

Upper Hunter County Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

Upper Hunter County Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

157 Maitland Street
Muswellbrook NSW 2333

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.uhwa.org.au.

Upper Hunter County Council

General Purpose Financial Statements for the year ended 30 June 2018

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

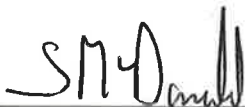
Signed in accordance with a resolution of Council made on 21 August 2018.



Clr A McNamara
Councillor
15 October 2018



Clr M Rush
Councillor
15 October 2018



S McDonald
General Manager
15 October 2018



N Cowley
Responsible Accounting Officer
15 October 2018

Upper Hunter County Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
<i>Revenue:</i>				
	Rates and annual charges	3a	–	–
66	User charges and fees	3b	44	71
1	Interest and investment revenue	3c	3	1
	Other revenues	3d	–	–
1,288	Grants and contributions provided for operating purposes	3e,f	1,844	1,699
	Grants and contributions provided for capital purposes	3e,f	–	–
<i>Other income:</i>				
12	Net gains from the disposal of assets	5	–	9
	Fair value increment on investment property		–	–
	Reversal of revaluation decrements / impairment of IPP&E previously expensed	4d	–	–
	Net share of interests in joint ventures and associates using the equity method		–	–
<u>1,367</u>	Total income from continuing operations		<u>1,891</u>	<u>1,780</u>
Expenses from continuing operations				
430	Employee benefits and on-costs	4a	404	403
	Borrowing costs	4b	–	–
221	Materials and contracts	4c	179	192
11	Depreciation and amortisation	4d	31	43
	Impairment of investments	4d	–	–
648	Other expenses	4e	1,015	890
	Interest and investment losses	3c	–	–
	Net losses from the disposal of assets	5	–	–
	Fair value decrement on investment property		–	–
	Revaluation decrement / impairment of IPP&E	4d	–	–
	Net share of interests in joint ventures and associates using the equity method		–	–
<u>1,310</u>	Total expenses from continuing operations		<u>1,629</u>	<u>1,528</u>
57	Operating result from continuing operations		262	252
	Operating result from discontinued operations		–	–
57	Net operating result for the year		262	252
57	Net operating result attributable to Council		262	252
	Net operating result attributable to non-controlling interests		–	–
57	Net operating result for the year before grants and contributions provided for capital purposes		262	252

Upper Hunter County Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		262	252
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Nil			
Total items which will not be reclassified subsequently to the operating result		-	-
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total items which will be reclassified subsequently to the operating result when specific conditions are met		-	-
Total other comprehensive income for the year		-	-
Total comprehensive income for the year		262	252
Total comprehensive income attributable to Council		262	252
Total comprehensive income attributable to non-controlling interests		-	-

Upper Hunter County Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	813	286
Investments	6b	–	–
Receivables	7	74	376
Inventories	8	42	31
Other	8	6	–
Total current assets		935	693
Non-current assets			
Infrastructure, property, plant and equipment	9	239	224
Total non-current assets		239	224
TOTAL ASSETS		1,174	917
LIABILITIES			
Current liabilities			
Payables	10	21	22
Provisions	11	185	174
Total current liabilities		206	196
Non-current liabilities			
Provisions	11	–	15
Total non-current liabilities		–	15
TOTAL LIABILITIES		206	211
Net assets		968	706
EQUITY			
Accumulated surplus		968	706
Revaluation reserves		–	–
Other reserves		–	–
Council equity interest		968	706
Non-controlling equity interests		–	–
Total equity		968	706

Upper Hunter County Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	2018					2017					Total equity	
	Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Other reserves (specify)	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Available for sale reserve	Other reserves (specify)		Non-controlling interest
Opening balance	706	-	-	-	706	706	454	-	-	-	454	454
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Restated opening balance	706	-	-	-	706	706	454	-	-	-	454	454
Net operating result for the year prior to correction of errors and changes in accounting policies	262	-	-	-	262	262	252	-	-	-	252	252
Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Net operating result for the year	262	-	-	-	262	262	252	-	-	-	252	252
Other comprehensive income												
- Correction of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
- Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
- Gain (loss) on revaluation of IPP&E	-	-	-	-	-	-	-	-	-	-	-	-
- Gain (loss) on revaluation of available for sale investments	-	-	-	-	-	-	-	-	-	-	-	-
- Realised (gain) loss on available for sale investments recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
- Gain (loss) on revaluation of other reserves	-	-	-	-	-	-	-	-	-	-	-	-
- Realised (gain) loss from other reserves recognised in operating result	-	-	-	-	-	-	-	-	-	-	-	-
- Transfers to Income Statement	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment (loss) reversal relating to IPP&E	-	-	-	-	-	-	-	-	-	-	-	-
- Impairment (reversal) of available for sale investments to (from) operating result	-	-	-	-	-	-	-	-	-	-	-	-
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-	-	-
- Other reserves movements	-	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income (c&d)	262	-	-	-	262	262	252	-	-	-	252	252
Distributions to/(contributions from) non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between equity items	-	-	-	-	-	-	-	-	-	-	-	-
Equity – balance at end of the reporting period	968	-	-	-	968	968	706	-	-	-	706	706

Upper Hunter County Council

Statement of Cash Flows
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
66	User charges and fees		30	71
1	Investment and interest revenue received		3	1
1,288	Grants and contributions		2,194	1,349
12	Other		(34)	3
Payments:				
(430)	Employee benefits and on-costs		(408)	(397)
(221)	Materials and contracts		(192)	(201)
(659)	Other		(1,020)	(881)
<u>57</u>	Net cash provided (or used in) operating activities	12b	<u>573</u>	<u>(55)</u>
Cash flows from investing activities				
Receipts:				
54	Sale of infrastructure, property, plant and equipment		–	67
Payments:				
(100)	Purchase of infrastructure, property, plant and equipment		(46)	(117)
<u>(46)</u>	Net cash provided (or used in) investing activities		<u>(46)</u>	<u>(50)</u>
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
Nil				
11	Net increase/(decrease) in cash and cash equivalents		527	(105)
286	Plus: cash and cash equivalents – beginning of year	12a	286	391
<u>297</u>	Cash and cash equivalents – end of the year	12a	<u>813</u>	<u>286</u>
Additional Information:				
plus: Investments on hand – end of year				
			–	–
	Total cash, cash equivalents and investments		<u>813</u>	<u>286</u>

Upper Hunter County Council

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

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Upper Hunter County Council

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

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 21/8/2018.

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

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

Basis of preparation

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

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

Full dollars have been used in Note 17 Related party disclosures in relation to the disclosure of specific related party transactions.

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 15 – 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.

Upper Hunter County Council

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

Note 1. Basis of preparation (continued)

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:

- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9
- (iv) employee benefit provisions – refer Note 11.

Significant judgements in applying the Council's accounting policies

- (v) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

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

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

Upper Hunter County Council

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

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities.									
	Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Control of Noxious Weeds	1,891	1,780	1,629	1,528	262	252	1,477	1,397	1,174	917
Total functions and activities	1,891	1,780	1,629	1,528	262	252	1,477	1,397	1,174	917

Upper Hunter County Council

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

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

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

Control of Noxious Weeds

To prevent, contain or reduce the biosecurity risk of Invasive Plants to the environment, economy and community. 1. Control of Invasive Plants. 2. Inspection of Properties. 3. Community Awareness and Engagement. 4. Governance.

Upper Hunter County Council

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

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Nil		
(b) User charges and fees		
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Private works – section 67	25	51
Regulatory/ statutory fees	4	4
Total fees and charges – statutory/regulatory	29	55
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Leaseback fees – Council vehicles	5	5
Sundry income	10	11
Total fees and charges – other	15	16
<u>TOTAL USER CHARGES AND FEES</u>	<u>44</u>	<u>71</u>
Accounting policy for user charges and fees		
User charges and fees are recognised as revenue when the service has been provided.		
(c) Interest and investment revenue (including losses)		
Interest		
– Cash and investments	3	1
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>3</u>	<u>1</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
General Council cash and investments	3	1
Restricted investments/funds – internal:		
Internally restricted assets	–	–
Total interest and investment revenue recognised	3	1
Accounting policy for interest and investment revenue		
Interest income is recognised using the effective interest rate at the date that interest is earned.		
(d) Other revenues		
Nil		

Upper Hunter County Council

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

Note 3. Income from continuing operations (continued)

\$ '000			2018	2017
(e) Grants				
Specific purpose				
Noxious weeds	1,477	1,397	–	–
Total specific purpose	1,477	1,397	–	–
Total grants	1,477	1,397	–	–
Grant revenue is attributable to:				
– Other funding	1,477	1,397	–	–
	1,477	1,397	–	–
(f) Contributions				
Other contributions:				
Councils – noxious plant control	367	302	–	–
Total other contributions	367	302	–	–
Total contributions	367	302	–	–
TOTAL GRANTS AND CONTRIBUTIONS	1,844	1,699	–	–

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

(g) 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	14	120
Add: operating grants recognised in the current period but not yet spent	607	–
Add: operating grants received for the provision of goods and services in a future period	–	–
Less: operating grants recognised in a previous reporting period now spent	(5)	(106)
Unexpended and held as restricted assets (operating grants)	616	14

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	299	298
Employee leave entitlements (ELE)	36	38
Superannuation	55	53
Workers' compensation insurance	8	8
Training costs (other than salaries and wages)	6	6
Total employee costs	404	403
Less: capitalised costs	–	–
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>404</u>	<u>403</u>
Number of 'full-time equivalent' employees (FTE) at year end	5	5

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 13 for more information.

Upper Hunter County Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
Nil			
(c) Materials and contracts			
Raw materials and consumables		166	179
Auditors remuneration ⁽²⁾		12	12
– Legal expenses: other		1	1
Total materials and contracts		179	192
Less: capitalised costs		–	–
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>179</u>	<u>192</u>

2. Auditor remuneration

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

Auditors of the Council – NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	12	12
Remuneration for audit and other assurance services	12	12
Total Auditor-General remuneration	12	12
Total Auditor remuneration	12	12

Upper Hunter County Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		29	41
Office equipment		2	2
Total gross depreciation and amortisation costs		31	43
Less: capitalised costs		–	–
Total depreciation and amortisation costs		31	43
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>			
		31	43

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

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

(e) Other expenses

Advertising	1	–
Bank charges	1	–
Councillor expenses – mayoral fee	4	3
Councillor expenses – councillors' fees	12	10
Insurance	20	21
Lower Hunter and Central Coast WAP	724	704
Postage	4	–
Regional Weeds Committee	110	144
Telephone and communications	8	8
Wild Dog	131	–
Total other expenses	1,015	890
Less: capitalised costs	–	–
<u>TOTAL OTHER EXPENSES</u>	1,015	890

Accounting policy for other expenses

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

Upper Hunter County Council

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

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Plant and equipment	10		
Proceeds from disposal – plant and equipment		–	67
Less: carrying amount of plant and equipment assets sold/written off		–	(58)
Net gain/(loss) on disposal		<u>–</u>	<u>9</u>
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>–</u>	<u>9</u>

Accounting policy for disposal of assets

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

Upper Hunter County Council

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

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	813	286
Total cash and cash equivalents	813	286

Accounting policy for cash and cash equivalents

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

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	813	–	286	–
attributable to:				
External restrictions (refer below)	616	–	14	–
Internal restrictions (refer below)	149	–	149	–
Unrestricted	48	–	123	–
	813	–	286	–

\$ '000	2018	2017
Details of restrictions		
External restrictions – other		
Specific purpose unexpended grants	616	14
External restrictions – other	616	14
Total external restrictions	616	14
Internal restrictions		
Employees leave entitlements	149	149
Total internal restrictions	149	149
TOTAL RESTRICTIONS	765	163

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Private works	14	–	–	–
Amounts due from other councils	29	–	–	–
Government grants and subsidies	–	–	350	–
Net GST receivable	31	–	26	–
Total	74	–	376	–
<u>TOTAL NET RECEIVABLES</u>	<u>74</u>	<u>–</u>	<u>376</u>	<u>–</u>
Externally restricted receivables				
Other				
– Specific Purpose Grant – Wild Dog			200	–
– Specific Purpose Grant – Hunter RWC Priority			150	–
Total external restrictions	–	–	350	–
Internally restricted receivables				
Nil				
Internally restricted receivables	–	–	–	–
Unrestricted receivables	74	–	26	–
TOTAL NET RECEIVABLES	<u>74</u>	<u>–</u>	<u>376</u>	<u>–</u>

Accounting policy for receivables

Recognition and measurement

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

Upper Hunter County Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	42	–	31	–
Total inventories at cost	42	–	31	–
<u>TOTAL INVENTORIES</u>	<u>42</u>	<u>–</u>	<u>31</u>	<u>–</u>
(b) Other assets				
Nil				
Prepayments	6	–	–	–
<u>TOTAL OTHER ASSETS</u>	<u>6</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total unrestricted assets	48	–	31	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>48</u>	<u>–</u>	<u>31</u>	<u>–</u>

Accounting policy**Raw materials and stores, work in progress and finished goods**

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Upper Hunter County Council

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

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

Asset class	as at 30/6/2017			Asset movements during the reporting period				as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions new assets	Depreciation expense	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount		
Plant and equipment	286	76	210	28	(29)	313	105	208		
Office equipment	23	9	14	18	(2)	42	11	31		
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	309	85	224	46	(31)	355	116	239		

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

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Desktop valuations are performed at least 5 yearly, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Plant and equipment	Years
Office equipment	5 to 10
Office furniture	10 to 20
Computer equipment	4
Vehicles	5 to 8
Other plant and equipment	5 to 15

Upper Hunter County Council

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

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	9	–	11	–
Accrued expenses:				
– Other expenditure accruals	12	–	11	–
Total payables	21	–	22	–
Income received in advance				
Nil				
Borrowings				
Nil				
Total payables and borrowings relating to unrestricted assets	21	–	22	–
TOTAL PAYABLES AND BORROWINGS	21	–	22	–

(b) Current payables and borrowings not anticipated to be settled within the next twelve months

Nil

Accounting policy for payables and borrowings**Payables**

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

Upper Hunter County Council

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

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	42	–	40	–
Long service leave	143	–	134	15
Sub-total – aggregate employee benefits	185	–	174	15
<u>TOTAL PROVISIONS</u>	<u>185</u>	<u>–</u>	<u>174</u>	<u>15</u>

(a) Provisions relating to restricted assets

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

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Nil				
Internally restricted assets				
Nil				
Total provisions relating to unrestricted assets	185	–	174	15
<u>TOTAL PROVISIONS</u>	<u>185</u>	<u>–</u>	<u>174</u>	<u>15</u>

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

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

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

Provisions – employees benefits	154	112
	154	112

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	40	–	149	–	–	189
Additional provisions	26		9			35
Amounts used (payments)	(24)		(15)			(39)
Total ELE provisions at end of year	42	–	143	–	–	185

2017	ELE provisions					Total
	Annual leave	Sick leave	Long service leave	ELE on-costs	Other employee benefits	
At beginning of year	46		137			183
Additional provisions	27		12			39
Amounts used (payments)	(33)					(33)
Total ELE provisions at end of year	40	–	149	–	–	189

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.

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

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

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

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

Upper Hunter County Council

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

Note 12. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	813	286
Balance as per the Statement of Cash Flows		813	286
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		262	252
Adjust for non-cash items:			
Depreciation and amortisation		31	43
Net losses/(gains) on disposal of assets		–	(9)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		302	(347)
Decrease/(increase) in inventories		(11)	(3)
Decrease/(increase) in other assets		(6)	1
Increase/(decrease) in payables		(2)	(6)
Increase/(decrease) in other accrued expenses payable		1	8
Increase/(decrease) in employee leave entitlements		(4)	6
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		573	(55)

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

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

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

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

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

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations.

Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

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

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

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

The amount of employer contributions to the defined benefit section of the Fund and recognised as an expense for the year ending 30 June 2018 was \$36,895.05. The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December, relating to the period ended 30 June 2017.

The expected contributions to the Fund for the next annual reporting period are \$35,698.84.

The estimated employer reserves financial position for the Pool Employers at 30 June 2018 is;

Employer reserves only *	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1787.5	101.70%
Vested Benefits	1778.0	102.20%

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

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

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

* Plus promotional increases.

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

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

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Contingencies and other liabilities/assets not recognised

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(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.

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including **(1)** price risk, **(2)** credit risk, **(3)** liquidity risk and **(4)** interest rate risk.

The Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Council.

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	813	286	813	286
Receivables	74	376	74	376
Total financial assets	887	662	887	662
Financial liabilities				
Payables	21	22	21	22
Total financial liabilities	21	22	21	22

Fair value is determined as follows:

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

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values				
Possible impact of a 1% movement in interest rates	2	2	(2)	(2)
2017				
Possible impact of a 10% movement in market values				
Possible impact of a 1% movement in interest rates	2	2	(2)	(2)

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise user charges and fees.

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

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

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

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

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	100%	100%	100%	100%
Overdue				
	100%	100%	100%	100%

(ii) Ageing of receivables – value**Other receivables**

	2018	2017
Current	74	376
	74	376

Upper Hunter County Council

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

Note 14. Financial risk management (continued)

\$ '000

(c) Liquidity risk

Payables and borrowings are both subject to liquidity risk – the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

Payment terms can (in extenuating circumstances) also be extended and overdraft facilities utilised as required.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables		–	21			21	21
Total financial liabilities		–	21	–	–	21	21
2017							
Trade/other payables		–	22			22	22
Total financial liabilities		–	22	–	–	22	22

Upper Hunter County Council

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

Note 15. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 16/05/2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
REVENUES				
Rates and annual charges	–	–	–	0% F
User charges and fees	66	44	(22)	(33%) U
Private works income original budget was \$50k, actual costs were \$25k. Section 64 certificates was originally budgeted at \$7,500 with actuals being \$3,720. Sundry Income original budget was \$3k, with actual costs being \$10k.				
Interest and investment revenue	1	3	2	200% F
Bank interest original budget was \$1k with actual yearly costs being \$3k. The increase was due to a new bank account with higher interest.				
Other revenues	–	–	–	0% F
Operating grants and contributions	1,288	1,844	556	43% F
The Wild Dog grant program was not budgeted for. Council received \$265k payments. The Lower Hunter and Central Coast WAP program had an original budget of \$667k but was increased in the September budget review to \$904k.				
Capital grants and contributions	–	–	–	0% F
Net gains from disposal of assets	12	–	(12)	(100%) U
Profit on sale of vehicles was originally budgeted and throughout the year it was decided not to purchase or trade any plant and equipment.				
Fair value increment on investment property	–	–	–	0% F
Reversal of revaluation decrements / impairment of IPP&E previously expensed	–	–	–	0% F
Joint ventures and associates - net profits	–	–	–	0% F

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	430	404	26	6% F
Borrowing costs	-	-	-	0% F
Materials and contracts	221	179	42	19% F
County Council spent \$10k less on private work expenditure compared to the original budget. The African Olive Project's original budget decreased in the September budget review by \$70k. Computer and Software Expenses actuals exceeded the original budget by \$11k.				
Depreciation and amortisation	11	31	(20)	(182%) U
Upper Hunter County Council had not estimated vehicle depreciation in the original budget.				
Impairment of investments	-	-	-	0% F
Other expenses	648	1,015	(367)	(57%) U
WAP Project initial budget was \$100k less than year to date actuals. The Wild Dog project was not initially budgeted for and had actual costs of \$131k. The HLLS projects were also not originally budgeted but had actual costs of \$62k.				
Net losses from disposal of assets	-	-	-	0% F
Fair value decrement on investment property	-	-	-	0% F
Revaluation decrement / impairment of IPP&E	-	-	-	0% F
Joint ventures and associates – net losses	-	-	-	0% F
Operating result from discontinued operations	-	-	-	0% F

Upper Hunter County Council

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

Note 15. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	57	573	516	905.3%	F
Council received additional WAP grant money (\$237k) plus Wild Dog grant money (\$265k) that was not budgeted for. Council had 2 HLLS projects (expenditure of \$62k) that did not have an original budget as well as the Wild Dog Operating Expenses (\$131k).					
Cash flows from investing activities	(46)	(46)	-	0.0%	F
Cash flows from financing activities	-	-	-	0.0%	F

Upper Hunter County Council

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

Note 16. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Office Equipment	30/06/15			31	31
Plant and Equipment	30/06/15			208	208
Total infrastructure, property, plant and equipment		–	–	239	239

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Office Equipment	30/06/15			14	14
Plant and Equipment	30/06/15			210	210
Total infrastructure, property, plant and equipment		–	–	224	224

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

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

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

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Plant and Equipment and Office Equipment are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items. Examples of assets within these classes are as follows;

Plant and Equipment: Motor Vehicles, Utilities and Quikspray Units.
Office Equipment: Tablets, TV.

Upper Hunter County Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)**a. The following tables present the changes in level 3 fair value asset classes.**

	Office Equipment	Plant and Equipment	Total
Opening balance – 1/7/16	16	192	208
Purchases (GBV)	–	117	117
Disposals (WDV)	–	(58)	(58)
Depreciation and impairment	(2)	(41)	(43)
Closing balance – 30/6/17	14	210	224
Purchases (GBV)	19	27	46
Depreciation and impairment	(2)	(29)	(31)
Closing balance – 30/6/18	31	208	239

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:**

No transfers were made in or out of the Level 3 Fair Value Hierarchy.

(5). Highest and best use

All of Council's non-financial assets are considered as being utilised for their highest and best use.

Upper Hunter County Council

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

Note 17. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	2018	2017
Compensation:		
Short-term benefits	138	129
Post-employment benefits	18	17
Other long-term benefits	4	4
Total	160	150

Upper Hunter County Council

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

Note 17. Related party transactions (continued)

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts		Doubtful debts expense recognised
				Actual \$	Actual \$	
2018						
Upper Hunter County Council Contribution to Muswellbrook Council	Actual \$ 39,325	Actual \$ -	Annually	Actual \$ -	Actual \$ -	Actual \$ -
Muswellbrook Council contribution to Upper Hunter County Council	Actual \$ 96,133	Actual \$ -	Annually	Actual \$ -	Actual \$ -	Actual \$ -

Upper Hunter County Council

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

Note 18(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods 2017	2016	Benchmark
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Local government industry indicators – consolidated

1. Operating performance ratio

Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>262</u>	13.86%	13.72%	-1.72%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>1,891</u>				

2. Own source operating revenue ratio

Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>47</u>	2.49%	4.07%	4.12%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>1,891</u>				

3. Unrestricted current ratio

Current assets less all external restrictions ⁽²⁾	<u>319</u>	6.13x	3.92x	3.83x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>52</u>				

4. Debt service cover ratio

Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>293</u>	0.00x	0.00x	0.00x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	–				

5. Rates, annual charges, interest and extra charges outstanding percentage

Rates, annual and extra charges outstanding	–	0.00%	0.00%	0.00%	< 5% Metro < 10% Regional & Rural
Rates, annual and extra charges collectible	–				

6. Cash expense cover ratio

Current year's cash and cash equivalents plus all term deposits	<u>813</u>	6.02 mths	2.3 mths	3.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>135</u>				

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 10 and 11.

⁽⁴⁾ Refer to Note 11(b) - excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Upper Hunter County Council

To the Councillors of the Upper Hunter County Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 15 Material budget variations
- on the Special Schedules
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read "David Nolan". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Nolan
Director, Financial Audit Services

16 October 2018
SYDNEY

Mr Tony McNamara
Chairman
Upper Hunter County Council
PO Box 122
MUSWELLBROOK NSW 2333

Contact: David Nolan
Phone no: 02 9275 7377
Our ref: D1825146/1824

16 October 2018

Dear Chairman

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Upper Hunter County Council**



I have audited the general purpose financial statements of Upper Hunter County Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

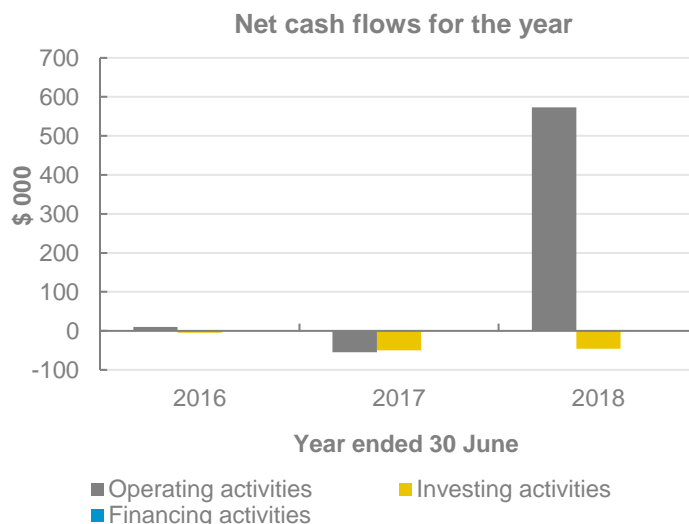
Operating result

	2018	2017 *	Variance
	\$000	\$000	%
Grants and contributions revenue	1,844	1,699	 8.5
Operating result for the year	262	252	 4.0

The operating result for the year was a surplus of \$262,000 and included a depreciation expense of \$31,000. The improved operating result for this year can be attributed to increased specific purpose grants.

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 \$527,000 to \$813,000 at the close of the year.
- The increase is due to the receipt of grant debtors raised in the previous year.



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	616	14	• External restrictions consist of unspent specific purpose grants.
Internal restrictions	149	149	• Balances are internally restricted due to Council policy or decisions for forward plans.
Unrestricted	48	123	
Cash and investments	813	286	• Unrestricted balances provide liquidity for day-to-day operations.

PERFORMANCE RATIOS

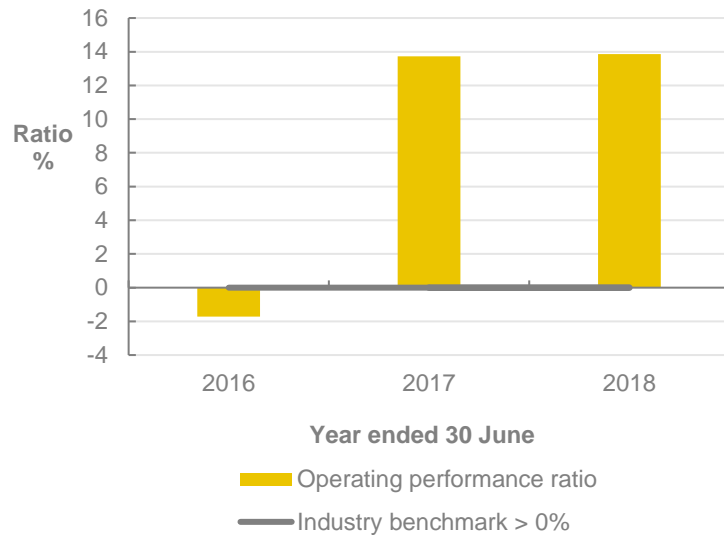
The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 18 of the Council's audited general purpose financial statements.

Operating performance ratio

- The indicator of 13.9 per cent was above 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 Office of Local Government (OLG) is greater than zero per cent.

Operating performance ratio

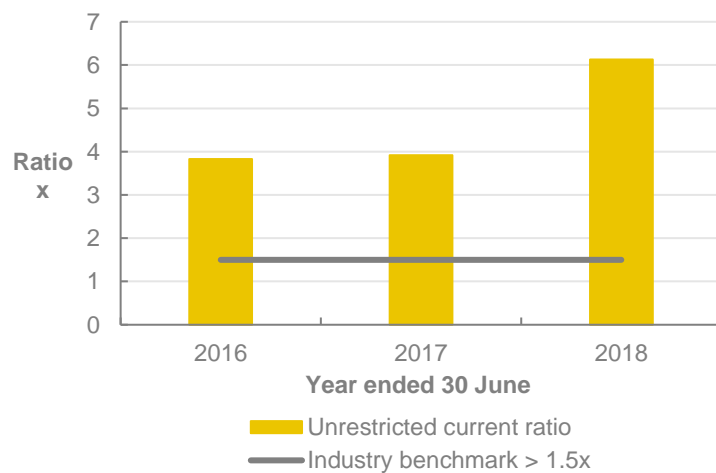


Unrestricted current ratio

- This ratio indicated that Council currently had 6.13 times of unrestricted assets available to service every one dollar of its unrestricted current liabilities. This 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 OLG is greater than 1.5 times.

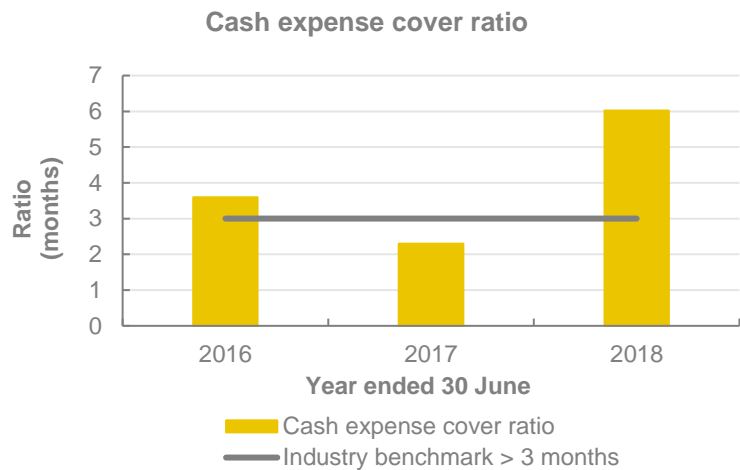
Unrestricted current ratio



Cash expense cover ratio

- Council's cash expense cover ratio of 6 months exceeded the industry benchmark.
- The improvement in the ratio is due to the receipt of specific purpose grants during the year.

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



OTHER MATTERS

Legislative compliance

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

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

David Nolan
Director, Financial Audit Services

cc: Mr Steve McDonald, General Manager
Tim Hurst, Chief Executive of the Office of Local Government

Upper Hunter County Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

Upper Hunter County Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Environment				
Noxious plants and insect/vermin control	1,628	1,890	–	262
Total environment	1,628	1,890	–	262
Totals – functions	1,628	1,890	–	262
General purpose revenues ⁽¹⁾		–		–
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	1,628	1,890	–	262

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement