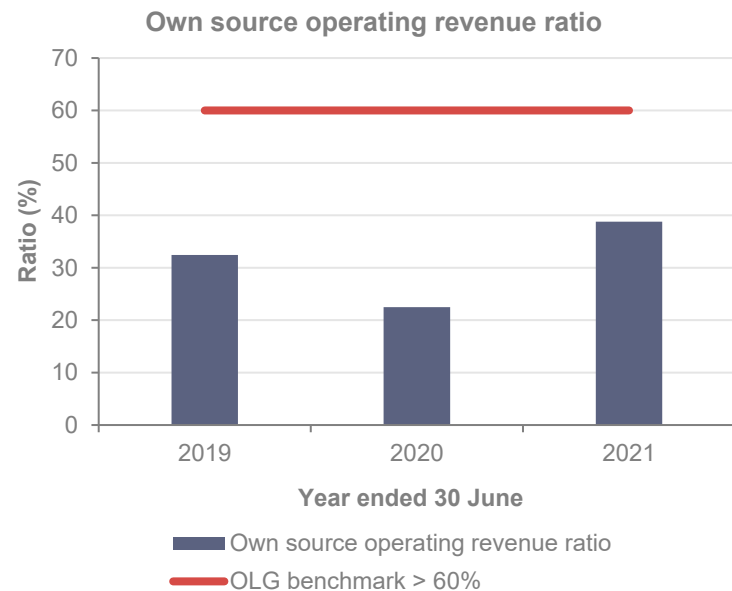
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.



Own source operating revenue ratio

The Council remained below the OLG benchmark for the current reporting period due to its reliance on Weeds Action Plan Funding and Constituent Council Contributions to fund its operations.

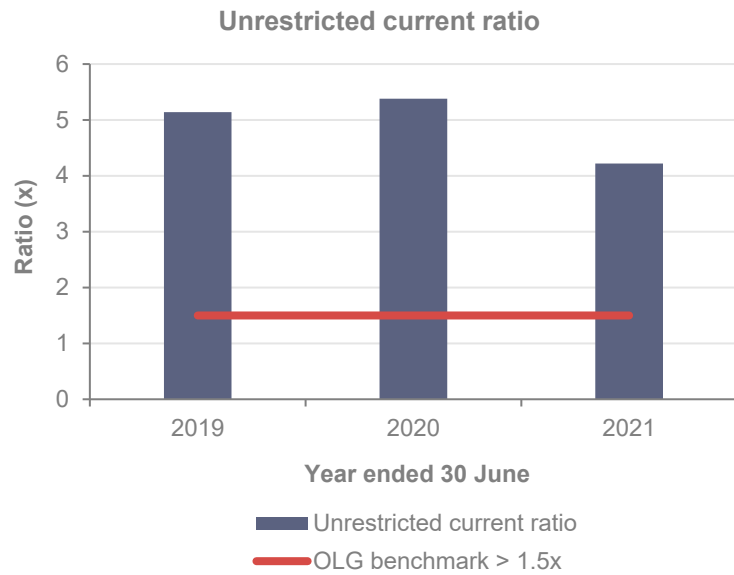
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

The Council continued to exceed the OLG benchmark for the current reporting period.

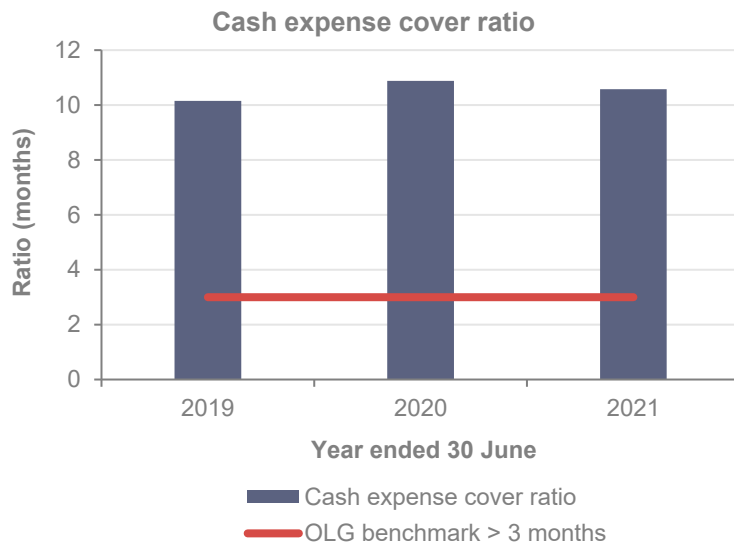
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Cash expense cover ratio

The Council continued to exceed the OLG benchmark for the current reporting period.

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.



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 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.

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

**Upper Macquarie County Council
Special Schedules
for the year ended 30 June 2021**

Upper Macquarie County Council
Special schedules
for the year ended 2021

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 2021

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 *				
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	1	2	3	4	5
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 Schedules
Report on Infrastructure Assets as at 30 June 2021 (continued)

Infrastructure Asset Performance Indicators – Consolidated				
	Amounts	Current year indicators	2020	2019
	\$'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			