

Castlereagh Macquarie County Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017

To provide effective integrated weed management
systems utilizing the latest technology to all
Constituent councils fairly and equitably



Castlereagh Macquarie County Council

General Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Councillors and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	48
– On the Conduct of the Audit (Sect 417 [3])	50

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Castlereagh Macquarie County Council.
- (ii) Castlereagh Macquarie County Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

A description of the nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 February 2018. Council has the power to amend and reissue these financial statements.
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Castlereagh 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 (NSW)* (as amended)

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

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

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

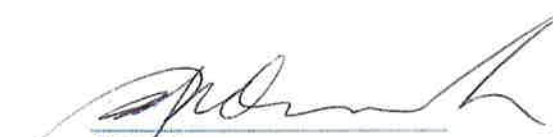
- present fairly the Council's operating result and financial position for the year, and
- accord with Council's accounting and other records.

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


Signed in accordance with a resolution of Council made on 28 February 2018.



Michael Webb
Deputy Chairman



Councillor Ian Woodcock
Councillor



Mr Don Ramsland
General manager



Mr Don Ramsland
Responsible accounting officer

Castlereagh Macquarie County Council

Income Statement

for the year ended 30 June 2017

Budget			Actual	Actual
2017	\$ '000	Notes	2017	2016
Income from continuing operations				
<i>Revenue:</i>				
20	User charges and fees	3b	38	32
6	Interest and investment revenue	3c	6	6
160	Other revenues	3d	113	154
794	Grants and contributions provided for operating purposes	3e,f	796	851
<i>Other income:</i>				
6	Net gains from the disposal of assets	5	5	16
-	Net share of interests in joint ventures and associates using the equity method	19	-	-
986	Total income from continuing operations		958	1,059
Expenses from continuing operations				
600	Employee benefits and on-costs	4a	592	647
-	Borrowing costs	4b	-	-
24	Materials and contracts	4c	22	18
22	Depreciation and amortisation	4d	27	7
-	Impairment	4d	-	-
250	Other expenses	4e	225	194
896	Total expenses from continuing operations		866	866
90	Operating result from continuing operations		92	193
Discontinued operations				
-	Net profit/(loss) from discontinued operations	24	-	-
90	Net operating result for the year		92	193
90	Net operating result attributable to Council		92	193
-	Net operating result attributable to non-controlling interests		-	-
90	Net operating result for the year before grants and contributions provided for capital purposes		92	193

Original budget as approved by Council - refer Note 16

Castlereagh Macquarie County Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		92	193
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Nil			
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total comprehensive income for the year		92	193
Total comprehensive income attributable to Council		92	193
Total comprehensive income attributable to non-controlling interests		-	-

Castlereagh Macquarie County Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	414	338
Investments	6b	—	—
Receivables	7	46	116
Inventories	8	17	12
Other	8	—	—
Non-current assets classified as 'held for sale'	22	—	—
Total current assets		477	466
Non-current assets			
Investments	6h	—	—
Receivables	7	—	—
Inventories	8	—	—
Infrastructure, property, plant and equipment	9	228	191
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		228	191
TOTAL ASSETS		705	657
LIABILITIES			
Current liabilities			
Payables	10	24	19
Income received in advance	10	—	—
Borrowings	10	—	50
Provisions	10	159	158
Total current liabilities		183	227
Non-current liabilities			
Payables	10	—	—
Borrowings	10	—	—
Provisions	10	—	—
Total non-current liabilities		—	—
TOTAL LIABILITIES		183	227
Net assets		522	430
EQUITY			
Retained earnings	20	338	246
Revaluation reserves	20	184	184
Other reserves	20	—	—
Council equity interest		522	430
Non-controlling equity interests		—	—
Total equity		522	430

Castlereagh Macquarie County Council

Statement of Changes in Equity

for the year ended 30 June 2017

	Notes	2017					2016								
		Retained earnings	Asset revaluation reserve (2017: \$26)	Other reserves (2017: \$26)	Council controlling interest	Non-Council controlling interest	Total equity	Retained earnings	Asset revaluation reserve (2016: \$26)	Other reserves (2016: \$26)	Council controlling interest	Non-Council controlling interest	Total equity		
\$ '000															
Opening balance (as per last year's audited accounts)		246	184	-	430	-	430	-	430	53	184	-	237	-	237
a. Correction of prior period errors	30 (b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
b. Changes in accounting policies (prior year effects)	30 (c)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Revised opening balance		246	184	-	430	-	430	-	430	53	184	-	237	-	237
c. Net operating result for the year		92	-	-	92	-	92	-	92	193	-	-	193	-	193
d. Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Revaluations: IPP&E asset revaluation rsv	30 (d)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (c&d)		92	-	-	92	-	92	-	92	193	-	-	193	-	193
e. Distributions to/(contributions from) non-controlling interests		-	-	-	-	-	-	-	-	-	-	-	-	-	-
f. Transfers between equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Equity - balance at end of the reporting period		338	184	-	522	-	522	-	522	246	184	-	430	-	430

Castlereagh Macquarie County Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget			Actual	Actual
2017	\$ '000	Notes	2017	2016
Cash flows from operating activities				
<u>Receipts:</u>				
20	User charges and fees		38	29
6	Investment and interest revenue received		6	6
859	Grants and contributions		875	823
95	Other		102	120
<u>Payments:</u>				
(600)	Employee benefits and on-costs		(591)	(626)
(26)	Materials and contracts		(21)	(26)
(250)	Other		(222)	(226)
104	Net cash provided (or used in) operating activities	11a	187	100
Cash flows from investing activities				
<u>Receipts:</u>				
15	Sale of infrastructure, property, plant and equipment		5	16
<u>Payments:</u>				
(93)	Purchase of infrastructure, property, plant and equipment		(68)	(69)
(78)	Net cash provided (or used in) investing activities		(63)	(53)
Cash flows from financing activities				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
(50)	Repayment of borrowings and advances		(50)	(100)
(50)	Net cash flow provided (used in) financing activities		(50)	(100)
(24)	Net increase/(decrease) in cash and cash equivalents		74	(53)
350	Plus: cash and cash equivalents – beginning of year	11a	338	391
326	Cash and cash equivalents – end of the year	11b	412	338
Additional Information:				
	plus: Investments on hand – end of year	6b	–	–
Total cash, cash equivalents and investments			412	338

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	20
2(b)	Council functions/activities – component descriptions	21
3	Income from continuing operations	22
4	Expenses from continuing operations	24
5	Gains or losses from the disposal of assets	25
6(a)	Cash and cash equivalent assets	26
6(b)	Investments	26 <i>n/a</i>
6(c)	Restricted cash, cash equivalents and investments – details	26
7	Receivables	27
8	Inventories and other assets	27
9(a)	Infrastructure, property, plant and equipment	28
9(b)	Externally restricted infrastructure, property, plant and equipment	29 <i>n/a</i>
9(c)	Infrastructure, property, plant and equipment – current year impairments	29 <i>n/a</i>
10(a)	Payables, borrowings and provisions	29
10(b)	Description of (and movements in) provisions	30
11	Statement of cash flows – additional information	31
12	Commitments for expenditure	31 <i>n/a</i>
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	32
	13a (ii) Local government industry graphs (consolidated)	33
14	Investment properties	35 <i>n/a</i>
15	Financial risk management	35
16	Material budget variations	39
17	Statement of developer contributions	41 <i>n/a</i>
18	Contingencies and other liabilities/assets not recognised	41
19	Interests in other entities	42 <i>n/a</i>
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	43
21	Financial result and financial position by fund	43 <i>n/a</i>
22	'Held for sale' non-current assets and disposal groups	44 <i>n/a</i>
23	Events occurring after the reporting date	44 <i>n/a</i>
24	Discontinued operations	44 <i>n/a</i>
25	Intangible assets	44 <i>n/a</i>
26	Reinstatement, rehabilitation and restoration liabilities	44 <i>n/a</i>
27	Fair value measurement	45
28	Related party disclosures	46
	Additional council disclosures	
29	Council information and contact details	47

n/a – not applicable

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

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

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(ii) Early adoption of standards

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

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made a significant judgement 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 the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its 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:

(i) Grants and contributions

Grants and contributions are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Control over granted assets/contributed 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.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

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

(v) 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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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 following entities have been included as part of the Consolidated Fund:

- General purpose operations

(ii) The Trust Fund

Council has no Trust Fund.

(iii) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other 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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

For Statement of Cash Flow 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 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.

(g) Inventories

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

Raw materials and stores, work in progress and finished goods are 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 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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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 are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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

Loans and receivables are included in receivables (note 7) in the Statement of Financial Position.

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 for settlement within 30 days.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are 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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is 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.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(j) 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 reporting 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 reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings (non-specialised)

As approximated by depreciated historical cost:

- Plant and equipment

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

For all other asset classes, 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 revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation on other 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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	3 to 5 years
- Vehicles	5 to 8 years
- Other plant and equipment	5 to 15 years

Buildings

- Buildings: Depots	50 to 100 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.

(l) Investment property

Council does not hold any investment properties.

(m) Payables

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

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(o) Borrowing costs

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. Other borrowing costs are expensed.

(p) Provisions

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

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

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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave 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 and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

(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 Statement of Financial Position, 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 that 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. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

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.

(r) Land under roads

Council has no land under roads.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Council has not classified any assets as intangible.

(u) Crown reserves

Council has no Crown reserves under its control.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(v) Rural fire service assets

Council does not hold any Rural Fire Service Assets

individually reported for the first time within these financial statements and/or the notes.

(w) 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.

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

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

Council does not consider that these standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

(y) Rounding of amounts

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

(z) Comparative figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance	-	-	-	20	20	20	(20)	(20)	(20)	-	-	-	-
Administration	26	27	32	224	228	200	(198)	(201)	(168)	-	-	-	-
Environment	954	925	1,021	652	618	646	302	307	375	289	313	705	657
Total functions and activities	980	952	1,053	896	866	866	84	86	187	289	313	705	657
Share of gains/(losses) in associates and joint ventures (using the equity method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General purpose income ¹	6	6	6	-	-	-	6	6	6	-	-	-	-
Operating result from continuing operations	986	958	1,059	896	866	866	90	92	193	289	313	705	657

1. Includes: rates and annual charges (incl. ex-gratia), unfilled general purpose grants and unrestricted interest and investment income.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

GOVERNANCE

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services and any Council policy compliance.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Nil			
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Nil			
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		32	22
Weeds certificates		4	6
Total fees and charges – statutory/regulatory		36	28
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Sundry sales		2	4
Total fees and charges – other		2	4
TOTAL USER CHARGES AND FEES		38	32
(c) Interest and investment revenue (including losses)			
Interest			
– Interest earned on investments (interest and coupon payment income)		6	6
TOTAL INTEREST AND INVESTMENT REVENUE		6	6
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
General Council cash and investments		6	6
Total interest and investment revenue recognised		6	6
(d) Other revenues			
Insurance claim recoveries		9	12
Plant income		104	142
TOTAL OTHER REVENUE		113	154

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Nil				
Specific purpose				
Noxious weeds	289	313	-	-
Total specific purpose	289	313	-	-
Total grants	289	313	-	-
Grant revenue is attributable to:				
- Other funding	289	313	-	-
	289	313	-	-
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
Nil				
Other contributions:				
Hudson Pear contributions	-	40	-	-
Other councils – joint works/services	507	498	-	-
Total other contributions	507	538	-	-
Total contributions	507	538	-	-
TOTAL GRANTS AND CONTRIBUTIONS	796	851	-	-

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		459	514
Employee leave entitlements (ELE)		74	65
Superannuation		39	42
Workers' compensation insurance		8	15
Training costs (other than salaries and wages)		9	9
Protective clothing		2	2
Other		1	-
TOTAL EMPLOYEE COSTS EXPENSED		592	647
Number of 'full-time equivalent' employees (FTE) at year end		6	6
(b) Borrowing costs			
Nil			
(c) Materials and contracts			
Auditors remuneration ⁽¹⁾		10	7
Depot expense		12	11
TOTAL MATERIALS AND CONTRACTS		22	18
Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		10	-
Remuneration for audit and other assurance services		10	-
Total Auditor-General remuneration		10	-
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		-	7
Remuneration for audit and other assurance services		-	7
Total remuneration of other Council's Auditors		-	7
Total Auditor remuneration		10	7

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		15	–
Office equipment		5	–
– Buildings – non-specialised		7	7
Total depreciation and amortisation costs		<u>27</u>	<u>7</u>
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		<u>27</u>	<u>7</u>
(e) Other expenses			
Advertising		2	1
Bad and doubtful debts		40	–
Computer software charges		21	2
Member expenses – chairperson’s fee		4	5
Member expenses – member’s fees		21	30
Member’s expenses (incl. chairperson) – other (excluding fees above)		2	4
Insurance		49	49
Office expenses (including computer expenses)		4	4
Plant expenses		57	79
Printing and stationery		1	2
Telephone and communications		10	7
Other		14	11
TOTAL OTHER EXPENSES		<u>225</u>	<u>194</u>

Note 5. Gains or losses from the disposal of assets

Plant and equipment		
Proceeds from disposal – plant and equipment	5	16
Less: carrying amount of plant and equipment assets sold/written off	–	–
Net gain/(loss) on disposal	<u>5</u>	<u>16</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	<u>5</u>	<u>16</u>

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		300	–	226	–
Cash-equivalent assets ¹					
– Short-term deposits		114	–	112	–
Total cash and cash equivalents		414	–	338	–
Investments (Note 6b)					
Nil					
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		414	–	338	–

¹ Those Investments where time to maturity (from date of purchase) is < 3 mths.

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'

	414	–	338	–
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Note 6c. Restricted cash, cash equivalents and investments – details

Total cash, cash equivalents and investments	414	–	338	–
attributable to:				
Internal restrictions (refer below)	119	–	112	–
Unrestricted	295	–	226	–
	414	–	338	–
2017	Opening	Transfers to	Transfers from	Closing
\$ '000	balance	restrictions	restrictions	balance

Details of restrictions

Internal restrictions

Plant and vehicle replacement	9	–	–	9
Employees leave entitlement	103	7	–	110
Total internal restrictions	112	7	–	119
TOTAL RESTRICTIONS	112	7	–	119

Castlreagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Government grants and subsidies		–	–	82	–
Net GST receivable		45	–	34	–
Other debtors		1	–	–	–
Total		46	–	116	–
Less: provision for impairment					
Nil					
TOTAL NET RECEIVABLES		46	–	116	–
Externally restricted receivables					
Nil					
Internally restricted receivables					
Nil					
Unrestricted receivables		46	–	116	–
TOTAL NET RECEIVABLES		46	–	116	–

Notes on debtors above:

Please refer to Note 15 for issues concerning credit risk and fair value disclosures

Note 8. Inventories and other assets

(a) Inventories

(i) Inventories at cost

Stores and materials	17	–	12	–
Total inventories at cost	17	–	12	–

(ii) Inventories at net realisable value (NRV)

Nil

TOTAL INVENTORIES	17	–	12	–
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(b) Other assets

Nil

Externally restricted assets

There are no restrictions applicable to the above assets.

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period			as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Depreciation expense		Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000									
Plant and equipment	357	287	70	38	(15)		359	266	93
Office equipment	7	7	-	27	(5)		34	12	22
Land:									
- Operational land	4	-	4	-	-		4	-	4
- Buildings - non-specialised	287	170	117	-	(8)		287	178	109
TOTAL INFRASTRUCTURE	655	464	191	65	(28)		684	456	228
PROPERTY, PLANT AND EQUIP.									

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, property, plant and equipment – current year
impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Note 10a. Payables, borrowings and provisions

\$ '000		2017		2016	
		Current	Non-current	Current	Non-current
	Payables				
	Accrued expenses:				
	– Other expenditure accruals	24	–	19	–
	Total payables	24	–	19	–
	Income received in advance				
	Nil				
	Borrowings				
	Loans – unsecured	–	–	50	–
	Total borrowings	–	–	50	–
	Provisions				
	Employee benefits:				
	Annual leave	40	–	39	–
	Long service leave	119	–	119	–
	Total provisions	159	–	158	–
	TOTAL PAYABLES, BORROWINGS AND PROVISIONS	183	–	227	–

(i) Liabilities relating to restricted assets

There are no restricted assets (external or internal) applicable to the above liabilities.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	50	50
	<u>50</u>	<u>50</u>

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	414	338
Less bank overdraft	10	—	—
Balance as per the Statement of Cash Flows		414	338
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		92	193
Adjust for non-cash items:			
Depreciation and amortisation		21	7
Net losses/(gains) on disposal of assets		(5)	(16)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		68	(62)
Decrease/(increase) in inventories		(5)	(4)
Increase/(decrease) in payables		—	(4)
Increase/(decrease) in other accrued expenses payable		5	(32)
Increase/(decrease) in other liabilities		—	(3)
Increase/(decrease) in employee leave entitlements		(11)	21
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		165	100

(c) Non-cash investing and financing activities

Nil

(d) Financing arrangements

Nil

Note 12. Commitments for expenditure

Nil

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	87	9.13%	16.97%	-1.28%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	953				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	157	16.47%	18.41%	13.72%	>60.00%
Total continuing operating revenue ⁽¹⁾	953				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	477	3.59x	2.63x	1.54x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	133				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	114	2.28x	1.84x	-0.07x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	50				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	–	0.00%	0.00%	0.00%	<10% Rural
Rates, annual and extra charges collectible	–				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	414	5.62 mths	4.1 mths	3.7 mths	> 3 mths
Payments from cash flow of operating and financing activities	74				

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.

⁽²⁾ Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

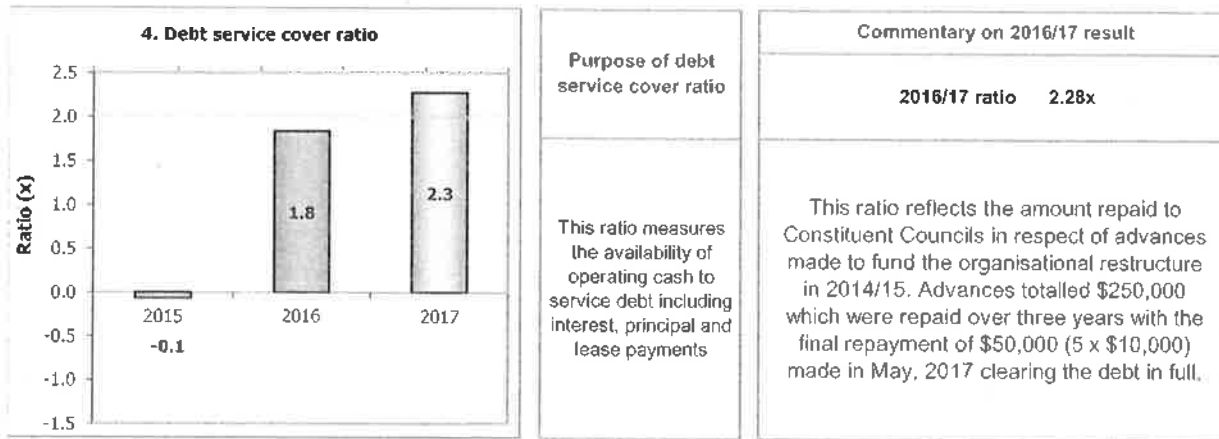
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <p>Benchmark: Minimum $\geq 8.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 9.13%</p> <p>Council's change in its operating performance ratio is a direct reflection of the flow on effect from the drop in income from plant hire and the increase in operating overheads.</p>
<p>2. Own source operating revenue ratio</p> <p>Benchmark: Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of own source operating revenue ratio</p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 16.47%</p> <p>Council's Own Source Operating Ratio will always be adversely impacted by the fact that Constituent Council contributions are not taken into account in calculating this ratio. Were they to be included then this ratio would be in the order of 80% and would therefore satisfy T-Corp benchmarks. The slight drop in this ratio in 2016/17 is attributable to lower plant hire income in particular.</p>
<p>3. Unrestricted current ratio</p> <p>Benchmark: Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p>Purpose of unrestricted current ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio 3.59x</p> <p>Council's Unrestricted Current Ratio has been favourably impacted by the organisational restructure that was undertaken in 2014/15. This resulted in the realisation of surplus plant, equipment and property that was surplus to ongoing requirements. This provided funds to meet Council's short term obligations as well as building up internal reserves.</p>

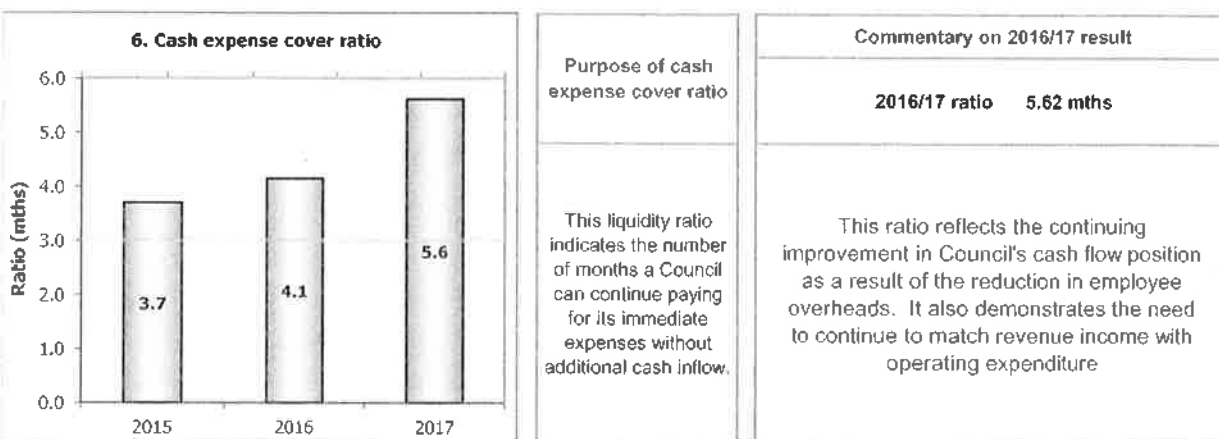
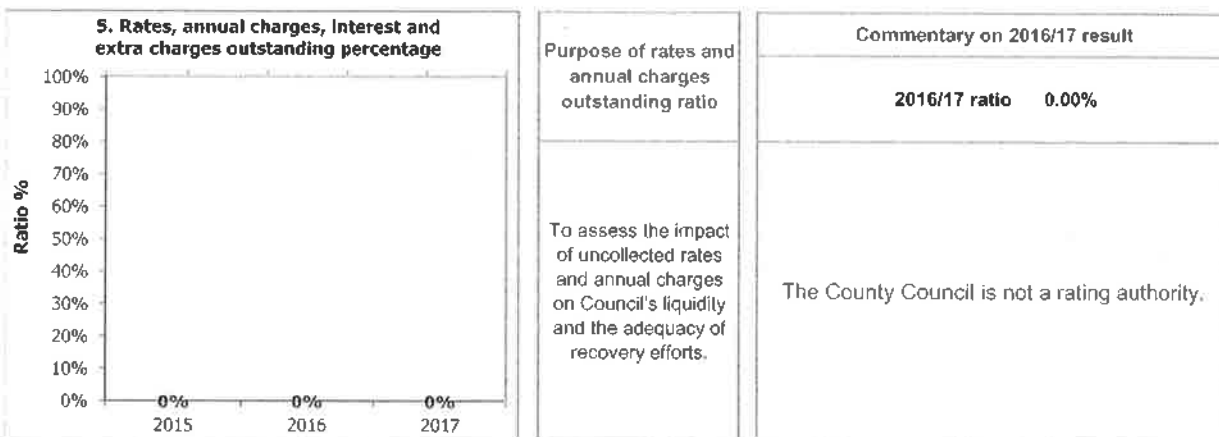
Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Ratio achieves benchmark
 Ratio is outside benchmark



Ratio achieves benchmark
 Ratio is outside benchmark

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. Financial risk management

Risk management

Council's activities expose it to a variety of financial risks including (1) price risk, (2) credit risk, (3) liquidity risk and (4) 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 Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	414	338	414	338
Receivables	46	116	46	116
Total financial assets	460	454	460	454
Financial liabilities				
Payables	24	19	24	19
Loans/advances	—	50	—	50
Total financial liabilities	24	69	24	69

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

Council's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

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 are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks (amongst other measures) by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 1% movement in interest rates	4	4	(4)	(4)
2016				
Possible impact of a 1% movement in interest rates	3	3	(3)	(3)

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

The major risk associated with these receivables is credit risk – the risk that debts due and payable to Council may not be repaid in full.

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures. It also encourages ratepayers to pay their rates by the due date through incentives.

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts – 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 the payment of debt.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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 subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2017	2016
	Other receivables	Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	100%	66%
Overdue	0%	34%
	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value		
Rates and annual charges	Other receivables	Other receivables
Current	46	76
1 – 2 years overdue	–	40
31 – 60 days overdue	<u>46</u>	<u>116</u>

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – 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 (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	-	24	-	-	-	-	-	24	24
Total financial liabilities	-	24	-	-	-	-	-	24	24
2016									
Trade/other payables	-	19	-	-	-	-	-	19	19
Loans and advances	-	50	-	-	-	-	-	50	50
Total financial liabilities	-	69	-	-	-	-	-	69	69

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	24	0.00%	19	0.00%
Loans and advances – fixed interest rate	-	0.00%	50	0.00%
	24		69	

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 26 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

Material variations represent those variances that amount to **10%** or more of the original budgeted figure.

F = Favourable budget variation, U = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	–	–	–	0%	F
Council is not a rating authority					
User charges and fees	20	38	18	90%	F
Reflects a drop in income from user fees and charges					
Interest and investment revenue	6	6	–	0%	F
Reflects income from interest on cash and investment reserves					
Other revenues	160	113	(47)	(29%)	U
Reflects decreased income from plant operations.					
Operating grants and contributions	794	796	2	0%	F
Reflects minor drop in income from operating grants.					
Capital grants and contributions	–	–	–	0%	F
Not applicable to current County Council operations.					
Net gains from disposal of assets	6	5	(1)	(17%)	U
Reflects drop in profit from the sale of plant as detailed in Council's Plant Replacement Programme.					
Joint ventures and associates - net profits	–	–	–	0%	F
Council is not involved with any joint ventures.					

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	600	592	8	1%	F
Reflects savings in employee overheads.					
Borrowing costs	-	-	-	0%	F
Council no longer has any borrowing commitments					
Materials and contracts	24	22	2	8%	F
Reflects a saving in materials including the cost of chemicals purchased in bulk from local suppliers					
Depreciation and amortisation	22	27	(5)	(23%)	U
The level of depreciation is increasing due to changes in the age of the plant fleet. As older items of plant are replaced plant values will increase.					
Impairment expenses	-	-	-	0%	F
Council buildings require little or no maintenance.					
Other expenses	250	225	25	10%	F
This item includes plant operating expenses including major repairs, which are depreciating as new plant items are acquired.					
Net losses from disposal of assets	-	-	-	0%	F
Council is achieving budget with any sales of older plant					
Joint ventures and associates – net losses	-	-	-	0%	F
Council is not involved with any joint ventures at present					
Operating result from discontinued operations	-	-	-	0%	F
No operations have been discontinued.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	104	187	83	79.8%	F
Reflects variations in cash flows.					
Cash flows from investing activities	(78)	(63)	15	(19.2%)	F
Reflects variation in capital purchases.					
Cash flows from financing activities	(50)	(50)	-	0.0%	F
Reflects repayment of final instalment of constituent council advances					

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 17. Statement of Developer Contributions

\$ '000

Council currently has no S94 Developer Contribution Plans or S94 Funds on hand from prior years.

Note 18. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

Member councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		246	53
a. Net operating result for the year		92	193
Balance at end of the reporting period		<u>338</u>	<u>246</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		184	184
Total		<u>184</u>	<u>184</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		184	184
– Balance at end of year		<u>184</u>	<u>184</u>
TOTAL VALUE OF RESERVES		<u>184</u>	<u>184</u>
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Council made no correction of errors during the current reporting period.			
(d) Voluntary changes in accounting policies			
Council made no voluntary changes in any accounting policies during the year.			

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 28/02/18.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

(1) The following table presents all assets and liabilities that have been measured and recognised at fair values:

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and Office Equipment	30/06/17	–	115	–	115
Operational Land	30/06/17	–	4	–	4
Buildings (non specialised)	30/06/17	–	109	–	109
Total infrastructure, property, plant and equipment		–	228	–	228

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and Office Equipment	30/06/16	–	70	–	70
Operational Land	30/06/16	–	4	–	4
Buildings (non specialised)	30/06/16	–	117	–	117
Total infrastructure, property, plant and equipment		–	191	–	191

(2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

Castlereagh Macquarie County Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. 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:

	Actual 2017
Compensation:	
Short-term benefits	24
Post-employment benefits	-
Other long-term benefits	-
Termination benefits	-
Total	24

b. Other transactions with KMP and their related parties

Nil

c. Other related party transactions

Nil



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Castlereagh Macquarie County Council

To the Councillors of the Castlereagh Macquarie County Council

Opinion

I have audited the accompanying financial statements of Castlereagh 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 28 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.



Caroline Karakatsanis
Director, Financial Audit Services

28 February 2018
SYDNEY

Mr Doug Batten
Chairman
Castlereagh Macquarie County Council
PO Box 664
WALGETT NSW 2832

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1804258/1815

28 February 2018

Dear Mr Batten

**Report on the Conduct of the Audit
for the 30 June 2017
Castlereagh Macquarie County Council**

I have audited the general purpose financial statements of the Castlereagh Macquarie County Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

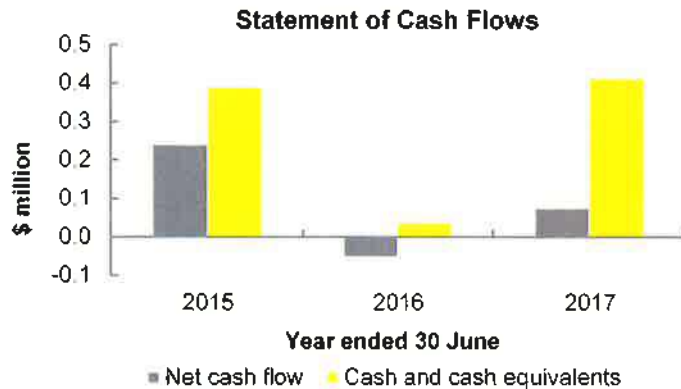
	2017	2016	Variance
	\$m	\$m	%
Grants and contributions revenue	0.8	0.9	6.4 ↓
Operating result for the year	0.1	0.2	52.3 ↓
Net operating result before capital amounts	0.1	0.2	52.3 ↓

The operating result was impacted by:

- Grants and contributions for operating purposes were \$55,000 lower than 2017 due to less funding from the noxious weeds grant and no contribution for Hudson Pear.
- Employee expenses were \$55,000 lower than 2017 due to less works being performed as spraying weeds is based on the funding available.

STATEMENT OF CASH FLOWS

The net cash inflow of \$76,000 (outflow of \$53,000 in 2016) was due to a \$85,000 improvement in cash provided by operating activities. This allowed Council to acquire \$64,000 in IPP&E (\$5,000 lower than 2016) and make loan repayments of \$50,000.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	0.0	0.0	Externally restricted balances include unexpended specific purpose grants, water, sewer and domestic waste management.
Internal restrictions	0.12	0.11	
Unrestricted	0.29	0.23	Balances are internally restricted due to Council policy or decision for forward plans including works programs. Unrestricted balances provide liquidity for day to day operations.
Cash and investments	0.41	0.34	

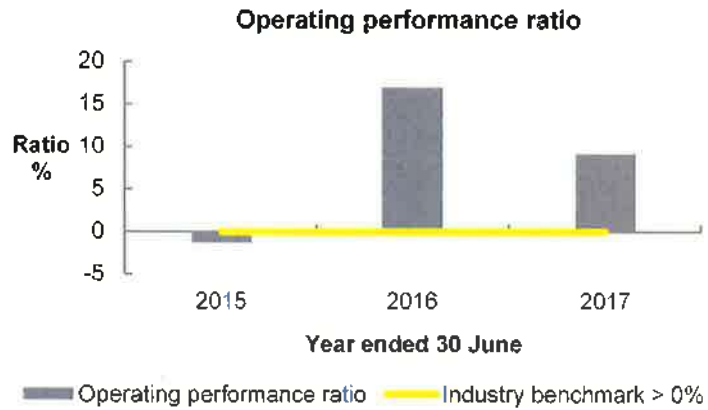
PERFORMANCE RATIOS

The definition of each ratio analysed below is included in Note 13 of the Council's audited general purpose financial statements.

Operating performance ratio

The Council has achieved a strong ratio of 9.13 per cent. Council has exceeded the benchmark for the past 2 years.

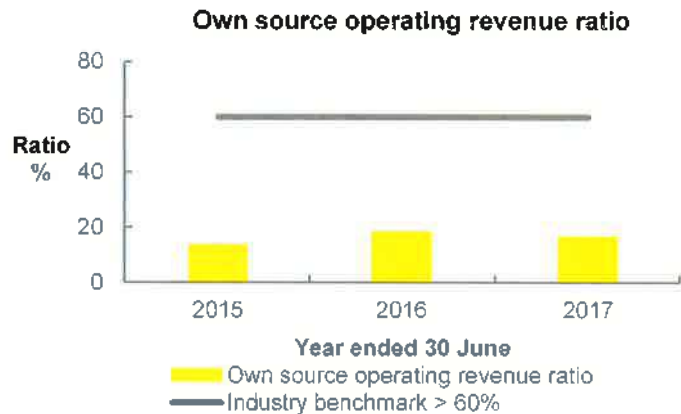
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

Council is well below this benchmark as its main source of income is from member Council contributions.

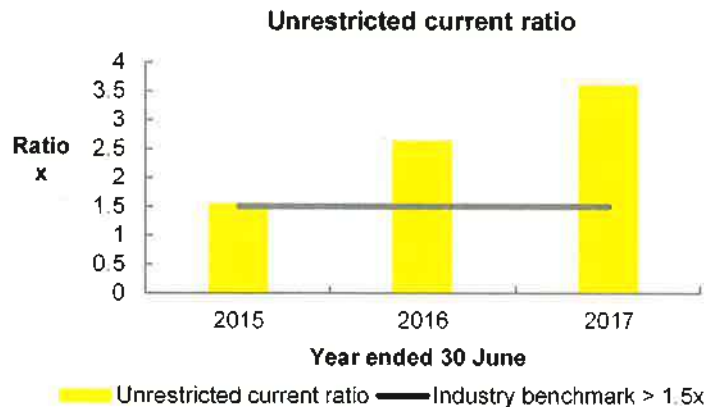
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council effectively manages its liquidity to consistently exceed the benchmark of 1.5 times.

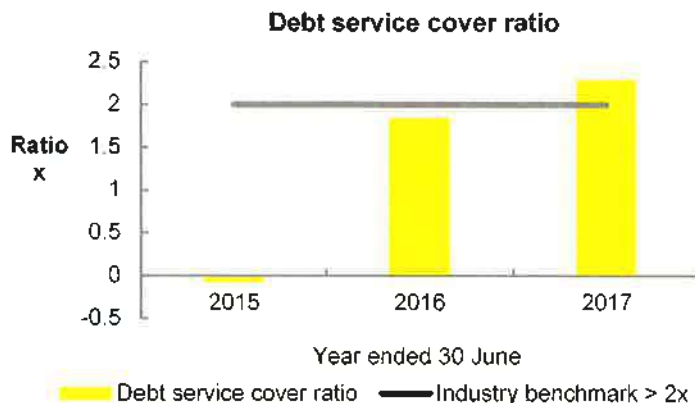
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

This ratio has improved over the past few years. Council has now fully repaid the member advances.

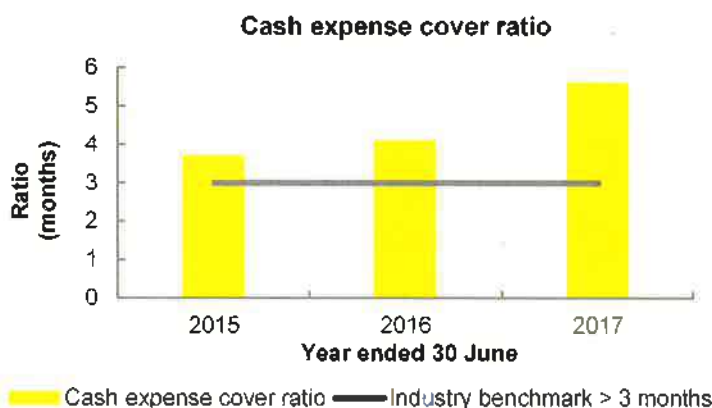
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Cash expense cover ratio

Council has continued to improve this ratio as its financial position has strengthened Council has exceeded the benchmark for the past 3 years.

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



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Caroline Karakatsanis
Director, Financial Audit Services

cc: Mr Don Ramsland, General Manager
Tim Hurst, Acting Chief Executive of the Office of Local Government