

**Upper Macquarie County Council
General Purpose Financial Statements
for the year ended 30 June 2017**

Upper Macquarie County Council

General purpose financial statements

for the year ended 30 June 2017

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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 . 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 2017**

**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:

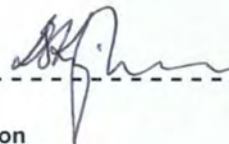
- presents fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 19/10/2017.



Chairperson



Deputy Chairperson



Roger Bailey

General Manager & Responsible Accounting Officer

Upper Macquarie County Council

Income statement

for the year ended 30 June 2017

Original budget (1) 2017 \$'000	Notes	Actual 2017 \$'000	Restated 2016 \$'000
Income from continuing operations			
<i>Revenue:</i>			
- Rates and annual charges	3a	-	-
728 User charges and fees	3b	669	689
18 Interest and investment revenue	3c	5	14
- Other revenues	3d	6	110
862 Grants and contributions provided for operating purposes	3e,f	885	887
- Grants and contributions provided for capital purposes	3e,f	-	-
<i>Other Income:</i>			
4 Net gain from the disposal of assets	5	-	-
1,612 Total income from continuing operations		1,565	1,700
Expenses from continuing operations			
653 Employee benefits and on-costs	4a	477	724
- Borrowing costs	4b	-	-
818 Materials and contracts	4c	855	987
40 Depreciation and amortisation	4d	48	45
- Impairment	4d	-	-
68 Other expenses	4e	129	128
1,579 Total expenses from continuing operations		1,509	1,884
33 Operating result from continuing operations		56	(184)
33 Net operating result for the year		56	(184)
<i>Attributable to:</i>			
- – Council		56	(184)
- – Non-controlling interests		-	-
33 Net operating result for the year before grants and contributions provided for capital purposes		56	(184)

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 2017

	Notes	Actual 2017 \$'000	Restated 2016 \$'000
Net operating result for the year – from Income statement		56	(184)
Other comprehensive income			
<i>Amounts which will not be reclassified subsequently to operating result</i>			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	20b	-	-
Adjustment to correct prior period errors	20d	-	-
<i>Amounts which will be reclassified subsequently to operating result when specific conditions are met</i>			
Gain (loss) on revaluation of available-for-sale investments	20b	-	-
Realised available-for-sale investment gains recognised in revenue	20b	-	-
Total other comprehensive income for the year		56	(184)
Total comprehensive income for the year		56	(184)
<i>Attributable to</i>			
– Council		56	(184)
– Non-controlling interests		-	-

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

Upper Macquarie County Council

Statement of financial position

as at 30 June 2017

	Notes	Actual 2017 \$'000	Restated 2016 \$'000	Restated 1/7/2015 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	6a	765	874	1,142
Investments	6b	-	-	-
Receivables	7	90	98	39
Inventories	8	75	35	39
Total current assets		930	1,007	1,220
Non-current assets				
Infrastructure, property, plant and equipment	9	116	160	169
Total non-current assets		116	160	169
Total assets		1,046	1,167	1,389
LIABILITIES				
Current liabilities				
Payables	10	33	44	38
Provisions	10	57	203	47
Total current liabilities		90	247	85
Non-current liabilities				
Provisions	10	65	85	285
Total non-current liabilities		65	85	285
Total liabilities		155	332	370
Net assets		891	835	1,019
EQUITY				
Retained earnings	20	891	835	1,019
Total equity		891	835	1,019

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

Upper Macquarie County Council
Statement of changes in equity
as at 30 June 2017

	Retained earnings	Council equity interest	Total equity
\$'000			
2017			
Opening balance	835	835	835
Correction of errors	-	-	-
Changes in Accounting Policies	-	-	-
Restated opening balance	835	835	835
Net operating result for the year	56	56	56
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Closing balance	891	891	891
\$'000			
2016			
Opening balance	885	885	885
Correction of errors	134	134	134
Changes in Accounting Policies	-	-	-
Restated opening balance	1,019	1,019	1,019
Net operating result for the year	(184)	(184)	(184)
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Closing balance	835	835	835

The above Statement of changes in equity should be read in conjunction with accompanying note 20.

Upper Macquarie County Council
Statement of cash flows
for the year ended 30 June 2017

Original budget (1) 2017 \$'000	Notes	Actual 2017 \$'000	Actual 2016 \$'000
Cash flows from operating activities			
<i>Receipts:</i>			
-	Rates and annual charges	-	-
728	User charges and fees	677	630
18	Investment revenue and interest	5	14
862	Grants and contributions	885	887
-	Other	6	110
<i>Payments:</i>			
(653)	Employee benefits and on-costs	(643)	(768)
(818)	Materials and contracts	(906)	(977)
(68)	Other	(129)	(128)
69	Net cash provided (or used) in operating activities	(105)	(232)
Cash flows from investing activities			
<i>Receipts:</i>			
-	Sale of infrastructure, property, plant and equipment	-	-
<i>Payments:</i>			
(37)	Purchase of infrastructure, property, plant and equipment	(4)	(36)
(37)	Net cash provided by (or used in) Investing activities	(4)	(36)
Cash flows from financing activities			
<i>Receipts:</i>			
-	Borrowings and advances	-	-
<i>Payments:</i>			
-	Borrowings and advances	-	-
-	Net cash provided by (or used in) financing activities	-	-
32	Net increase/(decrease) in cash and cash equivalents	(109)	(268)
1,000	Cash and cash equivalents at beginning of reporting period	874	1,142
1,032	Cash and cash equivalents at end of reporting period	765	874

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

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Notes 1 to 20 and 27 to 28 are mandatory and must be presented in the order specified. Notes 21 to 26 need only be included if applicable. Notes 13(b) and 21 need only be included if Council has Water and Sewer Funds.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(v) Basis of accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

- (i) Estimated fair values of infrastructure, property, plant and equipment,

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3 (g).

Note 3 (g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

User charges, fees and other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

A liability is recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided as at balance date.

Sale of infrastructure, property, plant and equipment

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

Interest and rents

Rental income is accounted for on a straight-line basis over the lease term.

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

Other Income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

(i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund

unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

(ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that 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 statements.

Trust monies and property held by Council but not subject to the control of Council have been excluded from these statements.

A separate statement of monies held in the trust fund is available for inspection at the Council office by any person free of charge.

(iii) Interests in other entities

Subsidiaries (Controlled Entities)

Subsidiaries represent all entities (including structured entities) over which the Council has control.

Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

that entity were different from those adopted by the consolidated entity.

All controlled entities have a June financial year end.

Detailed information relating to the entities that Council controls can be found at Note 19(a).

Joint arrangements

Council has no interest in any joint arrangements.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (b).

County councils

Council is not a member of any county councils (which are bodies incorporated under the *Local Government Act*).

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- 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 that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments, and**
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial assets – reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General accounting and measurement of financial instruments:

(i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

Loans and receivables and **held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

Council assesses at each balance date 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 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

(g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow

analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Buildings – specialised/non-specialised**
(internal valuation)

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Plant and Equipment	
Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant and Equipment	> \$5,000

Buildings and Land Improvements

Building	
- construction/extensions	> \$10,000
- renovations	> \$10,000

Other Structures > \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant and Equipment

- Office Equipment	3 to 10 years
- Office furniture	3 to 10 years
- Computer Equipment	3 years
- Vehicles	5 years

Buildings

- Buildings	100 years
- Structures	10 to 50 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

(l) Intangible assets

Council has not classified any assets as intangible.

(m) Crown reserves

Council has no Crown reserves under Council's care and control.

(n) Rural fire service assets

Council has no Rural Fire Service assets under Council's care and control.

(o) Investment property

Investment property comprises land and/or buildings that are principally held for long-term rental yields, capital gains or both, that is not occupied by Council.

Council has no investment properties under Council's care and control.

(p) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Council has no tip or quarry assets under Council's care and control.

(q) Non-current assets (or disposal groups) 'held for sale' and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less

costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the balance sheet.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(r) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(s) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year that are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(v) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Short-term obligations

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for

employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the 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.

Defined benefit plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Defined contribution plans

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 the future payments is available.

(iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

Upper Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(x) Self-insurance

Council does not self-insure.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

(y) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(z) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods and Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

Operating cash flows within the Cash Flow Statement are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(aa) New accounting standards and Interpretations issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2017.

Council has not adopted any of these standards early.

(ab) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

(ac) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Upper Macquarie County Council

Notes to the financial statements for the year ended 30 June 2017

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

Functions/Activities	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	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	
	2017 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2017 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	
Governance	-	-	-	29	27	23	(29)	(27)	(23)	-	-	-	
Environment	1,612	1,565	1,661	1,550	1,482	1,861	62	83	(200)	1,046	1,167	885	
Total functions & activities	1,612	1,565	1,661	1,579	1,509	1,884	33	56	(223)	1,046	1,167	885	
General purpose income	-	-	39	-	-	-	-	-	39	-	-	-	
Net operating result for the year⁽¹⁾	1,612	1,565	1,700	1,579	1,509	1,884	33	56	(184)	1,046	1,167	885	

(1) As per the *Income Statement*

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 and other environmental protection.

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2017

Note 3 Income from continuing operations

	Actual 2017 \$'000	Actual 2016 \$'000
(a) Rates and annual charges		
Ordinary rates	-	-
Total ordinary rates	<u>-</u>	<u>-</u>
Annual charges (<i>pursuant to s496, 496A, 496B, 501 & 611</i>)		
Total annual charges	<u>-</u>	<u>-</u>
Total rates and annual charges	<u><u>-</u></u>	<u><u>-</u></u>
(b) User charges and fees		
User charges	47	-
Total user charges	<u>47</u>	<u>-</u>
Fees		
603 Certificates	14	-
Private works	608	689
Total fees	<u>622</u>	<u>689</u>
Total user charges and fees	<u><u>669</u></u>	<u><u>689</u></u>
(c) Interest & Investment Revenue (incl losses)		
Interest and Dividends		
– Cash and Investments	5	14
Total interest and investment revenue (losses)	<u>5</u>	<u>14</u>
(d) Other revenues		
Miscellaneous sales	6	110
Total other revenue	<u>6</u>	<u>110</u>

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2017

Note 3 Income from continuing operations (continued)

	Operating Grants		Capital Grants	
	Actual 2017 \$'000	Actual 2016 \$'000	Actual 2017 \$'000	Actual 2016 \$'000
(e) Grants				
General purpose (Untied)				
Financial Assistance Grants	-	-	-	-
Total General Purpose	-	-	-	-
Special purpose				
Other (specify if material)	326	337	-	-
Total Special Purpose	326	337	-	-
Total Grants	326	337	-	-
<i>Comprising:</i>				
– Commonwealth funding	258	250	-	-
– State funding	68	87	-	-
	326	337	-	-
(f) Contributions				
Developer contributions				
Constituent Council Contributions	559	550	-	-
Total contributions	559	550	-	-
Total grants and contributions	885	887	-	-

**Actual
2017
\$'000**

**Actual
2016
\$'000**

(g) Restrictions relating to grants and contributions

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

Grants and contributions recognised in the current period; not spent	27	80
Net increase/(decrease) in restricted grants and contributions	27	80

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 4 Expenses from continuing operations

	Actual 2017 \$'000	Actual 2016 \$'000
(a) Employee benefits and on costs		
Salaries and wages	559	657
Travelling	-	-
Employee leave entitlements	(130)	(3)
Superannuation	38	67
Workers' Compensation Insurance	10	5
Less: Capitalised costs	-	(2)
Total employee costs expended	477	724
(b) Borrowing costs		
Interest on overdrafts	-	-
Interest on loans	-	-
Total borrowing costs expended	-	-
(c) Materials and contracts		
Raw materials and consumables	260	377
Contractor and consultancy costs (specify material contracts/ consultancies)	581	605
Remuneration of Auditors ⁽¹⁾	14	5
Total materials and contracts	855	987
⁽¹⁾ During the year the following fees were paid or payable for services provided by the Council's auditor:		
(i) Audit and other assurance services		
Audit and review of financial statements - Audit Office of NSW	14	-
Audit and review of financial statements - Bennett Keogh and Associates	-	5
Total remuneration for audit and other assurance services	14	5
(ii) Taxation services	-	-
Total remuneration for taxation services	-	-
Total remuneration	14	5

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 4 Expenses from continuing operations

	Depreciation		Impairment ⁽¹⁾	
	Actual	Actual	Actual	Actual
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
(d) Depreciation, amortisation and impairment				
Plant and equipment	48	45	-	-
Total depreciation and total impairment	48	45	-	-

Note:

(1) Impairment losses for revalued assets are to be 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. Show gross impairment and the amount of impairment offset against asset revaluation reserves.

	Actual	Actual
	2017	2016
	\$'000	\$'000
(e) Other expenses		
Other expenses for the year including the following:		
Advertising	5	5
Mayoral fee	7	7
Councillors' fees	15	15
Councillors' (incl. Mayor) expenses	5	5
Insurance	31	30
Office rent	7	7
Printing & Stationery	4	7
Software Licences	31	23
Telephone	13	15
Other – (specify if material)	11	14
Total other expenses from continuing operations	129	128

Note 5 Gains or losses from the disposal of assets

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

Proceeds from disposal	-	-
Less: Carrying amount of assets sold	-	-

Gain (or loss) on disposal of IPPE

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

	-	-
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Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 6 Cash Assets and Investments

	2017		2016	
	Actual Current \$'000	Actual Non-Current \$'000	Actual Current \$'000	Actual Non-Current \$'000
(a) Cash & Cash Equivalents				
Cash at bank and on hand	30	-	(5)	-
Deposits at call	735	-	879	-
Total Cash & Cash Equivalents	765	-	874	-
(b) Investments				
Long Term Deposits	-	-	-	-
Total Cash & Cash Equivalents	-	-	-	-
(c) Restricted Cash, Cash Equivalents & Investments				
Total cash, cash equivalents and investments	765	-	874	-
Comprising:				
External restrictions	27	-	80	-
Internal restrictions	386	-	512	-
Unrestricted	352	-	282	-
	765	-	874	-
2016				
	Opening Balance \$'000	Transfers to Restrictions \$'000	Transfers from Restrictions \$'000	Closing Balance \$'000
External restrictions				
<i>Included in liabilities</i>		Nil		
<i>Other</i>				
Specific purpose unexpended grants	80	20	(73)	27
Total external restrictions	80	20	(73)	27
Internal restrictions				
Plant replacement	60	37	-	97
Infrastructure replacement	89	-	-	89
Employee leave entitlements	313	-	(163)	150
Carry-over works	50	-	-	50
Total internal restrictions	512	37	(163)	386
Total restrictions	-	57	(236)	413

Upper Macquarie County Council
Notes to the financial statements
for the year ended 30 June 2017

Note 7 Receivables

	2017		2016	
	Actual Current	Actual Non- Current	Actual Current	Actual Non- Current
	\$'000	\$'000	\$'000	\$'000
Deferred debtors	83	-	98	-
GST Due	3	-	-	-
Super Guarantee Due	4	-	-	-
Total	90	-	98	-
Less: Provision for impairment: – Other	-	-	-	-
Total Net Receivables	90	-	98	-
Restricted receivables				
<i>Externally restricted receivables</i>	-	-	-	-
<i>Unrestricted receivables</i>	90	-	98	-
Total Net Receivables	90	-	98	-

Note 8 Inventories & Other Assets

Inventories

Stores and materials

Total inventories

Other assets

Other

Total other assets

Restricted inventories and other assets

Externally restricted inventories & other assets

Unrestricted inventories & other assets

Total Net Receivables

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

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

By asset type	At 30 June 2016				Movements during year				At 30 June 2017			
	Gross Carrying Amount	Fair value	Accum depn and impairment	Net Carrying Amount	Additions	WDV of disposals	Depn and impairment	Gross Carrying Amount	Fair value	Accum depn and impairment	Net Carrying Amount	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Plant and equipment	288	288	128	160	4	-	48	292	292	176	116	
Buildings – Non specialised	-	-	-	-	-	-	-	-	-	-	-	
– Specialised	26	26	26	-	-	-	-	26	26	26	-	
Totals	314	314	154	160	4	-	48	318	318	202	116	

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 2017

Note 10(a) Payables, Borrowings & Provisions

	2017		2016	
	Actual Current \$'000	Actual Non-Current \$'000	Actual Current \$'000	Actual Non-Current \$'000
Payables				
Goods and services	19	-	6	-
Accrued expenses – Other	14	-	36	-
Deposits and retentions	-	-	2	-
Total payables	33	-	44	-
Current payables not expected to be settled within the next 12 months	Nil			
Borrowings				
Loans	-	-	-	-
Total interest bearing liabilities	-	-	-	-
Provisions⁽²⁾				
Annual leave	46	26	139	64
Long service leave	11	39	64	21
Total provisions	57	65	203	85
Current provisions not expected to be settled within the next 12 months	Nil			
Restricted Payables, Borrowings & Provisions				
<i>Externally restricted liabilities</i>	-	-	-	-
<i>Unrestricted liabilities</i>	57	65	203	85
Total Payables, Borrowings & Provisions	57	65	203	85

Note 10(b) Provisions - description and movements

	2016	2017			Closing Balance \$'000
	Opening Balance \$'000	Movement in Provision \$'000	Payments \$'000	Remeasurement \$'000	
Annual leave	203	(9)	122	-	72
Long service leave	85	42	77	-	50
Total	288	33	199	-	122

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 11 Statement of cash flows - additional information

	Note	Actual 2017 \$'000	Actual 2016 \$'000
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6a	765	874
Balances as per cash flow statement		765	874
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income statement		56	(184)
Add:			
Depreciation and impairment		48	45
Decrease in receivables		8	-
Decrease in inventories		-	4
		56	49
Less:			
Decrease in employee leave entitlements		(166)	(44)
Increase in receivables		-	(59)
Increase in inventories		(40)	-
(Decrease)/ Increase in payables		(11)	6
Net cash provided from (or used in) operating activities from Statement of cash flows		(105)	(232)
(c) Non-cash financing and investing activities			
Nil		-	-
		-	-
(d) Financing arrangements			
Unrestricted access was available at reporting date to the following:			
Bank overdraft facility ⁽¹⁾		50	50
Corporate credit cards		2	2
		52	52

(1) The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice

Note 12 Commitments for expenditure

	Note	Actual 2017 \$'000	Actual 2016 \$'000
(a) Capital commitments (exclusive of GST)			
		Nil	Nil
(b) Finance lease commitments			
		Nil	Nil
(c) Non-cancellable operating lease commitments			
		Nil	Nil
(d) Repairs and maintenance: investment property			
		Nil	Nil

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 13 Statement of performance measurement

Indicator	2017	2016
1. Operating performance	3.58%	-10.82%
Total continuing operating revenue ^[1] excluding capital grants and contributions – operating expenses	56	(184)
<hr/>		
Total continuing operating revenue ¹ excluding capital grants and contributions	1,565	1,700
2. Own source operating revenue	43.45%	47.82%
Total continuing operating revenue ¹ less all grants and contributions	680	813
<hr/>		
Total continuing operating revenue ¹ inclusive of capital grants and contributions	1,565	1,700
3. Unrestricted current ratio	10.00 x	3.75 x
Current assets less all external restrictions	903	927
<hr/>		
Current liabilities less specific purpose liabilities	90	247
4. Debt service cover ratio	0.00%	0.00%
Operating results ¹ before capital excluding interest and depreciation/impairment/ amortisation (EBTDA)	-	-
<hr/>		
Principal repayments (from the statement of cash flows) + borrowing interest costs (from the income statement)	-	-
5. Rates and annual charges outstanding percentage	0.00%	0.00%
Rates and annual charges outstanding	-	-
<hr/>		
Rates and annual charges collectible	-	-
6. Cash expense cover ratio	5.50 x	5.60 x
Current year's cash and cash equivalents + term deposits	765	874
<hr/>		
Payments from cash flow of operating and financing activities x 12	1,678	1,873

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

Note 14 Investment Properties

Council has no investment properties.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 15 Financial risk management

	Carrying Value		Fair Value	
	Actual 2017 \$'000	Actual 2016 \$'000	Actual 2017 \$'000	Actual 2016 \$'000

Risk management

Council's activities expose it to a variety of financial risks including price risk, 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 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 Finance Section under policies approved by the Council.

Council held the following financial instruments at reporting date:

Financial assets

Cash and cash equivalents	765	874	765	874
Receivables	90	98	90	98
	855	972	855	972

Financial liabilities

Payables	33	44	33	44
	33	44	33	44

(a) Cash and cash equivalents, Financial assets at fair value through profit and loss, Available-for-sale financial assets, Held-to-maturity investments

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. Council invests in accordance with the Minister's Order.

The risks associated with the investments held are:

- Price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.
- 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.

Council holds only cash and it is considered that Council's risk exposure is immaterial.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 15 Financial risk management (continued)

	Carrying Value		Fair Value	
	Actual	Actual	Actual	Actual
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000

(b) Receivables

Council's major receivables comprise rates and annual charges and 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. It also encourages ratepayers to pay rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land – that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

There are no significant concentrations of credit risk. The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subject to a re-negotiation of repayment terms. The profile of the Council's credit risk at reporting date was:

Council does not hold any receivables that are subject to credit risk and is therefore not exposed to these risks.

(c) Payables Borrowings

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:

2017	\$'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%	33	-	-	33	33
			33	-	-	33	33
2016	\$'000						
Payables		0.00%	44	-	-	44	44
			44	-	-	44	44

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 16 Material budget variations

Major budget variations this year occurred due to an operational review which has resulted in a large decrease in Salaries & Wages from the budget figure and a small increase in Other Expenses.

All other variances are immaterial.

Note 17 Developer contributions

Council has received no developer contributions, either in the reporting period or previously, and has no contribution plans.

Note 18 Contingencies

Council has no contingent assets or liabilities.

Note 19 Interest in joint ventures

Council has no interest in any joint ventures or associates.

Note 20 Equity - Retained Earnings and Revaluation Reserves

	Note	Actual 2017 \$'000	Actual 2016 \$'000
(a) Retained earnings			
Movements in retained earnings were as follows:			
At beginning of year		835	885
Adjustment to correct prior period errors (1)	20(d)	-	134
Net operating result for the year		56	(184)
At end of year		891	835
(b) Revaluation reserves			
		-	-
(c) Nature and purpose of reserves			
Council holds no reserves			
(d) Correction of errors in previous years			
		-	134

Unexpended grant funds previously shown as "Income Received in Advance" were restated. Retained earnings at the beginning of the comparative period (at 1 July 2015) was restated as a result of the correction. The net operating result for the year ended 30 June 2016 was also restated as a result of the correction. The operating result for the year ended 30 June 2016 decreased by \$54,000 from negative \$130,000 to negative \$184,000.

Notes:

(1) Adjusted to retained earnings.

Note 27 Fair Value Measurement

Council holds no assets that are required to be or subject to fair value measurement.

Upper Macquarie County Council

Notes to the financial statements

for the year ended 30 June 2017

Note 28 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	2017 \$'000
Short-term benefits	42
Post employment benefits	2
Other long-term benefits	-
Termination Benefits	-
	<hr/>
Total	44

Other transactions with KMP and their related parties

Nature of the Transaction	Details	Amount \$	Outstanding Balance \$
Aerial Spraying	Normal operational transaction made at arm's length price, paid for personally by a KMP for spraying on his property.	4,041	-



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Upper Macquarie County Council

To the Councillors of Upper Macquarie County Council

Opinion

I have audited the accompanying financial statements of Upper Macquarie County Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the 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 2017, 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 Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 17 October 2016.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached 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.

A handwritten signature in black ink, appearing to read 'C. Clayton', with a large, stylized flourish at the end.

Chris Clayton
Director, Financial Audit Services

27 October 2017
SYDNEY

**Upper Macquarie County Council
Special Schedules
for the year ended 30 June 2017**

Upper Macquarie County Council

Special schedules

for the year ended 2017

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Upper Macquarie County Council
Special Schedule No. 1
Net cost of services for the year ended 2017

Function or Activity	Expenses	Income	Income from	Net cost of services
	from continuing operations	from continuing operations (non capital)	continuing operations (capital)	
	\$'000	\$'000	\$'000	\$'000
Governance	27	-	-	(27)
Administration	-	-	-	-
Total Public Order & Safety	-	-	-	-
Health	-	-	-	-
Environment				
Noxious Plants and Insect / Vermin control	1,482	1,565	-	83
Total Environment	1,482	1,565	-	83
Community Services & Education	-	-	-	-
Housing & Community Amenities	-	-	-	-
Water Supplies	-	-	-	-
Sewerage Services	-	-	-	-
Total Recreation & Culture	-	-	-	-
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing & Construction	-	-	-	-
Transport & Communication	-	-	-	-
Economic Affairs	-	-	-	-
Totals – Functions	1,509	1,565	-	56
General Purpose Revenues(2)				-
Share of interests in joint ventures and associates using the equity method(1)				
Net operating result for the year(1)				56

Notes:

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

Upper Macquarie County Council

Special Schedule No. 2

2(a) Statement of long-term debt (all purpose) for the year ended 2017

Council has no Borrowings

Classification of debt	Principal Outstanding at beginning of year	New Loans raised	Debt redemption	Principal Outstanding at end of year
Loans (by source)				
Commonwealth Government	-	-	-	-
Treasury Corporation	-	-	-	-
Other State Government	-	-	-	-
Public Subscription	-	-	-	-
Financial Institutions	-	-	-	-
Total loans	-	-	-	-

Other long term debt				
Ratepayers' Advances	-	-	-	-
Government Advances	-	-	-	-
Finance Leases	-	-	-	-
Deferred payment	-	-	-	-
Total long term debt	-	-	-	-

2(b) Statement of internal loans (s410(3)) for the year ended 2017

Council has no internal borrowings

Borrower	Amount originally raised	Total repaid during the year	Principal Outstanding at end of year
(by purpose)		Principal and interest	
General	-	-	-
Totals	-	-	-

Special Schedule No. 3 Water Supply Income Statement

Council has no Water Supply Operations

Special Schedule No. 4 Water Supply Statement of Financial Position

Council has no Water Supply Operations

Special Schedule No. 5 Sewerage Income Statement

Council has no Sewerage Operations

Special Schedule No. 6 Sewerage Statement of Financial Position

Council has no Sewerage Operations

**Upper Macquarie County Council
Special Schedule No. 7
Report on Infrastructure Assets as at 30 June 2017**

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 -	\$'000 26	100	-	-	-	-	-
Total Classes	Total All Assets	-	-	-	-	-	26	100	-	-	-	-	-

*In accordance with Note 9.

Infrastructure Asset Condition Assessment

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

Upper Macquarie County Council
Special Schedule No. 7
Report on Infrastructure Assets as at 30 June 2017 (continued)

Infrastructure Asset Performance Indicators – Consolidated				
	Amounts	Current year indicators	2016	2015
	\$'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</u>	-			
<u>Council</u>	-			
Gross Replacement Cost	26			

Infrastructure Asset Performance Indicators – General, Water & Sewer Funds				
Current year	\$'000	General	Water	Sewer
Building and infrastructure renewals ratio		-	-	-
<u>Asset renewals (building and infrastructure)</u>				
Depreciation, amortisation and impairment				
Infrastructure backlog		-	-	-
<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</u>				
<u>Council</u>				
Gross Replacement Cost				

* All indicators are calculated using the asset classes identified in the above table.

Special Schedule No. 8
Permissible Income

Council does not levy ordinary rates and therefore does not require this statement.