

Castlereagh Macquarie County Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

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 2018

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Overview

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

77 Fox Street
WALGETT NSW 2832

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: <http://www.cmcc.nsw.gov.au>.

Castlereagh Macquarie County Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

General Purpose Financial Statements
for the year ended 30 June 2018

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:

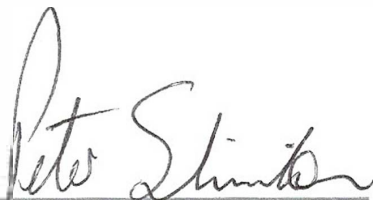
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the year,
- 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.

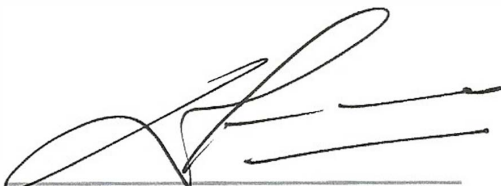
Signed in accordance with a resolution of Council made on 19 September 2018.



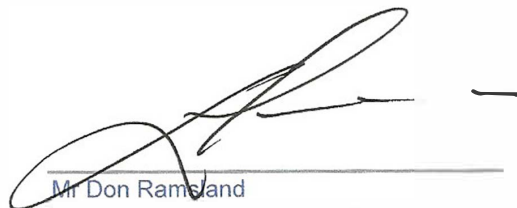
Councillor Peter Shinton
Councillor
30 October 2018



Councillor Michael Webb
Deputy Chairperson
30 October 2018



Mr Don Ramsland
General Manager
30 October 2018



Mr Don Ramsland
Responsible Accounting Officer
30 October 2018

Castlereagh Macquarie County Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
38	User charges and fees	3a	61	38
5	Interest and investment revenue	3b	7	6
117	Other revenues	3c	101	113
806	Grants and contributions provided for operating purposes	3d,e	881	796
Other income:				
20	Net gains from the disposal of assets	5	11	5
986	Total income from continuing operations		1,061	958
Expenses from continuing operations				
688	Employee benefits and on-costs	4a	548	592
20	Materials and contracts	4b	17	22
30	Depreciation and amortisation	4c	31	27
220	Other expenses	4d	168	225
958	Total expenses from continuing operations		764	866
28	Operating result from continuing operations		297	92
28	Net operating result for the year		297	92
28	Net operating result attributable to Council		297	92
28	Net operating result for the year before grants and contributions provided for capital purposes		297	92

Castlereagh Macquarie County Council

Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		297	92
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result		—	—
Amounts that will be reclassified subsequently to the operating result when specific conditions are met		—	—
Total comprehensive income for the year		297	92
Total comprehensive income attributable to Council		297	92

Castlereagh Macquarie County Council

Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	602	414
Receivables	7	62	46
Inventories	8	32	17
Total current assets		696	477
Non-current assets			
Infrastructure, property, plant and equipment	9	263	228
Total non-current assets		263	228
TOTAL ASSETS		959	705
LIABILITIES			
Current liabilities			
Payables	10	24	24
Provisions	11	116	159
Total current liabilities		140	183
Non-current liabilities			
Total non-current liabilities		–	–
TOTAL LIABILITIES		140	183
Net assets		819	522
EQUITY			
Accumulated surplus	12	635	338
Revaluation reserves	12	184	184
Total equity		819	522

Castlereagh Macquarie County Council

Statement of Changes in Equity

for the year ended 30 June 2018

	2018	2018	2018	2017	2017	2017
	Accumulated	IPP&E	Total	Accumulated	IPP&E	Total
\$ '000	surplus	revaluation reserve	equity	surplus	revaluation reserve	equity
Opening balance	338	184	522	246	184	430
Net operating result for the year	297	–	297	92	–	92
Other comprehensive income	–	–	–	–	–	–
Total comprehensive income	297	–	297	92	–	92
Equity – balance at end of the reporting period	635	184	819	338	184	522

Castlereagh Macquarie County Council

Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
	<u>Receipts:</u>			
38	User charges and fees		61	38
5	Investment and interest revenue received		7	6
806	Grants and contributions		867	878
117	Bonds, deposits and retention amounts received		—	—
—	Other		99	101
	<u>Payments:</u>			
(688)	Employee benefits and on-costs		(591)	(591)
(20)	Materials and contracts		(32)	(27)
(220)	Other		(168)	(220)
38	Net cash provided (or used in) operating activities	13b	243	185
Cash flows from investing activities				
	<u>Receipts:</u>			
20	Sale of infrastructure, property, plant and equipment		11	5
	<u>Payments:</u>			
(120)	Purchase of infrastructure, property, plant and equipment		(66)	(64)
(100)	Net cash provided (or used in) investing activities		(55)	(59)
Cash flows from financing activities				
	<u>Receipts:</u>			
	Nil			
	<u>Payments:</u>			
—	Repayment of borrowings and advances		—	(50)
—	Net cash flow provided (used in) financing activities		—	(50)
(62)	Net increase/(decrease) in cash and cash equivalents		188	76
400	Plus: cash and cash equivalents – beginning of year	13a	414	338
338	Cash and cash equivalents – end of the year	13a	602	414

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 30/10/2018.

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

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

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

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

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

- Income statement
- Statement of cash flows
- Note 16 – Material budget variations

and are clearly marked .

(a) Historical cost convention

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

(b) 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 property, plant and equipment – refer Note 9,
- (ii) employee benefit provisions – refer Note 11.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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.

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations

(b) The Trust Fund

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

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Governance	2	–	18	20	(16)	(20)	–	–	–	–
Administration	19	33	256	228	(237)	(195)	–	–	–	–
Environment	1,040	925	490	618	550	307	346	289	958	705
Other	–	–	–	–	–	–	–	–	1	–
Total functions and activities	1,061	958	764	866	297	92	346	289	959	705

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 related to Council's role as a component of democratic government, members' fees and expenses, subscriptions to local authority associations, meeting 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 priority/noxious plants and insect/vermin control, other environmental protection.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) User charges and fees		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	52	32
Weeds certificates	4	4
Total fees and charges – statutory/regulatory	56	36
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Sundry sales	5	2
Total fees and charges – other	5	2
TOTAL USER CHARGES AND FEES	61	38

Accounting policy for user charges and fees

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

(b) Interest and investment revenue (including losses)

Interest

– Cash and investments	7	6
TOTAL INTEREST AND INVESTMENT REVENUE	7	6

Interest revenue is attributable to:

Unrestricted investments/financial assets:

General Council cash and investments	7	6
Total interest and investment revenue recognised	7	6

Accounting policy for interest and investment revenue

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

(c) Other revenues

Insurance claim recoveries	8	9
Plant income	93	104
TOTAL OTHER REVENUE	101	113

Accounting policy for other revenue

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.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(d) Grants				
Specific purpose				
Noxious weeds	346	289	–	–
Total specific purpose	346	289	–	–
Total grants	346	289	–	–
Grant revenue is attributable to:				
– State funding	346	289	–	–
	346	289	–	–
(e) Contributions				
Other contributions:				
Cash contributions				
Hudson pear contributions	21	–	–	–
Other councils – joint works/services	514	507	–	–
Total other contributions – cash	535	507	–	–
Total other contributions	535	507	–	–
Total contributions	535	507	–	–
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>881</u>	<u>796</u>	<u>–</u>	<u>–</u>

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset 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 manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	448	459
Employee leave entitlements (ELE)	53	74
Superannuation	29	39
Workers' compensation insurance	6	8
Training costs (other than salaries and wages)	9	9
Protective clothing	2	2
Other	1	1
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>548</u>	<u>592</u>
Number of 'full-time equivalent' employees (FTE) at year end	6	6

Accounting policy for employee benefits and on-costs

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

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.

Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 14 for more information.

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(b) Materials and contracts		
Auditors remuneration	10	10
Depot expense	7	12
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>17</u>	<u>22</u>

Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council – NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	10	10
Remuneration for audit and other assurance services	10	10
Total Auditor-General remuneration	10	10
Total Auditor remuneration	10	10

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(c) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		26	15
Office equipment		5	5
Infrastructure:			
– Buildings (non-specialised)		–	7
Total depreciation and amortisation costs		31	27
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>			
		31	27

Accounting policy for depreciation, amortisation and impairment expenses

Depreciation and amortisation

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

Impairment of non-financial assets

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.

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

Impairment of financial assets

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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(d) Other expenses		
Advertising	4	2
Bad and doubtful debts	–	40
Bank charges	1	–
Computer software charges	6	21
Member expenses – chairperson's fee	2	4
Member expenses – member's fees	11	21
Member's expenses (incl. chairperson) – other (excluding fees above)	2	2
Insurance	49	49
Office expenses (including computer expenses)	1	4
Plant expenses	73	57
Printing and stationery	–	1
Subscriptions and publications	2	–
Telephone and communications	9	10
Other	8	14
<u>TOTAL OTHER EXPENSES</u>	<u>168</u>	<u>225</u>

Accounting policy for other expenses

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

Note 5. Gains or losses from the disposal of assets

Plant and equipment	9		
Proceeds from disposal – plant and equipment		11	5
Less: carrying amount of plant and equipment assets sold/written off		–	–
Net gain/(loss) on disposal		11	5
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>11</u>	<u>5</u>

Accounting policy for disposal of assets

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

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	485	300
Cash-equivalent assets		
– Short-term deposits	117	114
Total cash and cash equivalents	602	414

Accounting policy for 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.

Note 6(b). Restricted cash, cash equivalents and investments – details

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	602	–	414	–
attributable to:				
Internal restrictions (refer below)	157	–	119	–
Unrestricted	445	–	295	–
	602	–	414	–

\$ '000	2018	2017
Details of restrictions		
Internal restrictions		
Plant and vehicle replacement	9	9
Employees leave entitlement	113	110
Carry over works	35	–
Total internal restrictions	157	119
TOTAL RESTRICTIONS	157	119

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Government grants and subsidies	14	—	—	—
Net GST receivable	48	—	45	—
Other debtors	—	—	1	—
Total	62	—	46	—
<u>TOTAL NET RECEIVABLES</u>	<u>62</u>	<u>—</u>	<u>46</u>	<u>—</u>

There are no restrictions applicable to the above assets.

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in 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.

Impairment

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

Collectability of receivables is reviewed on an 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Stores and materials	32	–	17	–
Total inventories at cost	32	–	17	–
TOTAL INVENTORIES	32	–	17	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Accounting policy

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. 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.

Inventory held for distribution

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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period		as at 30/6/2018		
	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
Plant and equipment	359	266	93	66	(26)	379	246	133
Office equipment	34	12	22	–	(5)	30	13	17
Land:								
– Operational land	4	–	4	–	–	4	–	4
Infrastructure:								
– Buildings – non-specialised	287	178	109	–	–	287	178	109
<u>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</u>	684	456	228	65	(31)	700	437	263

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

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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.

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 and equipment	Years	Buildings	Years
Office equipment	5 to 10	Buildings: masonry	50 to 100
Office furniture	10 to 20	Buildings: other	20 to 40
Computer equipment	4		
Vehicles	5 to 8		

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Accrued expenses:				
– Other expenditure accruals	24	–	24	–
Total payables	24	–	24	–
TOTAL PAYABLES AND BORROWINGS	24	–	24	–

Payables and borrowings relating to restricted assets

There are no restricted assets (external or internal) applicable to the above payables and borrowings

Accounting policy for payables and borrowings

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.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	43	–	40	–
Long service leave	73	–	119	–
TOTAL PROVISIONS	116	–	159	–

(a) Provisions relating to restricted assets

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

\$ '000	2018	2017
---------	------	------

(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	50	50
	50	50

(c) Description of and movements in provisions

ELE provisions			
2018	Annual leave	Long service leave	Total
At beginning of year	40	119	159
Additional provisions	22	6	28
Amounts used (payments)	(19)	(52)	(71)
Total ELE provisions at end of year	43	73	116

ELE provisions			
2017	Annual leave	Long service leave	Total
At beginning of year	39	119	158
Additional provisions	30	9	39
Amounts used (payments)	(29)	(9)	(38)
Total ELE provisions at end of year	40	119	159

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave 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.

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.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	602	414
Less bank overdraft		–	–
Balance as per the Statement of Cash Flows		602	414
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		297	92
Adjust for non-cash items:			
Depreciation and amortisation		31	27
Net losses/(gains) on disposal of assets		(11)	(5)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(16)	70
Decrease/(increase) in inventories		(15)	(5)
Increase/(decrease) in other accrued expenses payable		–	5
Increase/(decrease) in employee leave entitlements		(43)	1
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		243	185

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Contingencies and other liabilities/assets 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.

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of any 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 planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Contingencies and other liabilities/assets not recognised

(i) Defined benefit superannuation contribution plans (continued)

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

The plan is a defined benefit plan. However, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$43,357.98

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$43,152.04

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Contingencies and other liabilities/assets not recognised

(i) Defined benefit superannuation contribution plans (continued)

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program, however any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.03% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(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.

2. Other liabilities

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.

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Financial risk management

\$ '000

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	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	602	414	—	414
Receivables	62	46	—	46
Total financial assets	664	460	—	460
Financial liabilities				
Payables	24	24	—	24
Total financial liabilities	24	24	—	24

Fair value is determined as follows:

– **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

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 there 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
2018				
Possible impact of a 1% movement in interest rates	6	6	(6)	(6)
2017				
Possible impact of a 1% movement in interest rates	4	4	(4)	(4)

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) contributions 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.

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 quarterly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required.

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:

	2018	2017
	Other receivables	Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	66%	78%
Overdue	34%	22%
	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value		
Other receivables	2018	2017
Current	41	36
0 – 30 days overdue	15	10
31 – 60 days overdue	5	–
> 61 days overdue	1	–
	<u>62</u>	<u>46</u>

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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.

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 does not presently have any borrowings.

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	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
			1 – 5 Years	> 5 Years		
2018						
Trade/other payables	–	24	–	–	24	24
Total financial liabilities	–	24	–	–	24	24
2017						
Trade/other payables	–	24	–	–	24	24
Total financial liabilities	–	24	–	–	24	24

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 26 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
User charges and fees	38	61	23	61% F
Reflects additional private works undertaken				
Interest and investment revenue	5	7	2	40% F
Reflects increased income on cash and investment reserves				
Other revenues	117	101	(16)	(14%) U
Reflects decreased income from plant operations				
Operating grants and contributions	806	881	75	9% F
Reflects additional income received from operating grants				
Net gains from disposal of assets	20	11	(9)	(45%) U
Reflects drop in profit from the sale of plant as per the Plant Replacement Programme following a decision not to replace a second vehicle in 2017/18.				

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	688	548	140	20% F
Reflects savings in employee overheads including a vacancy at Coonabarabran not replaced until January, 2018				
Materials and contracts	20	17	3	15% F
Reflects savings in materials, including bulk purchases of chemicals, purchased from local suppliers.				
Depreciation and amortisation	30	31	(1)	(3%) U
Other expenses	220	168	52	24% F
This item includes plant operating expenses including major repairs to one vehicle's engine which had to be replaced owing to fuel issues and other operating savings due to strategic timing of plant replacement.				

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

Cash flows from operating activities	38	243	205	539.5% F
Reflects additional income sourced during the year.				
Cash flows from investing activities	(100)	(55)	45	(45.0%) F
Reflects variation in plant purchases in 2017/18.				

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Fair value measurement

\$ '000

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

– 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:

		Fair value measurement hierarchy			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and Office Equipment	30/06/17	—	150	—	150
Operational Land	30/06/13	—	4	—	4
Buildings (non specialised)	30/06/13	—	109	—	109
Total infrastructure, property, plant and equipment		—	263	—	263

2017

Recurring fair value measurements

Infrastructure, property, plant and equipment

Plant and Office Equipment	30/06/17	–	115	–	115
Operational Land	30/06/13	–	4	–	4
Buildings (non specialised)	30/06/13	–	109	–	109
Total infrastructure, property, plant and equipment		–	228	–	228

(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 2018

Note 18. Related party transactions

\$ '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:

Compensation:

Short-term benefits

Total

2018	2017
43	40
43	40

b. Other transactions with KMP and their related parties

Council has determined that there were no other KMP or related party transactions.

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	286	27.24%	9.13%	16.97%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	1,050				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	169	16.10%	16.47%	18.41%	> 60.00%
Total continuing operating revenue ⁽¹⁾	1,050				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	696	7.73x	3.59x	2.63x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	90				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	317	0.00x	2.28x	1.84x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	–	0.00%	0.00%	0.00%	10%
Rates, annual and extra charges collectible	–				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	602	9.13 mths	5.6 mths	4.1 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	66				

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.

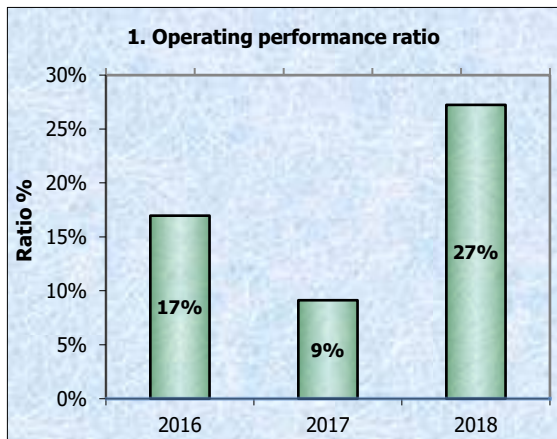
⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 10(b) and 11(b) – 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 2018

Note 19(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of operating performance ratio

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

Commentary on 2017/18 result

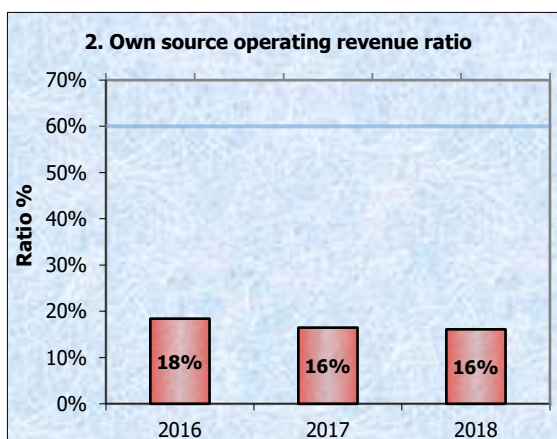
2017/18 ratio 27.24%

This ratio reflects the flow on effect from an increase in the amount of private works undertaken during the period, coupled with savings in wages and salaries for the corresponding period when continuing drought conditions resulted in the deferment of a proposed programme of additional weed spraying planned to be undertaken when the weather broke.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of own source operating revenue ratio

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

Commentary on 2017/18 result

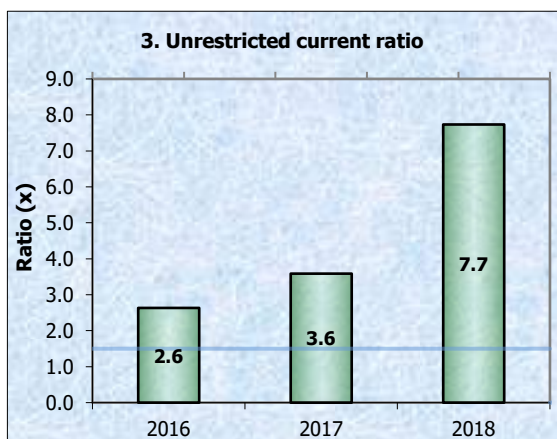
2017/18 ratio 16.10%

Council's Own Source Operating Ratio continues to be impacted by the fact that Constituent Council contributions are not taken into account when determining this ratio. If these contributions to be included in ratio calculations the ratio would be much higher - in the order of 75-80% - and thus meet T-Corp benchmarks. Lower plant hire income has resulted in the ratio remaining static in 2017/18.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of unrestricted current ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

Commentary on 2017/18 result

This ratio has been favourably impacted by various reductions in expenditure including lower membership fees, workers compensation premiums and administrative overheads coupled with the reduction in current liabilities and allowed the building up of internal reserves to cover works being carried forward.



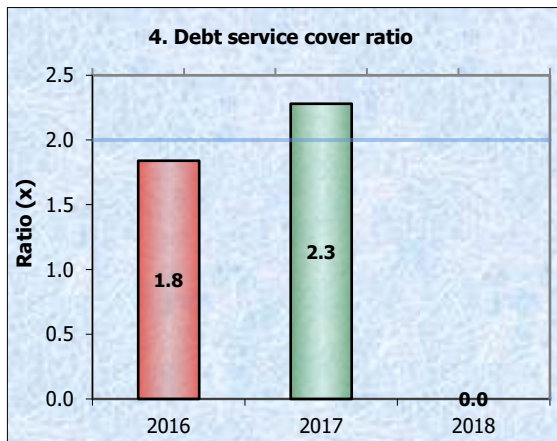
Ratio achieves benchmark

Ratio is outside benchmark

Castlereagh Macquarie County Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 19(b). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of debt service cover ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2017/18 result

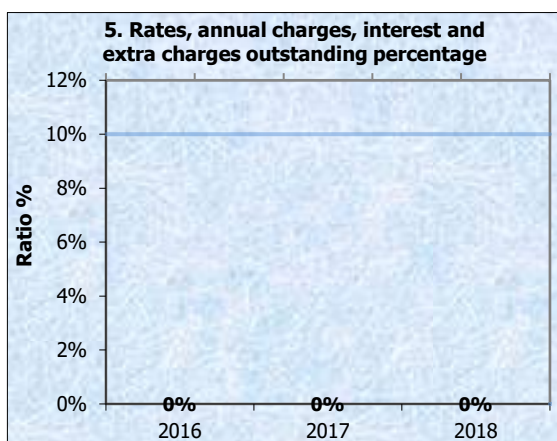
2017/18 ratio 0.00x

This ratio clearly reflects that Council has no outstanding loan liabilities and is debt free at present.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of rates and annual charges outstanding ratio

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2017/18 result

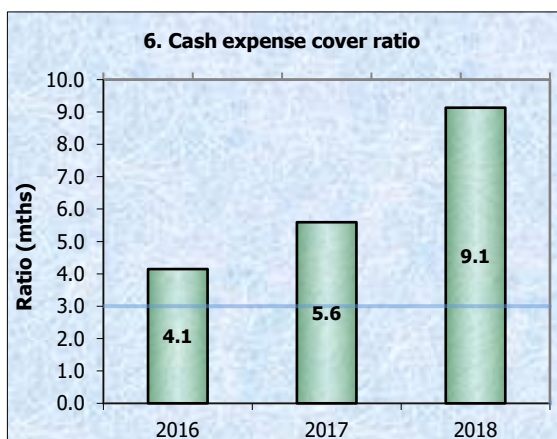
2017/18 ratio 0.00%

The County Council is not a rating authority.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2017/18 result

2017/18 ratio 9.13 mths

This ratio reflects Council's sound financial position but part of the improvement in 2017/18 is due to additional contributions towards specific projects to be undertaken over two years and received late in the financial year. These projects will now be undertaken early in 2018/19 and 2019/20.



Ratio achieves benchmark

Ratio is outside benchmark

Castlereagh Macquarie County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Council information and contact details

Principal place of business:

77 Fox Street
WALGETT NSW 2832

Contact details

Mailing address:

PO Box 664
WALGETT NSW 2832

Opening hours:

8.15 am to 4.30 pm
Monday to Friday

Telephone: 02 6828 1399

Facsimile: 20 6828 1608

Internet: <http://www.cmcc.nsw.gov.au>

Email: mail@cmcc.nsw.gov.au

Officers

GENERAL MANAGER

Mr Don Ramsland

RESPONSIBLE ACCOUNTING OFFICER

Mr Don Ramsland

PUBLIC OFFICER

Mr Don Ramsland

AUDITORS

Audit Office of NSW
Level 156, 1 Margaret Street
SYDNEY NSW 2000

Elected members

MAYOR

Councillor Doug Batten

COUNCILLORS

Clr Michael Webb
Clr Bill Fisher
Clr Greg Peart
Clr Peter Shinton
Clr Ray Lewis
Clr Ian Woodcock
Clr Manuel Martinez
Clr Mark Beach
Clr Andrew Brewer

Other information

ABN: 89 539 779 958



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial report

Castlereagh Macquarie County Council

To the Councillors of the Castlereagh Macquarie County Council

Opinion

I have audited the accompanying financial report of Castlereagh Macquarie County Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 16 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read 'C. Karakatsanis'.

Caroline Karakatsanis
Director, Financial Audit Services

30 October 2018
SYDNEY

Mr Don Ramsland
General Manager
Castlereagh Macquarie County Council
PO BOX 664
WALGETT NSW 2832

Contact: Caroline Karakatsanis
Phone no: 02 9275 7143
Our ref: D1814597/1815

30 October 2018

Dear Mr Ramsland

**Report on the Conduct of the Audit
for the year ended 30 June 2018
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 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2018	2017	Variance
	\$000	\$000	%
Grants and contributions revenue	881	796	↑ 10.7
Operating result for the year	297	92	↑ 222.8

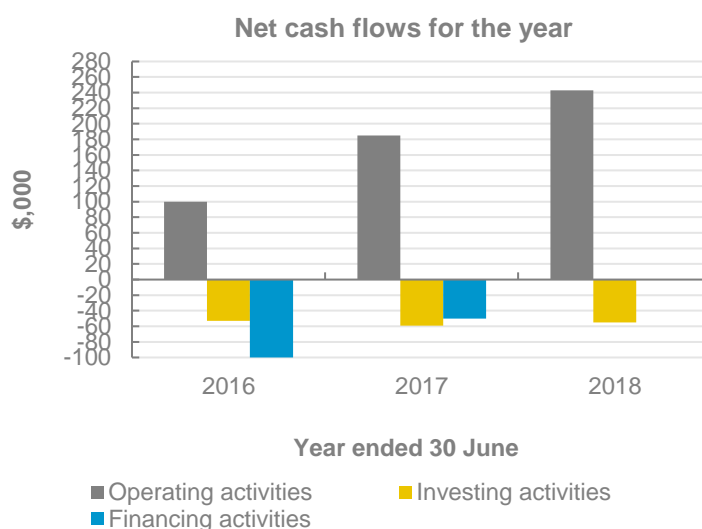
Council's operating surplus of \$297,000 including the effect of depreciation and amortisation expense of \$31,000 was \$205,000 higher than the 2016–17 result. The major reasons behind the increase are \$85,000 increase in grants and contributions revenue and a \$57,000 (25 per cent) reduction of 'other expenses' for the year.

Grants and contributions revenue of \$881,000 increased by \$85,000 (10.7%) in 2017–2018 due to:

- an additional \$7,000 of council member contributions in 2017-18
- receipt of \$62,000 grant for weed projects that were not received in 2016-17
- \$21,000 in contributions for the Hudson pear weed project.

STATEMENT OF CASH FLOWS

- The level of net cash flows from operations has steadily increased each year from 2016.
- Net cash outflows for investing activities (PP&E purchases) and financing activities (borrowing repayments) are relatively low.



FINANCIAL POSITION

Cash and Investments

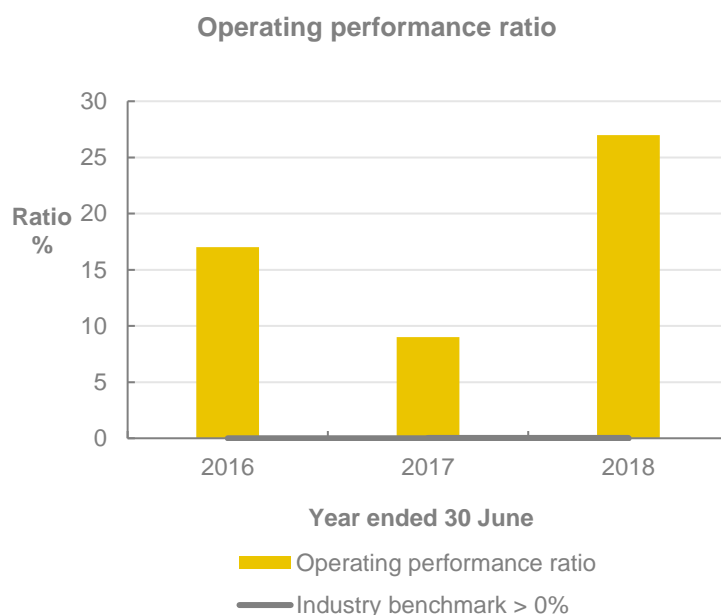
Cash and Investments	2018	2017	Commentary
	\$000	\$000	
Internal restrictions	157	119	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash remains relatively low. Council has increased its unrestricted cash and investments balance from the prior year. This is aided by funding for extra projects undertaken for the 2017-18, and ongoing surpluses from operations
Unrestricted	445	295	
Cash and investments			

PERFORMANCE RATIOS

The definition of each ratio analysed below is included in Note 19 of the Council's audited general purpose financial statements.

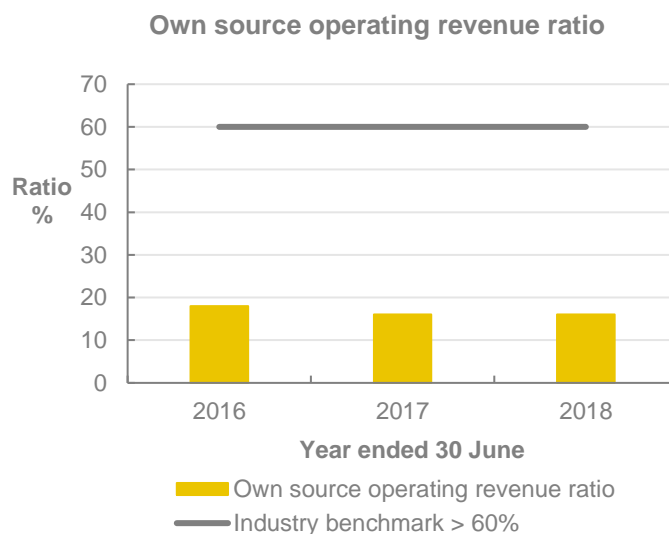
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The increase for 2018 is a direct result of an increase in grants and contributions revenue as mentioned above, coupled with savings in other expenses and wages and salaries.



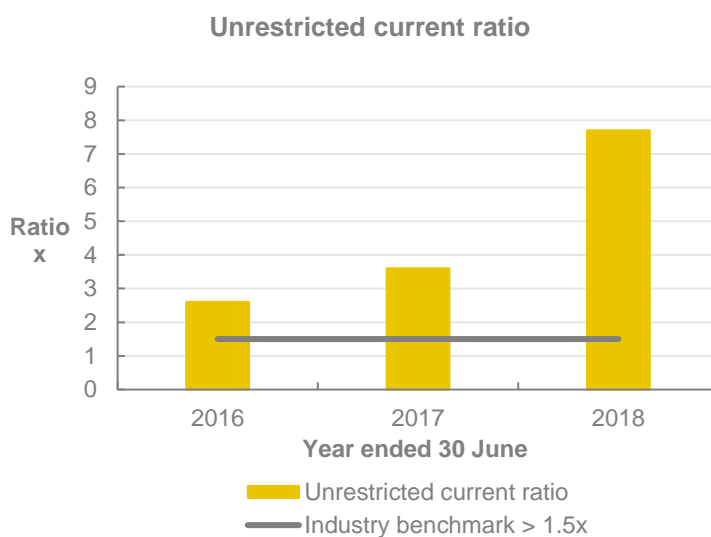
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- Council's own source operating is impacted as the contributions made by member councils are not taken into account when calculating this ratio. Lower plant income for the year has caused the ratio to remain steady



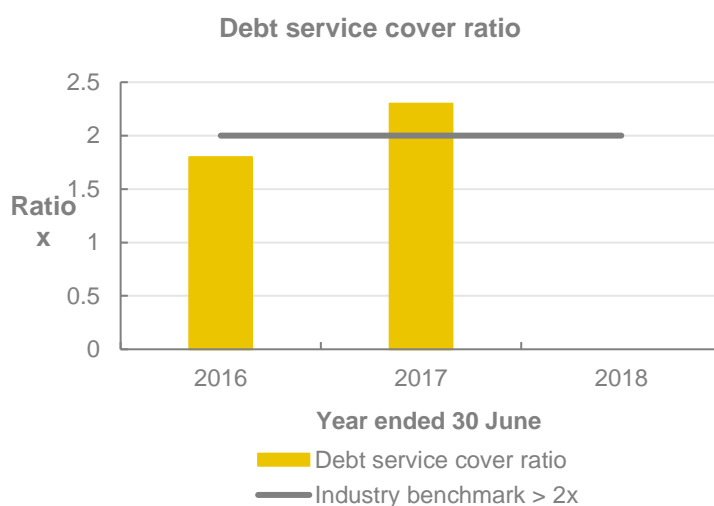
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The ratio indicates that Council has \$7.73 of unrestricted assets available to service every \$1.00 of its unrestricted current liabilities, inclusive of loan repayments and creditors. This level is well above the industry benchmark, and indicates Council has sufficient liquidity to meet its liabilities when they fall due.



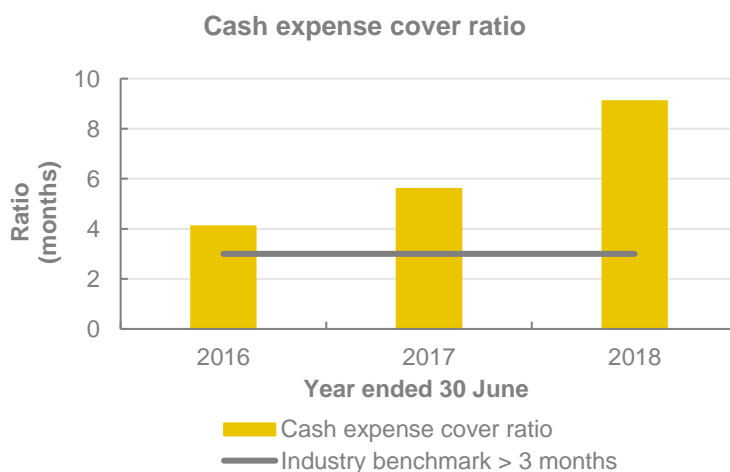
Debt service cover ratio

- 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.
- Council has no outstanding loans and is debt free at 30 June 2018.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The improvement in 2017-18 is a result of additional contributions for specific projects being received late in the financial year with the work to be undertaken in 2018-19 and 2019-20.



OTHER MATTERS

New accounting standards implemented

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

As Council does not have any borrowings, it does not affect the Council this year.

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: Chair, Mr Doug Batten
Tim Hurst, Chief Executive of the Office of Local Government

Castlereagh Macquarie County Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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



Castlereagh Macquarie County Council

Special Schedules

for the year ended 30 June 2018

Contents

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Special Schedules ¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2	Permissible income for general rates	n/a
Special Schedule 2	Independent Auditors Report	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	n/a
Special Schedule 4	Water Supply – Statement of Financial Position	n/a
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	n/a
Special Schedule 6	Sewerage Service – Statement of Financial Position	n/a
Notes to Special Schedules 3 and 5		n/a
Special Schedule 7	Report on Infrastructure Assets	n/a

¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
 - the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
 - the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Castlereagh Macquarie County Council

Special Schedule 1 – Net Cost of Services for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	–	–	–	–
Administration	–	–	–	–
Public order and safety				
Fire service levy, fire protection, emergency services	–	–	–	–
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	–	–	–	–
Other	–	–	–	–
Total public order and safety	–	–	–	–
Health	–	–	–	–
Environment				
Noxious plants and insect/vermin control	764	1,054	–	290
Other environmental protection	–	–	–	–
Solid waste management	–	–	–	–
Street cleaning	–	–	–	–
Drainage	–	–	–	–
Stormwater management	–	–	–	–
Total environment	764	1,054	–	290
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	–	–	–	–
Housing and community amenities				
Public cemeteries	–	–	–	–
Public conveniences	–	–	–	–
Street lighting	–	–	–	–
Town planning	–	–	–	–
Other community amenities	–	–	–	–
Total housing and community amenities	–	–	–	–
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

Castlereagh Macquarie County Council

Special Schedule 1 – Net Cost of Services (continued) for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	—	—	—	—
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	—	—	—	—
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	—	—	—	—
Swimming pools	—	—	—	—
Parks and gardens (lakes)	—	—	—	—
Other sport and recreation	—	—	—	—
Total recreation and culture	—	—	—	—
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	—	—	—	—
Total mining, manufacturing and const.	—	—	—	—
Transport and communication				
Urban roads (UR) – local	—	—	—	—
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	—	—	—	—
Sealed rural roads (SRR) – regional	—	—	—	—
Unsealed rural roads (URR) – local	—	—	—	—
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	—	—	—	—
Bridges on URR – local	—	—	—	—
Bridges on regional roads	—	—	—	—
Parking areas	—	—	—	—
Footpaths	—	—	—	—
Aerodromes	—	—	—	—
Other transport and communication	—	—	—	—
Total transport and communication	—	—	—	—
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	—	—	—	—
Total economic affairs	—	—	—	—
Totals – functions	764	1,054	—	290
General purpose revenues ⁽¹⁾		7		7
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	764	1,061	—	297

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement