

# Castlereagh Macquarie County Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2019

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# General Purpose Financial Statements

for the year ended 30 June 2019

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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: [www.cmcc.nsw.gov.au](http://www.cmcc.nsw.gov.au).

## General Purpose Financial Statements

for the year ended 30 June 2019

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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.

## Castlereagh Macquarie County Council

### General Purpose Financial Statements

for the year ended 30 June 2019

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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 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 23rd September, 2019.



Councillor Doug Batten

**Chairperson**

Dated: 18.11.2019



Councillor Peter Shinton

**Deputy Chairperson**

Dated: 20.11.2019



Gregory Ingham

**General Manager**

Dated: 17.11.2019



Gregory Ingham

**Responsible Accounting Officer**

Dated: 17.11.2019

## Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Income from continuing operations</b>				
	<u>Revenue:</u>			
20	User charges and fees	3a	52	61
5	Interest and investment revenue	3b	10	7
140	Other revenues	3c	130	101
861	Grants and contributions provided for operating purposes	3d,3e	907	881
–	Grants and contributions provided for capital purposes	3d,3e	200	–
	<u>Other income:</u>			
15	Net gains from the disposal of assets	5	29	11
1,041	<b>Total income from continuing operations</b>		1,328	1,061
<b>Expenses from continuing operations</b>				
651	Employee benefits and on-costs	4a	667	548
22	Materials and contracts	4b	24	17
58	Depreciation and amortisation	4c	58	31
190	Other expenses	4d	197	168
921	<b>Total expenses from continuing operations</b>		946	764
120	<b>Operating result from continuing operations</b>		382	297
120	<b>Net operating result for the year</b>		382	297
120	Net operating result attributable to council		382	297
120	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		182	297

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

# Statement of Comprehensive Income

for the year ended 30 June 2019

	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>Net operating result for the year (as per Income Statement)</b>	<b>382</b>	<b>297</b>
<b>Total comprehensive income for the year</b>	<b>382</b>	<b>297</b>
Total comprehensive income attributable to Council	382	297

(<sup>1</sup>) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# Statement of Financial Position

as at 30 June 2019

	Notes	Actual 2019 \$ '000	Actual 2018 <sup>1</sup> \$ '000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalent assets	6(a)	936	602
Investments	6(b)	121	–
Receivables	7	27	62
Inventories	8	33	32
<b>Total current assets</b>		<b>1,117</b>	<b>696</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	257	263
<b>Total non-current assets</b>		<b>257</b>	<b>263</b>
<b>TOTAL ASSETS</b>		<b>1,374</b>	<b>959</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	29	24
Provisions	11	133	116
<b>Total current liabilities</b>		<b>162</b>	<b>140</b>
<b>Non-current liabilities</b>			
Provisions	11	11	–
<b>Total non-current liabilities</b>		<b>11</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>		<b>173</b>	<b>140</b>
<b>Net assets</b>		<b>1,201</b>	<b>819</b>
<b>EQUITY</b>			
Accumulated surplus	12	1,017	635
Revaluation reserves	12	184	184
<b>Council equity interest</b>		<b>1,201</b>	<b>819</b>
<b>Total equity</b>		<b>1,201</b>	<b>819</b>

<sup>(1)</sup> The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

# Statement of Changes in Equity

for the year ended 30 June 2019

	2019			2018 <sup>1</sup>		
	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000	Accumulated surplus \$ '000	IPP&E revaluation reserve \$ '000	Total equity \$ '000
Opening balance	635	184	819	338	184	522
Net operating result for the year	382	–	382	297	–	297
<b>Total comprehensive income</b>	<b>382</b>	<b>–</b>	<b>382</b>	<b>297</b>	<b>–</b>	<b>297</b>
<b>Equity – balance at end of the reporting period</b>	<b>1,017</b>	<b>184</b>	<b>1,201</b>	<b>635</b>	<b>184</b>	<b>819</b>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.



# Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019 \$ '000		Notes	Actual 2019 \$ '000	Actual 2018 \$ '000
<b>Cash flows from operating activities</b>				
	<u>Receipts</u>			
20	User charges and fees		52	61
5	Investment and interest revenue received		10	7
861	Grants and contributions		1,103	867
140	Other		169	99
	<u>Payments</u>			
(651)	Employee benefits and on-costs		(639)	(591)
(22)	Materials and contracts		(25)	(32)
(190)	Other		(192)	(168)
163	<b>Net cash provided (or used in) operating activities</b>	13b	478	243
<b>Cash flows from investing activities</b>				
	<u>Receipts</u>			
15	Sale of infrastructure, property, plant and equipment		29	11
	<u>Payments</u>			
–	Purchase of investment securities		(121)	–
(40)	Purchase of infrastructure, property, plant and equipment		(52)	(66)
(25)	<b>Net cash provided (or used in) investing activities</b>		(144)	(55)
138	<b>Net increase/(decrease) in cash and cash equivalents</b>		334	188
602	Plus: cash and cash equivalents – beginning of year	13a	602	414
740	<b>Cash and cash equivalents – end of the year</b>	13a	936	602
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	121	–
740	<b>Total cash, cash equivalents and investments</b>		1,057	602

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

for the year ended 30 June 2019

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## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September, 2019

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

The principal accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

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

and are clearly marked.

#### (a) New and amended standards adopted by Council

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

#### (b) Historical cost convention

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

#### (c) Significant accounting estimates and judgements

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

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

#### 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 – refer Note 9
- (ii) employee benefit provisions – refer Note 11.

## Notes to the Financial Statements

for the year ended 30 June 2019

### 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 – refer 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 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.

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 property 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.

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 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 30 June 2019 reporting periods (and which have not been early adopted by Council).

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.

#### AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases having to be recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not the disclosure requirements of AASB 16 - Leases.)

Council currently has no operating leases in place therefore the introduction of this standard will have no impact on Council's Financial Statements.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

#### AASB 15 Revenue from Contract with Customers and associated amending standards

AASB 15 introduces a five step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contract costs and contracts which contain a financing element.

Council will be required to assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council has reviewed the requirements of AASB 15, the impact of the introduction of this standard is expected to be nil. Council receives payment for revenue in advance of the transfer of the goods or service however these amounts are low in number and value therefore will have no material impact on Council's total revenue. Councils expects to recognise these payments as revenue when they are received.

#### AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard such as:

- (a) contributors by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognised a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council staff have performed an analysis of the AASB 1058 and the specific impacts of the standard for Council are expected to be Nil.

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

This standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significant below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects in the financial position, financial performance and cash flows of the entity arising from these leases.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 1. Basis of preparation (continued)

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As per a NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures to be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB 2018-8 for Council are expected to be Nil.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018. Apart from those standards listed above, there are no other released standards (with future effective dates) that are expected to have a material impact on Council.

# Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.  
Details of those functions or activities are provided in Note 2(b).

Functions or activities	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
Governance	–	2	15	18	(15)	(16)	–	–	–	–
Administration	22	19	196	256	(174)	(237)	–	–	–	–
Environment	1,306	1,040	735	490	571	550	581	346	1,374	959
<b>Total functions and activities</b>	<b>1,328</b>	<b>1,061</b>	<b>946</b>	<b>764</b>	<b>382</b>	<b>297</b>	<b>581</b>	<b>346</b>	<b>1,374</b>	<b>959</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

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

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#### **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.



# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
(a) User charges and fees		
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Private works – section 67	50	52
Weeds certificates	2	4
<b>Total fees and charges – statutory/regulatory</b>	<b>52</b>	<b>56</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Sundry sales	–	5
<b>Total fees and charges – other</b>	<b>–</b>	<b>5</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>52</b>	<b>61</b>

### 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)

<b>Interest on financial assets measured at amortised cost</b>		
– Cash and investments	10	7
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>10</b>	<b>7</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
General Council cash and investments	10	7
<b>Total interest and investment revenue</b>	<b>10</b>	<b>7</b>

### Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
(c) Other revenues		
Insurance claim recoveries	10	8
Plant income	120	93
<b>TOTAL OTHER REVENUE</b>	<b>130</b>	<b>101</b>

### 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.

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

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.

	Operating 2019 Actual \$ '000	Operating 2018 Actual \$ '000	Capital 2019 Actual \$ '000	Capital 2018 Actual \$ '000
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### (d) Grants

#### Specific purpose

Noxious weeds	381	346	200	–
<b>Total specific purpose</b>	<b>381</b>	<b>346</b>	<b>200</b>	<b>–</b>

#### Total grants

	381	346	200	–
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#### Grant revenue is attributable to:

– State funding	381	346	200	–
	381	346	200	–

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 3. Income from continuing operations (continued)

	Operating 2019 Actual \$ '000	Operating 2018 Actual \$ '000	Capital 2019 Actual \$ '000	Capital 2018 Actual \$ '000
Notes				
(e) Contributions				
<b>Other contributions:</b>				
<b>Cash contributions</b>				
Hudson pear contributions	–	21	–	–
Other councils – joint works/services	526	514	–	–
<b>Total other contributions – cash</b>	<b>526</b>	<b>535</b>	<b>–</b>	<b>–</b>
<b>Total other contributions</b>	<b>526</b>	<b>535</b>	<b>–</b>	<b>–</b>
<b>Total contributions</b>	<b>526</b>	<b>535</b>	<b>–</b>	<b>–</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>907</b>	<b>881</b>	<b>200</b>	<b>–</b>

### Accounting policy for grants and 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.

	2019 Actual \$ '000	2018 Actual \$ '000
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## (f) Unspent grants and contributions

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

### Operating grants

Unexpended at the close of the previous reporting period

**Add:** operating grants recognised in the current period but not yet spent

**Unexpended and held as restricted assets (operating grants)**

### Capital grants

Unexpended at the close of the previous reporting period

**Add:** capital grants recognised in the current period but not yet spent

**Unexpended and held as restricted assets (capital grants)**

	–	–
	69	–
	<b>69</b>	<b>–</b>
	–	–
	172	–
	<b>172</b>	<b>–</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	543	448
Travel expenses	2	–
Employee leave entitlements (ELE)	73	53
Superannuation	36	29
Workers' compensation insurance	9	6
Training costs (other than salaries and wages)	1	9
Protective clothing	2	2
Other	1	1
<b>Total employee costs</b>	<b>667</b>	<b>548</b>
<b><u>TOTAL EMPLOYEE COSTS EXPENSED</u></b>	<b><u>667</u></b>	<b><u>548</u></b>
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, 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(b) Materials and contracts</b>		
Auditors remuneration <sup>1</sup>	11	10
<b>Operating leases:</b>		
Depot expense	13	7
<b>Total materials and contracts</b>	<b>24</b>	<b>17</b>
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>24</u></b>	<b><u>17</u></b>

### 1. Auditor remuneration

During the year, the following fees were incurred 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

	11	10
<b>Remuneration for audit and other assurance services</b>	<b>11</b>	<b>10</b>
<b>Total Auditor-General remuneration</b>	<b>11</b>	<b>10</b>
<b>Total Auditor remuneration</b>	<b>11</b>	<b>10</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
(c) Depreciation, amortisation and impairment of intangible assets and IPP&E		
<b>Depreciation and amortisation</b>		
Plant and equipment	39	26
Office equipment	5	5
<b>Infrastructure:</b>		
– Buildings (non-specialised)	14	–
<b>Total gross depreciation and amortisation costs</b>	<b>58</b>	<b>31</b>
Total depreciation and amortisation costs	58	31
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&amp;E</b>	<b>58</b>	<b>31</b>

**Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E****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.

Depreciation is capitalised where in-house assets have contributed to new assets.

**Impairment of non-financial assets**

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Other assets that do not meet the criteria above 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 4. Expenses from continuing operations (continued)

	2019 Actual \$ '000	2018 Actual \$ '000
<b>(d) Other expenses</b>		
Advertising	16	4
Bank charges	–	1
Computer software charges	22	6
Member expenses – chairperson's fee	2	2
Member expenses – member's fees	11	11
Member's expenses (incl. chairperson) – other (excluding fees above)	1	2
Insurance	53	49
Office expenses (including computer expenses)	7	1
Plant expenses	62	73
Printing and stationery	6	–
Subscriptions and publications	2	2
Telephone and communications	9	9
Write-down of inventories held for sale or distribution	(2)	–
Other	8	8
<b>Total other expenses</b>	<b>197</b>	<b>168</b>
<b>TOTAL OTHER EXPENSES</b>	<b>197</b>	<b>168</b>

### 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, replacement and de-recognition of assets

	2019 Actual \$ '000	2018 Actual \$ '000
Notes		
<b>Plant and equipment</b>	<b>9</b>	
Proceeds from disposal – plant and equipment	29	11
<b>Net gain/(loss) on disposal</b>	<b>29</b>	<b>11</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>	<b>29</b>	<b>11</b>

### Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

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 de-recognised.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 6(a). Cash and cash equivalent assets

	2019 Actual \$ '000	2018 Actual \$ '000
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	936	485
Cash-equivalent assets		
– Short-term deposits	–	117
<b>Total cash and cash equivalents</b>	<b>936</b>	<b>602</b>

**Accounting policy for cash and cash equivalents**

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

## Note 6(b). Investments

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Investments</b>				
'Financial assets at amortised cost' / 'held to maturity' (2018)	121	–	–	–
<b>Total Investments</b>	<b>121</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>1,057</b>	<b>–</b>	<b>602</b>	<b>–</b>
<b>Financial assets at amortised cost / held to maturity (2018)</b>				
Long term deposits	121	–	–	–
<b>Total</b>	<b>121</b>	<b>–</b>	<b>–</b>	<b>–</b>

**Accounting policy for investments****Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

**Financial assets**

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

**Classification**

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.



## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 6(b). Investments (continued)

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#### **Amortised cost**

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

#### **Fair value through other comprehensive income – equity instruments**

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

#### **Financial assets through profit or loss**

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

# Notes to the Financial Statements

for the year ended 30 June 2019

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

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
Total cash, cash equivalents and investments	1,057	–	602	–
<b>attributable to:</b>				
Unrestricted	696	–	445	–
Internal restrictions	120	–	157	–
External restrictions	241	–	–	–
	1,057	–	602	–

	2019 Actual \$ '000	2018 Actual \$ '000
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### Details of restrictions

#### External restrictions – other

Specific purpose unexpended grants

#### Internal restrictions

Plant and vehicle replacement

Employees leave entitlement

Carry over works

#### Total internal restrictions

#### TOTAL RESTRICTIONS

241	–
9	9
111	113
–	35
120	157
361	157

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 7. Receivables

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Purpose</b>				
Government grants and subsidies	18	—	14	—
Net GST receivable	9	—	48	—
<b>Total</b>	<b>27</b>	<b>—</b>	<b>62</b>	<b>—</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>27</u></b>	<b><u>—</u></b>	<b><u>62</u></b>	<b><u>—</u></b>
<b>Unrestricted receivables</b>	<b>27</b>	<b>—</b>	<b>62</b>	<b>—</b>
<b>TOTAL NET RECEIVABLES</b>	<b>27</b>	<b>—</b>	<b>62</b>	<b>—</b>

## Accounting policy for receivables

## Recognition and measurement

Receivables 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.

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

## Accounting policy under AASB 9 applicable from 1 July 2018

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

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

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

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

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

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 2 years past due, whichever occurs first.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 7. Receivables (continued)

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None of the receivables that have been written off are subject to enforcement activity

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

#### **Accounting policy under AASB 139 – applicable for 2018 comparatives only**

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 ongoing basis. Debts that are known to be uncollectable 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 the 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 8. Inventories and other assets

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
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### Inventories

#### (i) Inventories at cost

Stores and materials	33	—	32	—
<b>Total inventories at cost</b>	<b>33</b>	<b>—</b>	<b>32</b>	<b>—</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>33</u></b>	<b><u>—</u></b>	<b><u>32</u></b>	<b><u>—</u></b>

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Total externally restricted assets</b>	—	—	—	—
<b>Total internally restricted assets</b>	—	—	—	—
<b>Total unrestricted assets</b>	<b>33</b>	<b>—</b>	<b>32</b>	<b>—</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>33</b>	<b>—</b>	<b>32</b>	<b>—</b>

#### (i) Other disclosures

Nil.

### Accounting policy for inventories and other assets

#### 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 the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Inventory held for distribution

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 9. Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period			as at 30/6/2019		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals \$ '000	Additions new assets \$ '000	Depreciation expense \$ '000	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Plant and equipment	379	(246)	133	40	10	(39)	381	(234)	147
Office equipment	30	(13)	17	–	–	(5)	27	(16)	11
<b>Land:</b>									
– Operational land	4	–	4	–	–	–	4	–	4
<b>Infrastructure:</b>									
– Buildings – non-specialised	287	(178)	109	–	–	(14)	287	(192)	95
<b>Total Infrastructure, property, plant and equipment</b>	<b>700</b>	<b>(437)</b>	<b>263</b>	<b>40</b>	<b>10</b>	<b>(58)</b>	<b>699</b>	<b>(442)</b>	<b>257</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

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

	Asset movements during the reporting period								
	as at 30/6/2017						as at 30/6/2018		
	Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000	Additions renewals <sup>1</sup> \$ '000	Depreciation expense \$ '000		Gross carrying amount \$ '000	Accumulated depreciation \$ '000	Net carrying amount \$ '000
Plant and equipment	359	(266)	93	66	(26)		379	(246)	133
Office equipment	34	(12)	22	–	(5)		30	(13)	17
<b>Land:</b>									
– Operational land	4	–	4	–	–		4	–	4
<b>Infrastructure:</b>									
– Buildings – non-specialised	287	(178)	109	–	–		287	(178)	109
<b>Total Infrastructure, property, plant and equipment</b>	<b>684</b>	<b>(456)</b>	<b>228</b>	<b>66</b>	<b>(31)</b>		<b>700</b>	<b>(437)</b>	<b>263</b>

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

## Notes to the Financial Statements

for the year ended 30 June 2019

## 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 comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council 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 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.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. 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 the Council will obtain ownership at the end of the lease term. 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 10. Payables and borrowings

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Payables</b>				
Accrued expenses:				
– Other expenditure accruals	29	–	24	–
<b>Total payables</b>	<b>29</b>	<b>–</b>	<b>24</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>29</u></b>	<b><u>–</u></b>	<b><u>24</u></b>	<b><u>–</u></b>

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Payables and borrowings relating to restricted assets</b>				
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>29</b>	<b>–</b>	<b>24</b>	<b>–</b>
<b><u>TOTAL PAYABLES AND BORROWINGS</u></b>	<b><u>29</u></b>	<b><u>–</u></b>	<b><u>24</u></b>	<b><u>–</u></b>

**Accounting policy for payables and borrowings**

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

**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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 11. Provisions

	2019 Current Actual \$ '000	2019 Non-current Actual \$ '000	2018 Current Actual \$ '000	2018 Non-current Actual \$ '000
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	58	–	43	–
Long service leave	75	11	73	–
<b>Sub-total – aggregate employee benefits</b>	<b>133</b>	<b>11</b>	<b>116</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>133</u></b>	<b><u>11</u></b>	<b><u>116</u></b>	<b><u>–</u></b>

## (a) Provisions relating to restricted assets

<b>Total provisions relating to restricted assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total provisions relating to unrestricted assets</b>	<b>133</b>	<b>11</b>	<b>116</b>	<b>–</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>133</u></b>	<b><u>11</u></b>	<b><u>116</u></b>	<b><u>–</u></b>

	2019 Actual \$ '000	2018 Actual \$ '000
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## (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	36	50
	<b>36</b>	<b>50</b>

## (c) Description of and movements in provisions

	ELE provisions		
	Annual leave \$ '000	Long service leave \$ '000	Total \$ '000
<b>2019</b>			
At beginning of year	43	73	116
Additional provisions	29	13	42
Amounts used (payments)	(18)	–	(18)
Other	4	–	4
<b>Total ELE provisions at end of period</b>	<b>58</b>	<b>86</b>	<b>144</b>
<b>2018</b>			
At beginning of year	40	119	159
Additional provisions	22	6	28
Amounts used (payments)	(19)	(52)	(71)
<b>Total ELE provisions at end of period</b>	<b>43</b>	<b>73</b>	<b>116</b>

continued on next page ...

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 11. Provisions (continued)

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#### 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.

##### On-costs

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

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

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.

### 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 13. Statement of cash flows - additional information

	Notes	2019 Actual \$ '000	2018 Actual \$ '000
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6(a)	936	602
<b>Balance as per the Statement of Cash Flows</b>		<b>936</b>	<b>602</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		382	297
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		58	31
Net losses/(gains) on disposal of assets		(29)	(11)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		35	(16)
Decrease/(increase) in inventories		(1)	(15)
Increase/(decrease) in other accrued expenses payable		5	—
Increase/(decrease) in employee leave entitlements		28	(43)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>478</b>	<b>243</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 14. 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) 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.

###### (ii) 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.

###### (iii) Other guarantees

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

##### 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Financial risk management

## Risk management

Council's activities expose it to a variety of financial risks including (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 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 2019 \$ '000	Carrying value 2018 \$ '000	Fair value 2019 \$ '000	Fair value 2018 \$ '000
<b>Financial assets</b>				
<b>Measured at amortised cost</b>				
Cash and cash equivalents	936	602	936	602
Receivables	27	62	27	62
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	121	–	121	–
<b>Total financial assets</b>	<b>1,084</b>	<b>664</b>	<b>1,084</b>	<b>664</b>
<b>Financial liabilities</b>				
Payables	29	24	29	24
<b>Total financial liabilities</b>	<b>29</b>	<b>24</b>	<b>29</b>	<b>24</b>

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.

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

Council's General Manager 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 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Financial risk management (continued)

- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

	Increase of values/rates		Decrease of values/rates	
	Profit \$ '000	Equity \$ '000	Profit \$ '000	Equity \$ '000
<b>2019</b>				
Possible impact of a 1% movement in interest rates	9	9	(9)	(9)
<b>2018</b>				
Possible impact of a 1% movement in interest rates	6	6	(6)	(6)

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Financial risk management (continued)

## (b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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.

**Receivables - non-rates and annual charges**

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue \$ '000	0 - 30 days overdue \$ '000	31 - 60 days overdue \$ '000	61 - 90 days overdue \$ '000	> 91 days overdue \$ '000	Total \$ '000
<b>2019</b>						
Gross carrying amount	27	—	—	—	—	27
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	—	—	—	—	—	—
<b>2018</b>						
Gross carrying amount	41	15	5	—	1	62
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>ECL provision</b>	—	—	—	—	—	—



## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 15. Financial risk management (continued)

## (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 manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

	Weighted average interest rate %	Subject to no maturity \$ '000	payable in: ≤ 1 Year \$ '000	1 - 5 Years \$ '000	> 5 Years \$ '000	Total cash outflows \$ '000	Actual carrying values \$ '000
<b>2019</b>							
Trade/other payables	0.00%	–	29	–	–	29	29
<b>Total financial liabilities</b>		–	29	–	–	29	29
<b>2018</b>							
Trade/other payables	0.00%	–	24	–	–	24	24
<b>Total financial liabilities</b>		–	24	–	–	24	24

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on Monday 25 June, 2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

**Variation Key:** **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>REVENUES</b>				
<b>User charges and fees</b>	20	52	32	160% <b>F</b>
Reflects additional income received from Private Works				
<b>Interest and investment revenue</b>	5	10	5	100% <b>F</b>
Reflects additional income received from interest on investments				
<b>Other revenues</b>	140	130	(10)	(7)% <b>U</b>
Reflects a decrease in plant income				
<b>Operating grants and contributions</b>	861	907	46	5% <b>F</b>
Reflects additional income received from grants for Hudson pear control				
<b>Capital grants and contributions</b>	–	200	200	∞ <b>F</b>
Council received an unexpected grant for the capital works for the construction of a bio facility				
<b>Net gains from disposal of assets</b>	15	29	14	93% <b>F</b>
Reflects additional income received from the trade in of toyota utility.				
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	651	667	(16)	(2)% <b>U</b>
Reflects the additional cost incurred through staff upgradings				
<b>Materials and contracts</b>	22	24	(2)	(9)% <b>U</b>
Reflects the additional cost of services				
<b>Depreciation and amortisation</b>	58	58	–	0% <b>F</b>
<b>Other expenses</b>	190	197	(7)	(4)% <b>U</b>
reflects the additional cost of advertising hard to fill employment vacancies				

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 16. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
<b>STATEMENT OF CASH FLOWS</b>				
<b>Net cash provided from (used in) operating activities</b>	<b>163</b>	<b>478</b>	<b>315</b>	<b>193% F</b>
Reflects the cash movements from the additional income from grants				
<b>Net cash provided from (used in) investing activities</b>	<b>(25)</b>	<b>(144)</b>	<b>(119)</b>	<b>476% U</b>

## Notes to the Financial Statements

for the year ended 30 June 2019

## Note 17. Fair Value Measurement

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:

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2019	Notes					
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>	9					
Plant and Office Equipment		30/06/17	–	–	158	158
Operational Land		30/06/17	–	–	4	4
Buildings (non specialised)		30/06/17	–	–	95	95
<b>Total infrastructure, property, plant and equipment</b>			–	–	257	257

		Fair value measurement hierarchy				
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
2018	Notes					
<b>Recurring fair value measurements</b>						
<b>Infrastructure, property, plant and equipment</b>	9					
Plant and Office Equipment		30/06/17	–	–	150	150
Operational Land		30/06/17	–	–	4	4
Buildings (non specialised)		30/06/17	–	–	109	109
<b>Total infrastructure, property, plant and equipment</b>			–	–	263	263

## 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.

## Notes to the Financial Statements

for the year ended 30 June 2019

### Note 18. Related Party Transactions

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#### (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:

	2019 \$ '000	2018 \$ '000
<b>Compensation:</b>		
Short-term benefits	27	43
<b>Total</b>	<b>27</b>	<b>43</b>

#### (b) Other transactions with KMP and their related parties

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

### Note 19. Events occurring after the reporting date

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

# Notes to the Financial Statements

for the year ended 30 June 2019

## Note 20(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	2018	Prior periods		Benchmark
				2017	2016	
<b>1. Operating performance ratio</b>						
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1, 2</sup>	<b>153</b>	<b>13.92%</b>	27.24%	9.13%	16.97%	>0.00%
Total continuing operating revenue excluding capital grants and contributions	<b>1,099</b>					
<b>2. Own source operating revenue ratio</b>						
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>192</b>	<b>14.78%</b>	16.10%	16.47%	18.41%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>1,299</b>					
<b>3. Unrestricted current ratio</b>						
Current assets less all external restrictions	<b>876</b>	<b>6.95x</b>	7.73x	3.59x	2.63x	>1.50x
Current liabilities less specific purpose liabilities	<b>126</b>					
<b>4. Debt service cover ratio</b>						
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>211</b>	∞	∞	2.28x	1.84x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>—</b>					
<b>5. Cash expense cover ratio</b>						
Current year's cash and cash equivalents plus all term deposits	<b>1,057</b>	<b>14.82</b>	9.13	5.59	4.10	>3.00
Monthly payments from cash flow of operating and financing activities	<b>71</b>	<b>mths</b>	mths	mths	mths	mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates



## 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 Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been presented, in all material respects, in accordance with the requirements of this Division
  - are consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

### Basis for Opinion

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

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

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

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

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

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

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

## **The Councillors' Responsibilities for the Financial Statements**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to:

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


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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://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 18 Material budget variations
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in dark ink, appearing to read 'David Nolan', with a long horizontal stroke extending to the right.

David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

25 November 2019  
SYDNEY



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

Contact: David Nolan  
Phone no: 02 9275 7377  
Our ref: D1928083/1815

25 November 2019

Dear Chairperson

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

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

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

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

## **INCOME STATEMENT**

### **Operating result**

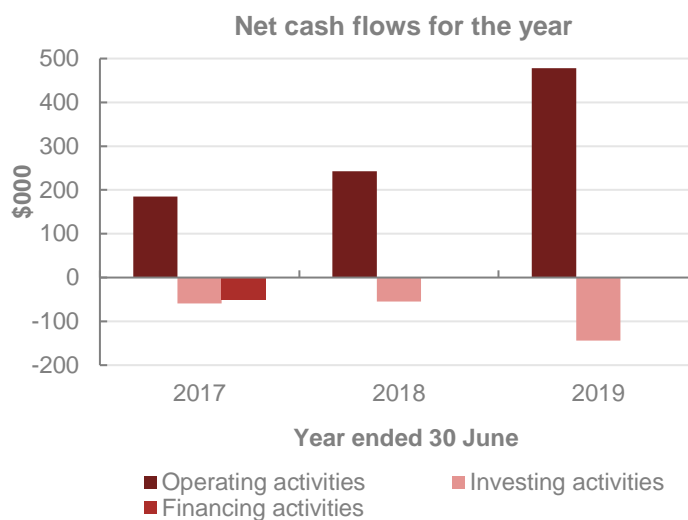
	<b>2019</b>	<b>2018</b>	<b>Variance</b>
	<b>\$000</b>	<b>\$000</b>	<b>%</b>
Grants and contributions revenue	1,107	881	↑ 25.7
Operating result for the year	382	297	↑ 28.6

Council's operating result (\$382,000 including the effect of depreciation expense of \$58,000) was \$85,000 higher than the 2017–18 result. This was mainly due to an increase of \$226,000 in grant funding. This increase was offset by an increase in expenditure of \$182,000, of which \$119,000 related to employee benefits.

The increase in grant funding was due to funding received from the NSW Department of Primary Industries of \$250,000, including \$200,000 for capital purposes.

## STATEMENT OF CASH FLOWS

- The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year and reveals that cash increased by \$334,000 to \$936,000 at the close of the year.
- The increase is a reflection of the increased operating result which included the receipt of additional grant funding.



## FINANCIAL POSITION

### Cash and investments

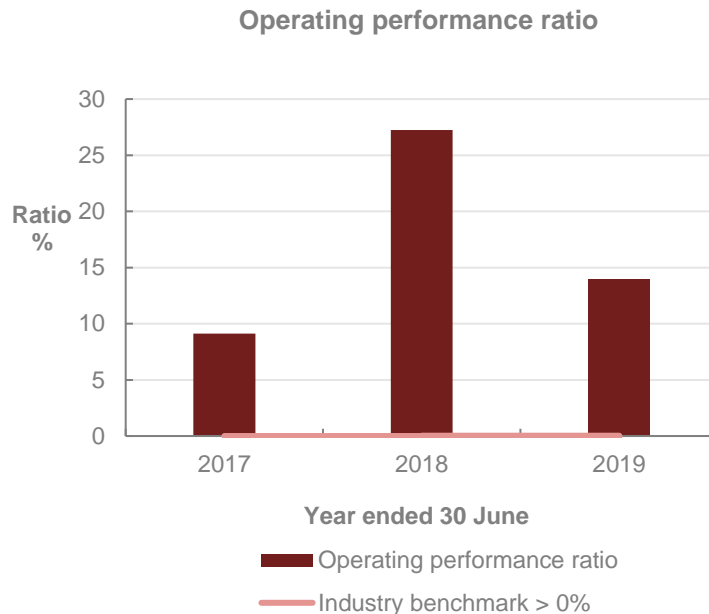
Cash and investments	2019	2018	Commentary
	\$'000	\$'000	
External restrictions	241	--	<ul style="list-style-type: none"> <li>External restrictions represent unspent specific purpose grants</li> <li>Balances are internally restricted due to Council policy or decisions for forward plans including works program.</li> <li>Unrestricted balances provide liquidity for day-to-day operations.</li> </ul>
Internal restrictions	120	157	
Unrestricted	696	445	
<b>Cash and investments</b>			

## PERFORMANCE

### Operating performance ratio

- Council's operating performance indicator of 13.92 per cent in 2018–19 (27.24 per cent in 2017–18) exceeded the industry benchmark.

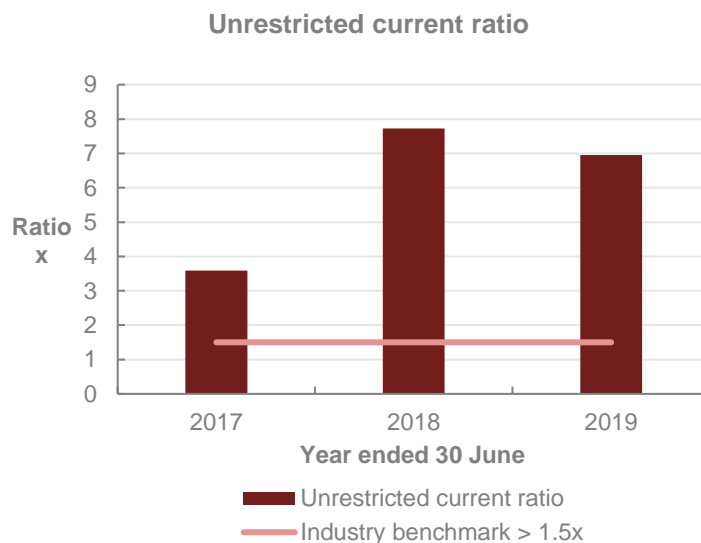
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



### Unrestricted current ratio

- This ratio indicated that Council had 6.95 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities.
- Council's unrestricted current ratio decreased to 6.95 as at 30 June 2019 (7.73 for 2018) and exceeded the industry benchmark.

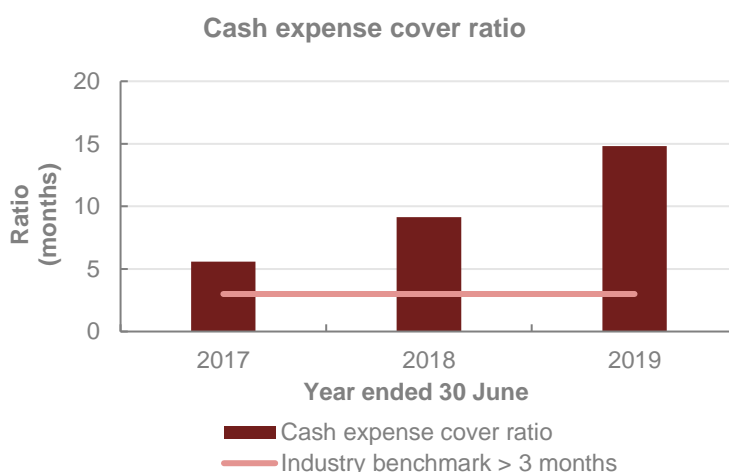
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



## Cash expense cover ratio

- Council's cash expense cover ratio of 14.82 months for 2018–19 (9.13 months for 2017–18) exceeded the benchmark.

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



## OTHER MATTERS

### New accounting standards implemented

Application period	Overview
<b>AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'</b>	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none"> <li>a simplified model for classifying and measuring financial assets</li> <li>a new method for calculating impairment</li> <li>a new type of hedge accounting that more closely aligns with risk management.</li> </ul> <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>The impact of adopting AASB 9 is disclosed in Notes 6 and 7.</p>

### Legislative compliance

Council did not meet the legislative requirement to have the financial statements completed and audited by 31 October 2019.

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

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

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.



David Nolan  
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Greg Ingham, General Manager  
Jim Betts, Secretary of the Department of Planning, Industry and Environment