

Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021

"Great community, great council"



Dubbo Regional Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Independent Auditor's Reports:	n/a

Dubbo Regional Council

General Purpose Financial Statements

for the year ended 30 June 2021

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

The attached general purpose financial statements have been prepared in accordance with:

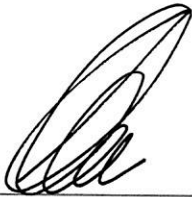
- the *Local Government Act 1993* and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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.

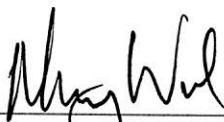
Signed in accordance with a resolution of Council made on 28 October 2021.



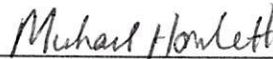
Stephen Lawrence
Mayor
28 October 2021



Anne Marie Jones
Deputy Mayor
28 October 2021



Murray Wood
Chief Executive Officer
28 October 2021



Michael Howlett
Responsible Accounting Officer
28 October 2021

Dubbo Regional Council

Income Statement

for the year ended 30 June 2021

<i>Original unaudited budget</i>				<i>Actual</i>	<i>Actual</i>
2021	\$ '000		Notes	2021	2020
		Income from continuing operations			
67,144		Rates and annual charges	B2-1	66,845	64,587
48,256		User charges and fees	B2-2	39,776	42,455
2,140		Other revenue	B2-3	2,628	1,986
21,370		Grants and contributions provided for operating purposes	B2-4	22,054	21,858
14,945		Grants and contributions provided for capital purposes	B2-4	48,265	33,077
3,174		Interest and investment income	B2-5	3,703	5,716
–		Other income	B2-6	37	149
500		Net gains from the disposal of assets	B4-1	3,446	–
157,529		Total income from continuing operations		186,754	169,828
		Expenses from continuing operations			
44,867		Employee benefits and on-costs	B3-1	44,932	45,200
51,791		Materials and services	B3-2	53,696	49,018
3,465		Borrowing costs	B3-3	3,095	3,691
35,396		Depreciation, amortisation and impairment for non-financial assets	B3-4	45,551	42,261
2,543		Other expenses	B3-5	2,356	2,421
–		Net losses from the disposal of assets	B4-1	–	2,493
138,062		Total expenses from continuing operations		149,630	145,084
19,467		Operating result from continuing operations		37,124	24,744
19,467		Net operating result for the year attributable to Council		37,124	24,744
4,522		Net operating result for the year before grants and contributions provided for capital purposes		(11,141)	(8,333)

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

Dubbo Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		37,124	24,744
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	45,322	11,665
Total items which will not be reclassified subsequently to the operating result		45,322	11,665
Total other comprehensive income for the period		45,322	11,665
Total comprehensive income for the year attributable to Council		82,446	36,409

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

Dubbo Regional Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	66,487	33,972
Investments	C1-2	54,073	111,573
Receivables	C1-4	20,627	21,054
Inventories	C1-5	2,738	4,058
Other	C1-11	638	881
Total current assets		144,563	171,538
Non-current assets			
Investments	C1-2	102,063	72,500
Receivables	C1-4	130	77
Inventories	C1-5	5,909	4,880
Infrastructure, property, plant and equipment	C1-8	2,460,616	2,381,210
Investments accounted for using the equity method	D2-1	1,719	1,682
Other	C1-11	495	495
Total non-current assets		2,570,932	2,460,844
Total assets		2,715,495	2,632,382
LIABILITIES			
Current liabilities			
Payables	C3-1	15,978	10,731
Contract liabilities	C3-2	3,375	1,938
Borrowings	C3-3	5,829	5,159
Employee benefit provisions	C3-4	12,511	12,780
Total current liabilities		37,693	30,608
Non-current liabilities			
Payables	C3-1	3	2
Borrowings	C3-3	45,850	52,022
Employee benefit provisions	C3-4	873	757
Provisions	C3-5	4,276	4,639
Total non-current liabilities		51,002	57,420
Total liabilities		88,695	88,028
Net assets		2,626,800	2,544,354
EQUITY			
Accumulated surplus	C4-1	2,298,567	2,261,443
IPPE revaluation reserve	C4-1	328,233	282,911
Council Interest		2,626,800	2,544,354
Total equity		2,626,800	2,544,354

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

Dubbo Regional Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		2,261,443	282,911	2,544,354	2,296,488	271,246	2,567,734
Correction of prior period errors		-	-	-	(59,789)	-	(59,789)
Restated opening balance		2,261,443	282,911	2,544,354	2,236,699	271,246	2,507,945
Net operating result for the year		37,124	-	37,124	24,744	-	24,744
Restated net operating result for the period		37,124	-	37,124	24,744	-	24,744
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-8	-	45,322	45,322	-	11,665	11,665
Other comprehensive income		-	45,322	45,322	-	11,665	11,665
Total comprehensive income		37,124	45,322	82,446	24,744	11,665	36,409
Closing balance at 30 June		2,298,567	328,233	2,626,800	2,261,443	282,911	2,544,354

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

Dubbo Regional Council

Statement of Cash Flows

for the year ended 30 June 2021

<i>Original unaudited budget 2021</i>	<i>\$ '000</i>	Notes	<i>Actual 2021</i>	<i>Actual 2020</i>
Cash flows from operating activities				
Receipts:				
67,111	Rates and annual charges		67,503	64,792
46,413	User charges and fees		39,335	44,968
3,572	Investment and interest revenue received		4,754	5,907
37,295	Grants and contributions		56,859	46,230
–	Bonds, deposits and retention amounts received		602	–
2,659	Other		5,086	472
Payments:				
(43,554)	Employee benefits and on-costs		(45,021)	(45,026)
(35,448)	Materials and services		(49,666)	(39,308)
(3,627)	Borrowing costs		(3,144)	(3,733)
–	Bonds, deposits and retention amounts refunded		–	(99)
(15,119)	Other		(2,481)	(15,565)
59,302	Net cash flows from operating activities	G1-1a	73,827	58,638
Cash flows from investing activities				
Receipts:				
36,214	Sale of investment securities		162,914	136,078
–	Sale of real estate assets		8,777	760
2,689	Sale of infrastructure, property, plant and equipment		10,803	3,200
–	Deferred debtors receipts		34	470
Payments:				
–	Purchase of investment securities		(196,518)	(134,820)
–	Acquisition of term deposits		61,500	–
(96,823)	Purchase of infrastructure, property, plant and equipment		(80,229)	(70,238)
–	Purchase of real estate assets		(3,109)	(2,089)
–	Deferred debtors and advances made		18	–
(57,920)	Net cash flows from investing activities		(35,810)	(66,639)
Cash flows from financing activities				
Payments:				
(5,503)	Repayment of borrowings		(5,502)	(5,206)
(5,503)	Net cash flows from financing activities		(5,502)	(5,206)
(4,121)	Net change in cash and cash equivalents		32,515	(13,207)
–	Cash and cash equivalents at beginning of year	C1-1b,C1-1	33,972	47,179
(4,121)	Cash and cash equivalents at end of year	C1-1	66,487	33,972
186,966	plus: Investments on hand at end of year	C1-2	156,136	184,073
182,845	Total cash, cash equivalents and investments		222,623	218,045

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

Dubbo Regional Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 28 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the 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 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

There were no newly adopted standards that had a material impact Council's reported financial position, financial performance and/or associated financial statement disclosures.

Adoption of AASB 1059 - Service Concession Arrangements

Council has conducted an assessment on the occurrence of any service concession arrangements providing a public service. After review of the business units of Dubbo Regional Council, current contracts and significant assets or community services provided it was determined that there has not been an occurrence of any service concession arrangements that fall within the scope of AASB1059

Historical cost convention

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

Significant accounting estimates and judgements

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

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. fair values of infrastructure, property, plant and equipment – refer Note C1-8
- ii. tip remediation provisions – refer Note C3-5
- iii. employee benefit provisions – refer Note C3-4.

COVID-19 Impacts

COVID-19 has caused reduction in forecasted revenue to council's business units relating to tourism, events and hospitality by enforcing compliance with Public Health Orders pertaining to capacity limits, quarantine and access to the Local Government Area.

Council has provided some rent relief to the lessee's to compensate for lost income due to quarantine and some additional costs have been incurred in cleaning of council facilities.

Rate collections are less than forecasted due to ongoing hardship of ratepayers. Other receivables have not been impacted.

A1-1 Basis of preparation (continued)

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID-19.

Overall the financial impact has been approximately \$4.23M. It is not anticipated to increase in future years but could likely have ongoing effects of lost revenue.

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4.
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

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

The Consolidated Fund has been included in the financial statements of NSW Council.

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

- General purpose operations
- Water service
- Sewerage service

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.

Trust monies and property subject to Council's control have been included in these reports.

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council makes use of volunteers for museums also library services. Volunteer services are not recognised in the financial statements as it is not material, may not be purchased if not donated and cannot be reliably measured

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

A1-1 Basis of preparation (continued)

- **AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current**
- **AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date**

Council does not expect any material impact from the above amendments and to its classification of liabilities as current or non-current. This standard has an effective date for the 30 June 2024 reporting period.

- **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018 -2020 and Other Amendments**
- **AASB2014-10 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.**
- **AASB2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128.**
- **AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections**

Council does not expect any material impact from the above amendments. This standard has an effective date for the 30 June 2023 reporting period.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	<i>Income</i>		<i>Expenses</i>		<i>Operating result</i>		<i>Grants and contributions</i>		<i>Carrying amount of assets</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Functions or activities										
Governance	25	5	604	477	(579)	(472)	–	–	–	–
Administration	2,045	1,332	1,702	1,650	343	(318)	–	–	179,311	161,696
Public order and safety	4,046	3,840	4,520	4,710	(474)	(870)	3,286	10,674	48,203	39,489
Health	–	1	89	79	(89)	(78)	–	–	–	–
Environment	16,641	16,580	15,403	13,797	1,238	2,783	2,651	1,858	160,809	169,930
Community services and education	3,002	3,452	5,469	5,222	(2,467)	(1,770)	2,651	2,631	1,278	1,294
Housing and community amenities	3,589	2,449	3,130	5,570	459	(3,121)	203	203	15,568	11,254
Water supplies	35,074	25,544	21,496	21,951	13,578	3,593	12,944	3,511	335,116	325,237
Sewerage services	20,816	22,415	14,134	13,539	6,682	8,876	2,078	3,699	353,096	351,793
Recreation and culture	5,473	5,807	31,118	27,214	(25,645)	(21,407)	4,531	3,433	177,548	159,287
Mining, manufacturing and construction	50	–	1,555	1,570	(1,505)	(1,570)	–	–	36	7
Transport and communication	31,318	31,352	39,312	36,139	(7,994)	(4,787)	27,152	15,758	1,368,516	1,350,799
Economic affairs	15,551	9,633	11,098	13,166	4,453	(3,533)	2,752	1,353	74,295	59,914
Share of gains/(losses) in associates and joint ventures (using the equity method)	37	149	–	–	37	149	–	–	1,719	1,682
General purpose income	49,275	47,269	–	–	49,275	47,269	12,071	11,815	–	–
Total functions and activities	186,942	169,828	149,630	145,084	37,312	24,744	70,319	54,935	2,715,495	2,632,382

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (e.g. GIPA), and legislative compliance.

Administration

Includes corporate support and other support services, engineering works, and any Council policy compliance.

Public order and safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

Community services and education

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

Housing and community amenities

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

Water supplies

Provide safe reliable and cost effective water supply that caters for the sustainable growth.

Sewerage services

Provision of an environmentally responsible sewerage service that maintains the health of the community cost effectively, and caters for the sustainable growth.

Recreation and culture

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

Mining, manufacturing and construction

Includes building control, quarries and pits, mineral resources, and abattoirs.

Transport and communication

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

Economic affairs

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	21,402	20,610
Farmland	6,195	6,088
Mining	2	2
Business	8,774	8,558
Less: pensioner rebates (mandatory)	(514)	(522)
Rates levied to ratepayers	35,859	34,736
Pensioner rate subsidies received	283	287
Total ordinary rates	36,142	35,023
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	7,906	7,609
Water supply services	7,409	7,329
Sewerage services	13,626	13,078
Drainage	1,583	1,434
Waste management services (non-domestic)	649	594
Less: pensioner rebates (mandatory)	(638)	(651)
Less: pensioner rebates (Council policy)	(184)	(188)
Annual charges levied	30,351	29,205
Pensioner subsidies received:		
– Water	122	124
– Sewerage	116	118
– Domestic waste management	114	117
Total annual charges	30,703	29,564
Total rates and annual charges	66,845	64,587

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	2021	2020
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Water supply services	12,802	12,849
Sewerage services	4,186	4,160
Waste management services (non-domestic)	4,441	5,092
Total specific user charges	21,429	22,101
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Regulatory/ statutory fees	3,226	1,976
Total fees and charges – statutory/regulatory	3,226	1,976
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	1,819	3,390
Caravan park	1,639	1,207
Cemeteries	436	351
Leaseback fees – Council vehicles	291	315
Transport for NSW works (state roads not controlled by Council)	932	3,371
Tourism	175	129
Water service connections	92	60
Caves entry fees	864	526
Western Plains Cultural Centre	364	104
Aquatic leisure centre	832	685
Family day care	362	344
Fodder sales 'greengrove' effluent reuse property	100	193
Old dubbo gaol	1,036	439
Private works	556	509
Public halls	1,110	1,258
Rainbow cottage long day care centre	540	390
Regional livestock markets	2,280	2,699
Sewer plan drafting fees	169	103
Showground	125	183
Other	1,188	1,884
Sporting facilities	211	238
Total fees and charges – other	15,121	18,378
Total user charges and fees	39,776	42,455
Timing of revenue recognition for user charges and fees		
User charges and fees recognised over time	–	–
User charges and fees recognised at a point in time	39,776	42,455
Total user charges and fees	39,776	42,455

Accounting policy

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as joining fees for the leisure centre the fee is recognised on a straight-line basis over the expected life of the membership.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenue

\$ '000	2021	2020
Rental income – other council properties	962	719
Fines	279	348
Commissions and agency fees	12	14
Insurance claims recoveries	265	10
Other	832	671
Caves / caravan park kiosk – sales	148	94
StateCover WHS Incentive	130	130
Total other revenue	2,628	1,986

Timing of revenue recognition for other revenue

Other revenue recognised over time	–	–
Other revenue recognised at a point in time	2,628	1,986
Total other revenue	2,628	1,986

Accounting policy for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance	2	5,633	5,708	–	–
Payment in advance - future year allocation					
Financial assistance	1	6,032	6,038	–	–
Amount recognised as income during current year		11,665	11,746	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water supplies	1	–	–	11,133	1,887
Bushfire and emergency services	2	413	435	99	7,156
Employment and training programs	2	13	5	–	–
Heritage and cultural	2	186	137	–	–
Library	2	196	189	–	–
Noxious weeds	2	389	95	–	–
Local infrast. renewal scheme interest subsidy	1	–	–	227	282
Tourism	2	9	3	1,268	168
Street lighting	2	203	203	–	–
Community services	2	175	179	–	–
Family day care	2	1,256	1,384	–	–
Rainbow cottage long day care centre	2	725	825	–	–
Paid parental leave	2	111	81	–	–
Sporting facilities	2	–	21	565	1,374
Stormwater	2	–	33	–	–
Other specific grants	2	417	440	4,443	1,907
Transport (roads to recovery)	2	3,220	3,220	–	–
Transport (other roads and bridges funding)	1	33	101	9,785	3,271
Previously contributions:					
Transport for NSW contributions (regional roads, block grant)	2	2,432	2,455	69	21
Other contributions	2	611	306	858	1,312
Total special purpose grants and non-developer contributions – cash		10,389	10,112	28,447	17,378
Non-cash contributions					
Bushfire services	2	–	–	2,268	1,376
Drainage	2	–	–	1,670	1,244
Paving	2	–	–	738	560
Roads and bridges	1	–	–	8,334	5,184
Sewerage (excl. section 64 contributions)	2	–	–	862	2,543
Water supplies (excl. section 64 contributions)	2	–	–	351	612
Land under roads	2	–	–	187	61
Total other contributions – non-cash		–	–	14,410	11,580
Total special purpose grants and non-developer contributions (tied)		10,389	10,112	42,857	28,958
Total grants and non-developer contributions		22,054	21,858	42,857	28,958
Comprising:					

B2-4 Grants and contributions (continued)

\$ '000	<i>Timing</i>	Operating 2021	<i>Operating 2020</i>	Capital 2021	<i>Capital 2020</i>
– Commonwealth funding		15,353	15,034	5,796	9,184
– State funding		6,357	3,850	21,721	6,808
– Other funding		344	2,974	15,340	12,966
		22,054	21,858	42,857	28,958

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 64 – water supply contributions	G4	–	–	1,402	943
S 64 – sewerage service contributions		–	–	1,061	965
S 7.11 – open space		–	–	699	530
S 7.11 – drainage		–	–	389	217
S 7.11 – roadworks		–	–	1,759	1,355
Voluntary planning agreements		–	–	98	109
Total developer contributions – cash		–	–	5,408	4,119
Total developer contributions		–	–	5,408	4,119
Total contributions		–	–	5,408	4,119
Total grants and contributions		22,054	21,858	48,265	33,077
Timing of revenue recognition for grants and contributions					
Grants and contributions recognised over time		–	–	–	–
Grants and contributions recognised at a point in time		22,054	21,858	48,265	33,077
Total grants and contributions		22,054	21,858	48,265	33,077

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Capital 2021	Capital 2020
Unspent grants and contributions		
Unspent funds at 1 July	24,336	41,179
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	9,501	5,969
Add: Funds received and not recognised as revenue in the current year	–	–
Less: grants recognised as income in a previous reporting period now spent	(10,341)	(22,812)
Less: Funds received in prior year but revenue recognised and funds spent in current year	–	–
Unspent funds at 30 June	23,496	24,336

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g.

B2-4 Grants and contributions (continued)

completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Developer contributions

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979* (EP&A Act).

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but Council may apply contributions according to the priorities established in work schedules for the contribution plan.

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	146	282
– Cash and investments	3,574	5,401
– Other	6	11
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	18	22
– Financial assets at amortised cost	(41)	–
Total interest and investment income (losses)	3,703	5,716

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Net share of interests in joint ventures and associates using the equity method			
Joint ventures		37	149
Total net share of interests in joint ventures and associates using the equity method		37	149
	D2-1		
Total other income		37	149

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	39,595	39,781
Travel expenses	77	279
Employee leave entitlements (ELE)	4,636	4,604
Superannuation	4,528	4,357
Workers' compensation insurance	2,423	1,783
Fringe benefit tax (FBT)	89	102
Payroll tax	140	215
Training costs (other than salaries and wages)	570	381
Other	163	196
Total employee costs	52,221	51,698
Less: capitalised costs	(7,289)	(6,498)
Total employee costs expensed	44,932	45,200
Number of 'full-time equivalent' employees (FTE) at year end	492	487

Accounting policy

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 E3-1 for more information.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		42,139	27,703
Contractor and consultancy costs		11,291	12,709
Audit Fees	F2-1	128	187
Councillor and Mayoral fees and associated expenses	F1-2	377	337
Advertising		543	670
Electricity and heating		3,768	3,922
Insurance		1,657	1,538
Postage		171	168
Printing and stationery		267	394
Street lighting		737	1,177
Telephone and communications		279	315
Valuation fees		183	161
Other expenses		954	835
Vehicle registration		202	213
Water resource charge		431	308
Contributions to emergency services		1,605	1,219
Credit card merchant fees		17	19
Family day care – fee relief		1,142	1,259
Property rental		74	67
Subscription shires association		50	52
Legal expenses:			
Expenses from leases of low value assets		82	175
– Legal expenses: planning and development		6	8
– Legal expenses: debt recovery		1	2
– Legal expenses: other		234	189
Total materials and services		66,338	53,627
Less: capitalised costs		(12,642)	(4,609)
Total materials and services		53,696	49,018

Accounting policy

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

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
(i) Interest bearing liability costs			
Interest on loans		3,407	3,711
Total interest bearing liability costs		3,407	3,711
Total interest bearing liability costs expensed		3,407	3,711
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	C3-5	(312)	(20)
Total other borrowing costs		(312)	(20)
Total borrowing costs expensed		3,095	3,691

Accounting policy

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

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		4,051	4,467
Office equipment		715	610
Furniture and fittings		348	244
Land improvements (depreciable)		367	354
Infrastructure:			
	C1-8		
– Buildings – non-specialised		1,248	1,126
– Buildings – specialised		4,377	3,986
– Other structures		5,009	4,043
– Roads		15,954	15,774
– Airport runways		945	974
– Stormwater drainage		2,102	1,579
– Water supply network		5,063	5,408
– Sewerage network		4,414	4,638
– Swimming pools		74	77
Other assets:			
– Other		46	49
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C1-8,C3-5	–	4
– Quarry assets	C1-8,C3-5	90	72
Total gross depreciation and amortisation costs		44,803	43,405
Less: capitalised costs		(1,249)	(1,144)
Total depreciation and amortisation costs		43,554	42,261
Impairment / revaluation decrement of IPPE			
Infrastructure:			
	C1-8		
– Quarry assets		1,997	–
Total gross IPPE impairment / revaluation decrement costs		1,997	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		1,997	–
Total depreciation, amortisation and impairment for non-financial assets		45,551	42,261

Accounting policy

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.

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 not tested for impairment since 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.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial 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).

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.

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Other		(6)	82
Total impairment of receivables	C1-4	(6)	82
Other			
Donations, contributions and assistance to other organisations (Section 356)		2,362	2,339
Total other		2,362	2,339
Total other expenses		2,356	2,421

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified.

B4 Gains or losses**B4-1 Gain or loss from the disposal, replacement and de-recognition of assets**

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-8		
Proceeds from disposal – plant and equipment		10,803	3,200
Less: carrying amount of plant and equipment assets sold/written off		(10,165)	(3,056)
Gain (or loss) on disposal		638	144
Gain (or loss) on disposal of infrastructure	C1-8		
Less: carrying amount of infrastructure assets sold/written off		(2,571)	(3,339)
Gain (or loss) on disposal		(2,571)	(3,339)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		8,777	760
Less: carrying amount of real estate assets sold/written off		(3,398)	(58)
Gain (or loss) on disposal		5,379	702
Gain (or loss) on disposal of investments	C1-2		
Proceeds from disposal/redemptions/maturities – investments		162,914	136,078
Less: carrying amount of investments sold/redeemed/matured		(162,914)	(136,078)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		3,446	(2,493)

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. 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.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 22/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	67,144	66,845	(299)	0% U
User charges and fees	48,256	39,776	(8,480)	(18)% U
The 2020/2021 budget adopted by Council in June 2020 was prepared on the basis of business as usual, that is no impacts of COVID-19 had been factored into the budgets as they stood. Council was adversely affected by the COVID-19 pandemic and the associated measures that have been taken by the Government to slow down infection levels. The majority of Council's business units were forced to temporarily restrict trading due to Public Health Orders, which saw a reduction in income of over \$6.5M.				
Council also saw a reduction in Water Consumption and associated income across the LGA due to the inflow received into Burrendong Dam and significant rain events in March 2021.				
Other revenues	2,140	2,628	488	23% F
Council received additional income from other revenue sources than originally budgeted for, mainly related to the Great Big Adventure Pass and Aerodrome Contributions				
Operating grants and contributions	21,370	22,054	684	3% F
Capital grants and contributions	14,945	48,265	33,320	223% F
Grant funding tied to projects that were not finalised in the 2020 financial year were rolled into the 2021 financial year, mainly related to the Drought Funding Commitment.				
Council also received additional unbudgeted capital grant income from the Fixing the Local Roads Program and Local Roads and Community Infrastructure Program, as well as higher than anticipated developer contributions.				
Interest and investment revenue	3,174	3,703	529	17% F
Interest Rates on received on investments was higher than originally estimated.				
Net gains from disposal of assets	500	3,446	2,946	589% F
Revenue from land sales was higher than originally planned.				
Other income	-	37	37	∞ F
EXPENSES				
Employee benefits and on-costs	44,867	44,932	(65)	0% U
Materials and services	51,791	53,696	(1,905)	(4)% U
Borrowing costs	3,465	3,095	370	11% F
The impact from changes in remediation liabilities was lower than originally planned.				

B5-1 Material budget variations (continued)

\$ '000	2021 <i>Budget</i>	2021 <i>Actual</i>	2021 <i>----- Variance -----</i>		
Depreciation, amortisation and impairment of non-financial assets	35,396	45,551	(10,155)	(29)%	U
Due to a recent roads infrastructure revaluation, many roads with a base component were revalued upwards, therefore increasing the depreciation expense above what was originally budgeted for this financial year.					
Other expenses	2,543	2,356	187	7%	F

STATEMENT OF CASH FLOWS

Cash flows from operating activities	59,302	73,827	14,525	24%	F
Grant funding for projects that were budgeted in the 2020 financial year were completed and paid to Council in the 2021 financial year.					
Cash flows from investing activities	(57,920)	(35,810)	22,110	(38)%	F
Council was adversely affected by the COVID-19 pandemic and the associated measures that have been taken and was often unable to complete capital works that were budgeted on the basis of business as usual.					
Cash flows from financing activities	(5,503)	(5,502)	1	0%	F

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	3	10
Cash-equivalent assets		
– Deposits at call	66,484	33,962
Total cash and cash equivalents	66,487	33,972

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	66,487	33,972
Balance as per the Statement of Cash Flows	66,487	33,972

Accounting policy

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.

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Term deposits	53,073	59,000	102,073	71,500
NCD's, FRN's (with maturities > 3 months)	1,000	43,063	9,500	1,000
Total	54,073	102,063	111,573	72,500
Total financial investments	54,073	102,063	111,573	72,500
Total cash assets, cash equivalents and investments	120,560	102,063	145,545	72,500

Accounting policy

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.

C1-2 Financial investments (continued)

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, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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 the 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.

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	120,560	102,063	145,545	72,500
attributable to:				
External restrictions	58,178	102,063	84,547	72,500
Internal restrictions	62,382	–	60,998	–
	120,560	102,063	145,545	72,500

\$ '000	2021	2020
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Details of restrictions

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	13,356	11,958
Unexpended grants	23,471	24,336
Water fund	53,881	56,681
Sewer fund	60,861	58,284
Stormwater management	5,002	4,156
Domestic waste management	3,670	1,632
External restrictions – other	160,241	157,047
Total external restrictions	160,241	157,047

continued on next page ...

C1-3 Restricted cash, cash equivalents and investments (continued)

\$ '000	2021	2020
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Employees leave entitlement	4,028	3,200
Dubbo city holiday park	–	423
Property development	6,551	2,960
Dubbo city regional airport	2,129	3,297
Livestock markets	3,127	3,102
Other waste management services	14,711	12,528
Road network – state roads	378	1,246
Fleet management services	8,960	9,833
Future Asset Renewal	22,498	24,409
Total internal restrictions	62,382	60,998
Total restrictions	222,623	218,045

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	3,426	–	3,482	–
Interest and extra charges	363	–	370	–
User charges and fees	7,446	–	7,094	–
Accrued revenues				
– Interest on investments	763	–	1,784	–
Deferred debtors	92	130	179	77
Government grants and subsidies	6,375	–	3,557	–
Net GST receivable	1,556	–	1,241	–
Due from other levels of government	23	–	23	–
Other debtors	1,324	–	4,091	–
Total	21,368	130	21,821	77
Less: provision for impairment				
User charges and fees	(741)	–	(767)	–
Total provision for impairment – receivables	(741)	–	(767)	–
Total net receivables	20,627	130	21,054	77

\$ '000	2021	2020
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 9)	767	728
+ new provisions recognised during the year	20	82
– amounts already provided for and written off this year	(46)	(43)
Balance at the end of the year	741	767

Accounting policy

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.

Impairment

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.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

C1-4 Receivables (continued)

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.

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.

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Stores and materials	1,128	–	1,157	–
Trading stock	170	–	143	–
Real estate for resale	1,440	5,909	2,758	4,880
Total inventories at cost	2,738	5,909	4,058	4,880
Total inventories	2,738	5,909	4,058	4,880

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		–	2,119	2,522	1,090
Industrial/commercial		1,440	3,790	236	3,790
Total real estate for resale		1,440	5,909	2,758	4,880

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs	1,440	3,200	–	3,200
Development costs	–	2,709	2,758	1,680
Total costs	1,440	5,909	2,758	4,880
Total real estate for resale	1,440	5,909	2,758	4,880

Movements:

Real estate assets at beginning of the year		2,758	4,880	1,531	4,076
– Purchases and other costs		2,080	1,029	2,089	–
– WDV of sales (expense)	B4-1	(3,398)	–	(58)	–
– Transfer between current/non-current		–	–	(804)	804
Total real estate for resale		1,440	5,909	2,758	4,880

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 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.

Land held for resale

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

C1-6 Contract assets and Contract cost assets

Council does not have Contract assets to report

C1-7 Non-current assets classified as held for sale

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

C1-8 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	48,885	–	48,885	10,256	40,162	–	–	(10,586)	–	–	–	88,717	–	88,717
Plant and equipment	54,895	(25,643)	29,252	–	6,757	(2,491)	(4,051)	–	(26)	–	3,294	65,170	(30,167)	35,003
Office equipment	3,837	(1,867)	1,970	345	544	(5)	(715)	–	18	–	–	4,703	(2,546)	2,157
Furniture and fittings	4,701	(3,075)	1,626	–	162	(6)	(348)	–	6	–	–	4,777	(3,337)	1,440
Land:														
– Operational land	36,822	–	36,822	–	22	–	–	–	–	–	–	36,844	–	36,844
– Community land	35,684	–	35,684	–	–	–	–	–	–	–	8,262	43,946	–	43,946
– Land under roads (post 30/6/08)	1,262	–	1,262	–	187	–	–	–	–	–	–	1,449	–	1,449
Land improvements – non-depreciable	1,801	–	1,801	–	–	(98)	–	–	(310)	–	–	1,393	–	1,393
Land improvements – depreciable	8,224	(4,669)	3,555	157	545	(1,282)	(367)	–	(7)	–	–	7,572	(4,971)	2,601
Infrastructure:														
– Airport runways	44,445	(7,819)	36,626	112	–	–	(945)	–	–	–	–	44,558	(8,765)	35,793
– Buildings – non-specialised	50,396	(22,938)	27,458	732	195	–	(1,248)	–	–	–	–	51,323	(24,186)	27,137
– Buildings – specialised	183,028	(66,760)	116,268	5,371	5,205	(4,446)	(4,377)	–	–	–	–	188,058	(70,037)	118,021
– Other structures	149,108	(65,651)	83,457	1,093	6,881	(3,689)	(5,009)	–	327	–	29,158	173,919	(61,701)	112,218
– Roads	1,211,233	(327,597)	883,636	1,009	6,317	–	(15,954)	5,363	(8)	–	–	1,223,914	(343,551)	880,363
– Bulk earthworks (non-depreciable)	418,030	–	418,030	–	–	–	–	–	–	–	–	418,030	–	418,030
– Stormwater drainage	170,966	(43,332)	127,634	–	3,255	(61)	(2,102)	4,073	–	–	–	178,154	(45,355)	132,799
– Water supply network	369,701	(122,500)	247,201	–	520	–	(5,063)	11	–	–	2,219	373,618	(128,730)	244,888
– Sewerage network	331,511	(67,502)	264,009	70	1,476	(614)	(4,414)	1,139	–	–	2,389	336,618	(72,563)	264,055
– Swimming pools	14,396	(2,449)	11,947	16	–	(11)	(74)	–	–	–	–	14,387	(2,509)	11,878
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	(1,997)	–	–	–	–
Other assets:														
– Heritage collections	33	(5)	28	–	–	–	–	–	–	–	–	33	(5)	28
– Other	2,353	(1,070)	1,283	–	–	–	(46)	–	–	–	–	2,096	(859)	1,237
Reinstatement, rehabilitation and restoration assets (refer Note 11):														
– Tip assets	1,034	(1,034)	–	–	–	–	–	–	–	–	–	1,034	(1,034)	–
– Quarry assets	1,152	(373)	779	–	–	–	(90)	–	–	(70)	–	1,082	(463)	619
Total infrastructure, property, plant and equipment	3,145,494	(764,284)	2,381,210	19,161	72,228	(12,703)	(44,803)	–	–	(2,067)	45,322	3,261,395	(800,779)	2,460,616

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

C1-8 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019		Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000												
Capital work in progress	23,165	23,165	1,845	23,874	–	–	–	–	–	48,885	–	48,885
Plant and equipment	53,878	29,678	25	5,830	(1,934)	(4,472)	–	120	–	54,895	(25,643)	29,252
Office equipment	4,657	2,133	11	737	(181)	(605)	–	(120)	–	3,837	(1,867)	1,970
Furniture and fittings	4,373	1,510	247	114	(1)	(244)	–	–	–	4,701	(3,075)	1,626
Land:												
– Operational land	36,649	36,649	–	534	(360)	–	–	–	–	36,822	–	36,822
– Community land	35,684	35,684	–	–	–	–	–	–	–	35,684	–	35,684
– Land under roads (post 30/6/08)	1,201	1,201	21	41	–	–	–	–	–	1,262	–	1,262
Land improvements – non-depreciable	1,801	1,801	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	6,712	2,376	1,404	302	(173)	(354)	–	–	–	8,224	(4,669)	3,555
Infrastructure:												
– Buildings – non-specialised	46,050	24,179	4,001	405	–	(1,126)	–	–	–	50,396	(22,938)	27,458
– Buildings – specialised	173,736	110,440	8,840	1,072	(96)	(3,986)	–	–	–	183,028	(66,760)	116,268
– Other structures	135,466	73,416	12,572	1,718	(207)	(4,043)	–	–	–	149,108	(65,651)	83,457
– Roads	1,223,558	892,941	–	6,520	(50)	(15,774)	–	–	–	1,211,233	(327,597)	883,636
– Airport runways	47,805	29,582	1,129	–	–	(974)	–	–	6,888	44,445	(7,819)	36,626
– Bulk earthworks (non-depreciable)	419,719	419,719	–	528	(2,217)	–	–	–	–	418,030	–	418,030
– Stormwater drainage	169,145	127,392	128	1,693	–	(1,579)	–	–	–	170,966	(43,332)	127,634
– Water supply network	365,940	249,834	–	612	(157)	(5,408)	–	–	2,321	369,701	(122,500)	247,201
– Sewerage network	327,282	264,219	–	2,990	(1,019)	(4,638)	–	–	2,456	331,511	(67,502)	264,009
– Swimming pools	8,633	6,260	5,761	1	–	(77)	–	–	–	14,396	(2,449)	11,947
– Quarry assets	1,997	1,997	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:												
– Heritage collections	33	28	–	–	–	–	–	–	–	33	(5)	28
– Other	2,542	1,300	14	18	–	(49)	–	–	–	2,353	(1,070)	1,283
Reinstatement, rehabilitation and restoration assets (refer Note 11):												
– Tip assets	1,034	4	–	–	–	(4)	–	–	–	1,034	(1,034)	–
– Quarry assets	1,175	875	–	–	–	(72)	(23)	–	–	1,152	(373)	779
Total infrastructure, property, plant and equipment	3,092,235	2,336,383	35,998	46,989	(6,395)	(43,405)	(23)	–	11,665	3,145,494	(764,284)	2,381,210

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

C1-8 Infrastructure, property, plant and equipment (continued)

Accounting policy

Initial recognition of infrastructure, property, plant and equipment (IPPE)

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

When infrastructure, property, plant and equipment is acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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.

Useful lives of IPPE

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	1 to 8	Playground equipment	5 to 15
Office furniture	1 to 10	Benches, seats etc.	10 to 20
Computer equipment	1 to 8		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 100
Water and sewer assets		Stormwater assets	
Dams and reservoirs	100	Drains	80 to 120*
Bores	30	Culverts	80*
Reticulation pipes: PVC	70	Flood control structures	60 to 150*
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 50		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	21 to 24	Bulk earthworks	Infinite
Sealed roads: structure	15 to 90	Swimming pools	5 to 50
Unsealed roads	10 to 34	Other open space/recreational assets	15 to 80
Bridge: concrete	110		
Bridge: other	80		
Road pavements	60 to 90		
Kerb, gutter and footpaths	40 to 200		

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

Revaluation model

Infrastructure, property, plant and equipment are held at fair value. Comprehensive valuations are performed at least every 5 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.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Planning, Industry and Environment – Water.

Increases in the carrying amounts arising on revaluation are credited to the IPPE 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 IPPE revaluation reserve to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

C1-8 Infrastructure, property, plant and equipment (continued)

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

C1-9 Investment properties

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

C1-10 Intangible assets

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

C1-11 Other

Other assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Prepayments	638	–	881	–
Shares in unlisted companies – StateCover	–	495	–	495
Total other assets	638	495	881	495

C2 Leasing activities

C2-1 Council as a lessee

Council does not have any Leases.

C2-2 Council as a lessor

Council does not have any Leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	3,396	–	2,794	–
Goods and services – operating expenditure	8,430	–	4,402	–
Accrued expenses:				
– Borrowings	454	–	503	–
– Salaries and wages	1,447	–	1,383	–
Security bonds, deposits and retentions	2,251	–	1,649	–
Other	–	3	–	2
Total payables	15,978	3	10,731	2
Total payables	15,978	3	10,731	2

Accounting policy

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.

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended grants (received prior to performance obligation being satisfied)	(i)	3,000	–	1,500	–
Total grants received in advance		3,000	–	1,500	–
User fees and charges received in advance:					
Payments Received in Advance		375	–	438	–
Total user fees and charges received in advance		375	–	438	–
Total contract liabilities		3,375	–	1,938	–

Notes

(i) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied.

Revenue recognised that was included in the contract liability balance at the beginning of the period

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

2021	2021	2020	2020
------	------	------	------

C3-3 Borrowings (continued)

\$ '000	Current	Non-current	Current	Non-current
Loans – secured ¹	<u>5,829</u>	<u>45,850</u>	<u>5,159</u>	<u>52,022</u>
Total borrowings	<u>5,829</u>	<u>45,850</u>	<u>5,159</u>	<u>52,022</u>

(1) Loans are secured over the general rating income of Council.

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

	2020		Non-cash movements				2021
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	57,181	(5,502)	–	–	–	–	51,679
Total liabilities from financing activities	57,181	(5,502)	–	–	–	–	51,679

	2019		Non-cash movements				2020
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
\$ '000							
Loans – secured	62,387	(5,206)	–	–	–	–	57,181
Total liabilities from financing activities	62,387	(5,206)	–	–	–	–	57,181

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	600	600
Bank Guarantee	200	50
Total financing arrangements	800	650
Drawn facilities		
– Credit cards/purchase cards	130	90
– Bank Guarantee	60	30
Total drawn financing arrangements	190	120
Undrawn facilities		
– Credit cards/purchase cards	470	510
– Bank Guarantee	140	20
Total undrawn financing arrangements	610	530

Accounting policy

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

During the current and prior year, there were no defaults or breaches on any of the loans.

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	4,785	–	4,204	–
Sick leave	603	–	595	–
Long service leave	6,991	873	7,849	757
Other leave	132	–	132	–
Total employee benefit provisions	12,511	873	12,780	757

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employee benefits	5,124	5,855
	5,124	5,855

Accounting policy

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.

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	4,276	–	4,639
Sub-total – asset remediation/restoration	–	4,276	–	4,639
Total provisions	–	4,276	–	4,639

C3-5 Provisions (continued)

Nature and purpose of provisions

Asset remediation

The asset remediation provision represents the present value estimate of future costs Council will incur to restore, rehabilitate and reinstate the tip and quarry as a result of past operations.

Accounting policy

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 a borrowing cost.

Asset remediation – tips and quarries

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs. Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

The ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within infrastructure, property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	45,458	8,022	13,365
User charges and fees	21,914	13,340	4,522
Interest and investment revenue	2,240	678	785
Other revenues	2,518	57	53
Grants and contributions provided for operating purposes	22,048	6	–
Grants and contributions provided for capital purposes	33,243	12,944	2,078
Net gains from disposal of assets	3,446	–	–
Other income	(3)	27	13
Total income from continuing operations	130,864	35,074	20,816
Expenses from continuing operations			
Employee benefits and on-costs	34,515	5,974	4,443
Materials and services	42,278	7,975	3,443
Borrowing costs	907	1,449	739
Depreciation, amortisation and impairment of non-financial assets	35,443	5,499	4,609
Other expenses	2,356	–	–
Total expenses from continuing operations	115,499	20,897	13,234
Operating result from continuing operations	15,365	14,177	7,582
Net operating result for the year	15,365	14,177	7,582
Net operating result attributable to each council fund	15,365	14,177	7,582
Net operating result for the year before grants and contributions provided for capital purposes	(17,878)	1,233	5,504

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	42,331	13,308	10,848
Investments	22,000	22,573	9,500
Receivables	13,692	4,675	2,260
Inventories	2,585	153	–
Other	602	36	–
Total current assets	81,210	40,745	22,608
Non-current assets			
Investments	43,550	18,000	40,513
Receivables	130	–	–
Inventories	5,909	–	–
Infrastructure, property, plant and equipment	1,882,346	281,552	296,718
Investments accounted for using the equity method	1,719	–	–
Other	451	44	–
Total non-current assets	1,934,105	299,596	337,231
TOTAL ASSETS	2,015,315	340,341	359,839
LIABILITIES			
Current liabilities			
Payables	15,253	419	306
Contract liabilities	3,371	2	2
Borrowings	2,344	1,264	2,221
Employee benefit provision	11,200	1,311	–
Total current liabilities	32,168	2,996	2,529
Non-current liabilities			
Payables	3	–	–
Borrowings	13,496	21,238	11,116
Employee benefit provision	806	67	–
Provisions	4,276	–	–
Total non-current liabilities	18,581	21,305	11,116
TOTAL LIABILITIES	50,749	24,301	13,645
Net assets	1,964,566	316,040	346,194
EQUITY			
Accumulated surplus	1,788,381	248,109	262,077
Revaluation reserves	176,185	67,931	84,117
Council equity interest	1,964,566	316,040	346,194
Total equity	1,964,566	316,040	346,194

(in accordance with s410(3) of the *Local Government Act 1993*)

D2 Interests in other entities

\$ '000	<i>Council's share of net assets</i>	
	2021	2020
Council's share of net assets		
Net share of interests in joint ventures and associates using the equity method – assets		
Joint ventures	1,719	1,682
Total net share of interests in joint ventures and associates using the equity method – assets	1,719	1,682
Total Council's share of net assets	1,719	1,682

D2-1 Interests in joint arrangements

Net carrying amounts – Council's share

\$ '000	<i>Place of business</i>	<i>Nature of relationship</i>	<i>Interest in ownership</i>			
			2021	2020	2021	2020
Macquarie Regional Library	Branches in Dubbo, Narromine and Warrumbungle Council area	Joint Venture	71.7%	71.8%	1,719	1,682
Total carrying amounts – material joint ventures					1,719	1,682

Material joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

Details

<i>Principal activity</i>		<i>Measurement method</i>
Macquarie Regional Library	Public library services	Equity

Relevant interests and fair values

	<i>Interest in outputs</i>		<i>Proportion of voting power</i>	
	2021	2020	2021	2020
Macquarie Regional Library	68.6%	68.0%	33.0%	33.0%

Summarised financial information for joint ventures

\$ '000	<i>Macquarie Regional Library</i>	
	2021	2020
Statement of financial position		
Current assets		
Cash and cash equivalents	1,987	1,860
Other current assets	86	73
Non-current assets	1,186	1,244

continued on next page ...

D2-1 Interests in joint arrangements (continued)

\$ '000	<i>Macquarie Regional Library</i>	
	2021	2020
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	829	810
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	31	22
Net assets	2,399	2,345
Statement of comprehensive income		
Income	3,129	2,982
Interest income	14	23
Depreciation and amortisation	(400)	(390)
Other expenses	(2,688)	(2,394)
Profit/(loss) from continuing operations	55	221
Profit/(loss) for the period	55	221
Total comprehensive income	55	221
Share of income – Council (%)	68.6%	68.0%
Profit/(loss) – Council (\$)	37	149
Total comprehensive income – Council (\$)	37	149
Reconciliation of the carrying amount		
Opening net assets (1 July)	2,344	2,123
Profit/(loss) for the period	55	221
Closing net assets	2,399	2,344
Council's share of net assets (%)	71.7%	71.8%
Council's share of net assets (\$)	1,719	1,682

Accounting policy

The council has determined that it has only joint ventures

Joint ventures:

Interests in joint ventures are accounted for using the equity method in accordance with *AASB128 Investments in Associates and Joint Ventures*.

Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purposes of the consolidated financial statements.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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

Financial risk management is carried out by the finance team under policies approved by the Councillors.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- 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 a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks 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 cash and investments.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	2,226	2,180

(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 other than Council has significant credit risk exposures in its local area given the nature of the business.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance. The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

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.

Credit risk profile

E1-1 Risks relating to financial instruments held (continued)

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	3,204	222	–	–	–	3,426
2020						
Gross carrying amount	2,747	735	–	–	–	3,482

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	15,455	620	453	256	1,288	18,072
2020						
Gross carrying amount	16,088	331	453	256	1,288	18,416

(c) Liquidity risk

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

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

Borrowings are also subject to interest rate risk: the risk that movements in interest rates could adversely affect funding costs. 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 for non-lease liabilities (refer to Note C2-1(b) for lease liabilities) and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total contractual cash flows	Actual carrying values
2021							
Trade/other payables	0.00%	2,251	13,730	–	–	15,981	12,585
Loans and advances	6.26%	–	8,959	38,849	33,381	81,189	51,679
Total financial liabilities		2,251	22,689	38,849	33,381	97,170	64,264

E1-1 Risks relating to financial instruments held (continued)

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total contractu al cash flows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2020							
Trade/other payables	0.00%	1,649	9,084	–	–	10,733	10,733
Loans and advances	6.21%	–	8,958	33,975	38,256	81,189	57,181
Total financial liabilities		<u>1,649</u>	<u>18,042</u>	<u>33,975</u>	<u>38,256</u>	<u>91,922</u>	<u>67,914</u>

E2-1 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.

Fair Value Hierarchy

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 for the asset or liability).

\$ '000	Notes	Fair value measurement hierarchy				Total	
		Level 2 Significant observable inputs 2021	2020	Level 3 Significant unobservable inputs 2021	2020	2021	2020
Recurring fair value measurements							
Infrastructure, property, plant and equipment	C1-8						
Capital works in progress		–	–	88,717	48,885	88,717	48,885
Plant and equipment		35,190	29,252	–	–	35,190	29,252
Office equipment		2,157	1,970	–	–	2,157	1,970
Furniture and fittings		1,441	1,626	–	–	1,441	1,626
Operational land		36,844	36,822	–	–	36,844	36,822
Community land		–	–	43,946	35,684	43,946	35,684
Land under roads (post 30/06/2008)		–	–	1,449	1,262	1,449	1,262
Land improvements – non-depreciable		–	–	1,394	1,801	1,394	1,801
Land improvement – depreciable		–	–	2,602	3,555	2,602	3,555
Airport runways/taxiways		–	–	52,564	36,626	52,564	36,626
Buildings – non-specialised		–	–	27,137	27,458	27,137	27,458
Buildings – specialised		–	–	118,021	116,268	118,021	116,268
Other structures		–	–	112,440	83,457	112,440	83,457
Roads		–	–	880,363	883,636	880,363	883,636
Bulk earthworks		–	–	401,259	418,030	401,259	418,030
Stormwater drainage		–	–	132,798	127,634	132,798	127,634
Water supply network		–	–	244,888	247,201	244,888	247,201
Sewerage network		–	–	264,055	264,009	264,055	264,009
Swimming pools		–	–	11,878	11,947	11,878	11,947
Quarry assets		–	–	–	1,997	–	1,997
Heritage collections		–	–	27	28	27	28
Other assets		–	–	1,237	1,283	1,237	1,283
Quarry restoration assets		–	–	619	779	619	779
Total infrastructure, property, plant and equipment		75,632	69,670	2,385,394	2,311,540	2,461,026	2,381,210

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

E2-1 Fair value measurement (continued)

Valuation techniques

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 (IPPE)

Level 2 inputs

Plant & equipment

It is considered that there is a liquid second hand market for Council's plant and equipment, however, there is subjectivity of prices in this market dependent on the age and condition of the equipment being sold. Council has determined that the plant and equipment is to be classified as level 2 inputs.

Office equipment and furniture & fittings

There is a liquid second hand market for these types of assets, but the market is not liquid enough to qualify the assets as valued at level 1. The reason for retaining book value in note 11 is that these assets typically have very short useful lives, are held to the end of their economic life and have no residual value, and the written down value reflects their value in use rather than their market value.

Operational land

There is an active liquid market for most of Council's Operational Land, however, the subjectivity of pricing has resulted in this land to be classified as Level 2.

Level 3 inputs

Buildings - specialised and non-specialised and other structures

Valuations of buildings was carried out by an external valuer, but the valuation was on the written down current replacement cost of the buildings rather than the market value. Consequently, all buildings are categorised as level 3 unobservable inputs, as the valuations do not reflect market valuations.

Quarry assets

The quarry assets are valued on the basis of the price of acquiring the same quality material from commercial quarries that operate within the Dubbo local government area. The reason for level 3 classification is that there is a degree of estimation required to determine the amount of material remaining in the quarry, and also the potential variation in quality of the material that has yet to be won from the quarry.

Capital works in progress

The valuation method employed is the cost of construction of the asset. As there is no active market for any of the infrastructure assets that are partially constructed, the only valuation available is cost, or inputs to the construction work, which is a level 3 unobservable input.

Community land

Community land was valued using urban and rural average municipal site values. These were determined by analysing the total rateable value of urban and rural lands, and then dividing the total valuations by the total area to determine an average rate per hectare or square metre. This was then applied to the areas of community land. This work was carried out by Council's rating staff. This method has no market observable inputs as the rating value is the valuation provided by the Valuer General for rating purposes, and may or may not align with the market value of the land. However, it is not a market valuation of the land. The level 3 unobservable inputs are the valuations provided by the Valuer General on which the value of the land is determined.

Land under roads

Council has elected to only recognise land under roads that have been acquired after 30 June 2008. There are two methods by which this land is valued, neither of which represent the market value of the land as there is no market for land that is currently used for road or road reserve purposes. Land which is transferred to Council from private subdividers is valued using the municipal site value as outlined in valuation of community land above then discounted accordingly. Land under roads relating to Council's own subdivisions is valued at the cost of that land at acquisition, on an area basis. The level 3 unobservable inputs

E2-1 Fair value measurement (continued)

are the average municipal site value of subdividers land vested in Council, and the cost of the land acquired by Council for subdivision on an area basis.

Land improvements depreciable and non-depreciable

Land improvements - non-depreciable are valued at current replacement cost. This is a level 3 unobservable input as the valuation method does not reflect a market rate as there is no active market for sale of land improvements - non-depreciable.

Airport runways/taxiways

Airport runways/taxiways are valued at current replacement cost. This is a level 3 unobservable input as the valuation method does not reflect a market rate as there is no active market for sale of airport runways/taxiways.

Infrastructure roads, bridges and footpaths

Valuation of roads was undertaken by Council staff, based on the current written down value of the road assets within Council's network. As this is based on the current costs of construction at time of valuation, and not market value, this valuation is a level 3 unobservable input valuation.

Bulk earthworks (non-depreciable)

Valuation of non-depreciable bulk earthworks has two different valuations depending on whether the earthworks relate to roads or stormwater retarding basins. All earthworks relating to roads were valued in conjunction with the valuation of the roads by Council staff, on a current replacement cost basis. All stormwater retarding basin earthworks were valued on a current replacement cost basis by Council staff as an internal valuation. The basis of determining the value for internal valuations was a combination of the cost of similar works carried out by Council, recent similar contract works, and reference rates for construction of similar earthworks. Both the internal and external valuations are level 3 unobservable inputs valuations due to the fact that market valuation was not a factor in determining the value of the assets.

Stormwater, water and sewer infrastructure assets

All three asset networks were valued by Council staff using recent Council cost of constructing similar assets, recent contractor costs to construct Council assets, and then cross validating the costs to construction cost indexes provided by the NSW Office of Water. The written down value was then assessed by estimating the total and remaining useful lives of the asset to determine the written down current replacement cost of each asset.

Heritage collection assets

These items comprise historical artefacts that have been obtained generally by purchase through antique dealers or through private sale. As there is not an active liquid market in the types of items acquired, they are valued at historical cost, and therefore have been assessed as being Level 3 unobservable input valuations.

Library books

The library books are reported at fair value in the notes, however, due to the nature of these items they are valued at historical cost. There are no major variances between the fair value and carrying amount of these assets. The cost of these assets were based on invoices at the time of capitalisation.

Tip and quarry restoration assets

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry assets. Closure of the landfill and quarry sites will involve a wide range of activities, including final capping of the landfill waste and site revegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post closure operation.

Valuations are based on actual timing of costs and future environmental management requirements.

There were no changes in valuation techniques from prior years.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

	<i>Valuation technique/s</i>	<i>Unobservable inputs</i>
Infrastructure, property, plant and equipment		
Capital works in progress	Cost approach	Gross replacement cost
Community Land	NSW Valuer General land valuation	Land value, land area
Land under Roads	NSW Valuer General land valuation	Land value, land area
Land improvements non-depreciable	Cost approach	Asset condition, remaining lives, residual value
Land improvements depreciable	Cost approach	Asset condition, remaining lives, residual value
Buildings non specialised	Cost approach	Gross replacement cost
Building specialised	Cost approach	Gross replacement cost
Other structures	Cost approach	Asset condition, remaining lives, residual value
Roads	Cost approach	Asset condition, remaining lives, residual value
Airports, runways, taxiways	Cost approach	Asset condition, remaining lives, residual value
Bulk earthworks	Cost approach	Asset condition, remaining lives, residual value
Stormwater drainage	Cost approach	Asset condition, remaining lives, residual value
Water supply network	Cost approach	Asset condition, remaining lives, residual value
Sewerage network	Cost approach	Asset condition, remaining lives, residual value
Swimming pools	Cost approach	Asset condition, remaining lives, residual value
Other open space recreational	Cost approach	Asset condition, remaining lives, residual value
Quarry assets	Cost approach	Gross replacement cost
Heritage collections	Cost approach	Gross replacement cost
Library books	Cost approach	Gross replacement cost
Other assets	Cost approach	Gross replacement cost
Tip restoration assets	Cost estimate of future liability	
Quarry restoration assets	Cost estimate of future liability	

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

\$ '000	<i>Capital works in progress</i>		<i>Community Land</i>		<i>Land under Roads</i>		<i>Land improvement non-dep</i>	
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>
Opening balance	48,885	23,165	35,684	35,684	1,262	1,201	1,801	1,801
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	8,262	–	–	–	–	–
Other movements								
Transfers from/(to) another asset class	(10,586)	–	–	–	–	–	(310)	–
Purchases (GBV)	50,418	25,720	–	–	187	61	–	–
Disposals (WDV)	–	–	–	–	–	–	(98)	–
Closing balance	88,717	48,885	43,946	35,684	1,449	1,262	1,393	1,801

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E2-1 Fair value measurement (continued)

\$ '000	<i>Land improvement dep</i>		<i>Buildings non specialised</i>		<i>Building specialised</i>		<i>Other structures</i>	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	3,555	2,376	27,458	24,179	116,269	110,440	83,456	73,416
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	–	–	–	29,380	–
Other movements								
Transfers from/(to) another asset class	(7)	–	–	–	–	–	327	–
Purchases (GBV)	702	1,706	927	4,406	10,576	9,912	7,975	14,290
Disposals (WDV)	(1,282)	(173)	–	–	(4,446)	(96)	(3,689)	(207)
Depreciation and impairment	(367)	(354)	(1,248)	(1,127)	(4,378)	(3,987)	(5,009)	(4,043)
Closing balance	2,601	3,555	27,137	27,458	118,021	116,269	112,440	83,456

\$ '000	<i>Roads</i>		<i>Airports, runways, taxiways</i>		<i>Bulk earthworks</i>		<i>Stormwater drainage</i>	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	883,636	892,941	36,625	29,582	418,030	419,719	127,634	127,392
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	–	–	–	6,888	–	–	–	–
Other movements								
Transfers from/(to) another asset class	5,355	–	–	–	–	–	4,073	–
Purchases (GBV)	7,326	6,519	112	1,129	–	528	3,255	1,821
Disposals (WDV)	–	(50)	–	–	–	(2,217)	(61)	–
Depreciation and impairment	(15,954)	(15,774)	(945)	(974)	–	–	(2,102)	(1,579)
Closing balance	880,363	883,636	35,792	36,625	418,030	418,030	132,799	127,634

\$ '000	<i>Water supply network</i>		<i>Sewerage network</i>		<i>Swimming pools</i>		<i>Quarry assets</i>	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	247,201	249,834	264,009	264,219	11,946	6,260	1,997	1,997
Total gains or losses for the period								
Recognised in other comprehensive income – revaluation surplus	2,219	2,320	2,389	2,457	–	–	–	–
Other movements								
Transfers from/(to) another asset class	11	–	1,139	–	–	–	–	–
Purchases (GBV)	520	612	1,546	2,990	17	5,763	–	–
Disposals (WDV)	–	(157)	(614)	(1,019)	(11)	–	–	–
Depreciation and impairment	(5,063)	(5,408)	(4,414)	(4,638)	(74)	(77)	(1,997)	–
Closing balance	244,888	247,201	264,055	264,009	11,878	11,946	–	1,997

\$ '000	<i>Heritage collections</i>		<i>Other assets</i>		<i>Tip restoration assets</i>		<i>Quarry restoration assets</i>	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	28	28	1,283	1,300	–	4	780	875
Total gains or losses for the period								
Other movements								
Purchases (GBV)	–	–	–	32	–	–	–	–
Depreciation and impairment	–	–	(46)	(49)	–	(4)	(161)	(95)
Closing balance	28	28	1,237	1,283	–	–	619	780

E2-1 Fair value measurement (continued)

\$ '000	<i>Total</i>	
	2021	2020
Opening balance	2,311,539	2,266,413
Recognised in other comprehensive income – revaluation surplus	42,250	11,665
Transfers from/(to) another asset class	2	–
Purchases (GBV)	83,561	75,489
Disposals (WDV)	(10,201)	(3,919)
Depreciation and impairment	(41,758)	(38,109)
Closing balance	2,385,393	2,311,539

Highest and best use

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

E3-1 Contingencies

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 plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

The future service 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 future service employer contribution rates are::

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$ 676,879.51. The last valuation of the Scheme was performed by fund actuary, Richard Boyfield, FIAA as at 30 June 2020.

E3-1 Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$518,800.00. Council's expected contribution to the plan for the next annual reporting period is \$647,132.64.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

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

The share of any funding surplus or deficit that can be attributed to Council is 1.3%

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% 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 final end of year review, which will be a triennial actuarial investigation will be completed by December 2021

(ii) CivicRisk Mutual Limited

Council is a member of CivicRisk 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 June 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.

2. Other liabilities

E3-1 Contingencies (continued)

(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.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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:

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,875	1,860
Other long-term benefits	287	485
Total	2,162	2,345

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.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Councillor expenses – councillors' fees/committee fees	297	226
Councillors' and committee expenses (incl. mayor) – other (excluding fees above)	80	111
Total	377	337

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
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	128	156
Remuneration for audit and other assurance services	128	156
Total Auditor-General remuneration	128	156
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other assurance services	-	31
Remuneration for audit and other assurance services	-	31
Total remuneration of non NSW Auditor-General audit firms	-	31
Total audit fees	128	187

G Other matters

G1-1 Statement of Cash Flows information

(a) Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	37,124	24,744
Adjust for non-cash items:		
Depreciation and amortisation	43,554	42,261
Net losses/(gains) on disposal of assets	(3,446)	2,493
Non-cash capital grants and contributions	(12,142)	(11,580)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	1,997	–
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2020)	41	–
– Interest on all fair value adjusted interest free advances made by Council	(18)	(22)
Share of net (profits)/losses of associates/joint ventures using the equity method	(37)	(149)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	366	2,239
Increase/(decrease) in provision for impairment of receivables	(26)	39
Decrease/(increase) in inventories	2	13
Decrease/(increase) in other current assets	243	(417)
Increase/(decrease) in payables	4,028	(2,957)
Increase/(decrease) in accrued interest payable	(49)	(42)
Increase/(decrease) in other accrued expenses payable	64	409
Increase/(decrease) in other liabilities	1,205	416
Increase/(decrease) in contract liabilities	1,437	1,500
Increase/(decrease) in provision for employee benefits	(153)	(235)
Increase/(decrease) in other provisions	(363)	(74)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	73,827	58,638

(b) Non-cash investing and financing activities

Infrastructure contributions	12,142	11,580
Total non-cash investing and financing activities	12,142	11,580

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Road Infrastructure	3,294	830
Other structures	4,451	2,181
Water infrastructure	3,467	8,420
Sewer infrastructure	2,711	–
Total commitments	13,923	11,431

Details of capital commitments

Dubbo Regional Council has committed to the following:

- Development of Keswick Stage 5, Release 1
- Renewal of our existing water meter fleet with smart meter technology
- Design and construction of the non potable pipeline
- Supply and installation of asphalt pavement at Purvis Lane

G3-1 Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

COVID-19 has ongoing effects with a secondary lock down period for the Local Government Area as per Public Health Orders for designated effected regional areas with which Council was such an effected area. Expected loss of income from rates, fees and charges, as well as tourism, event and hospitality venues is estimated at \$6M based on the \$8M of the prior lockdown period in 2020 with allowances of prior resources, processes and infrastructure for employees already in place.

G4 Statement of developer contributions as at 30 June 2021

G4-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Drainage	813	389	–	4	(120)	–	1,086	–
Roads	8,329	1,759	–	50	(867)	–	9,271	–
Parking	98	–	–	1	–	–	99	–
Open space	2,360	699	–	15	(474)	–	2,600	–
Voluntary planning agreements	306	98	–	–	(175)	–	229	–
S7.11 contributions – under a plan	11,906	2,945	–	70	(1,636)	–	13,285	–
S7.12 levies – under a plan	52	19	–	–	–	–	71	–
Total S7.11 and S7.12 revenue under plans	11,958	2,964	–	70	(1,636)	–	13,356	–
S64 contributions	–	–	–	–	–	–	–	–
Total contributions	11,958	2,964	–	70	(1,636)	–	13,356	–

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G4-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Dubbo)								
Drainage	813	389	–	4	(120)	–	1,086	–
Roads	8,329	1,759	–	50	(867)	–	9,271	–
Parking	98	–	–	1	–	–	99	–
Open space	2,360	699	–	15	(474)	–	2,600	–
Voluntary planning agreements	306	98	–	–	(175)	–	229	–
Total	11,906	2,945	–	70	(1,636)	–	13,285	–

S7.12 Levies – under a plan

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)

Public order and safety	8	2	–	–	–	–	10	–
Community services and education	8	2	–	–	–	–	10	–
Household and community amenities	8	2	–	–	–	–	10	–
Recreation and culture	9	4	–	–	–	–	13	–
Transport and communication	8	4	–	–	–	–	12	–
Economic affairs	11	5	–	–	–	–	16	–
Total	52	19	–	–	–	–	71	–

G5 Statement of performance measures

G5-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020	Indicators 2019	Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(12,633)	(9.36)%	(4.32)%	(1.17)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	135,006				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	112,952	61.63%	67.62%	63.77%	> 60.00%
Total continuing operating revenue ¹	183,271				
3. Unrestricted current ratio					
Current assets less all external restrictions	79,261	2.93x	4.11x	4.35x	> 1.50x
Current liabilities less specific purpose liabilities	27,048				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	34,016	3.96x	4.50x	4.69x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,597				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	3,789	5.35%	5.63%	5.47%	< 10.00%
Rates and annual charges collectable	70,843				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	178,560	20.25	22.86	26.13	> 3.00
Monthly payments from cash flow of operating and financing activities	8,818	mths	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G5-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(20.58)%	(11.65)%	5.57%	0.37%	29.37%	27.66%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	56.59%	60.79%	63.08%	86.26%	90.02%	83.50%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.93x	4.11x	13.60x	16.17x	8.94x	21.00x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.40x	3.37x	5.54x	4.93x	14.35x	12.61x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.66%	8.08%	0.00%	0.00%	0.00%	0.00%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	17.51	19.12	∞	∞	∞	∞	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths					mths

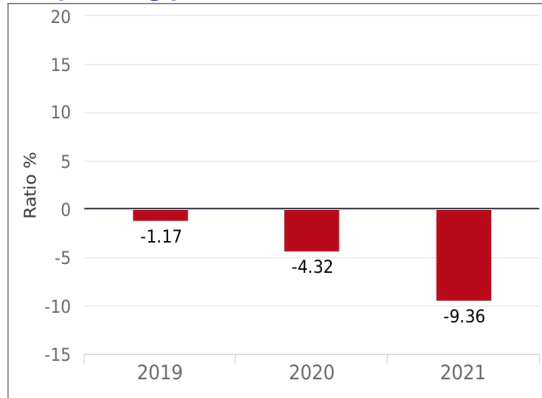
(1) - (2) Refer to Notes at Note G6-1 above.

(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

H Additional Council disclosures (unaudited)

H1-1 Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2020/21 result

2020/21 ratio (9.36)%

COVID-19 impacted General revenue for the organisation as business units were forced to close down with staff being kept on and expenses being paid. Revenue reductions were due to the inflow received into Burrendong Dam and significant rain events in March 2021, causing a loss of in water rates alone.

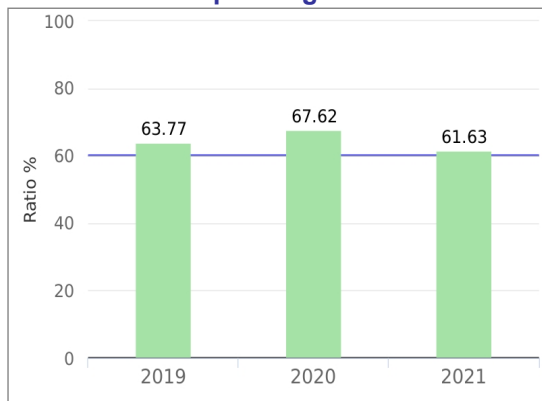
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2020/21 result

2020/21 ratio 61.63%

Own source operating revenue ratio has been maintained above the benchmark of 60% this year due to the normal level of Grant funding.

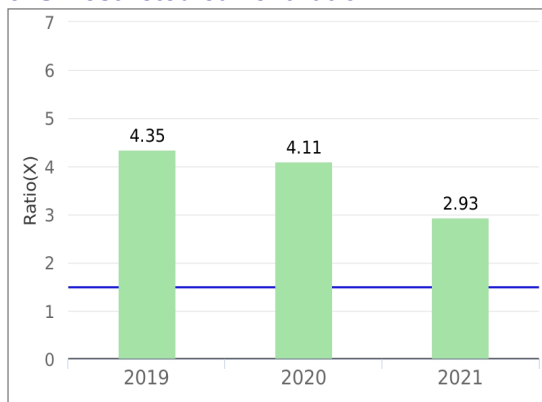
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2020/21 result

2020/21 ratio 2.93x

Internally restricted assets were utilised more and due to COVID-19.

Benchmark: — > 1.50x

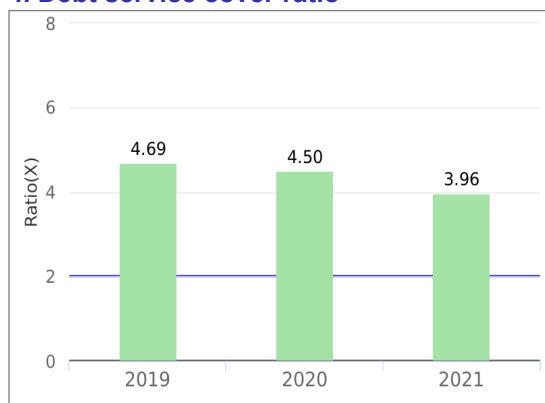
Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-1 Statement of performance measures – consolidated results (graphs) (continued)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 3.96x

Investment and lending schedules remained similar to ensure no disruption occurred to service liabilities.

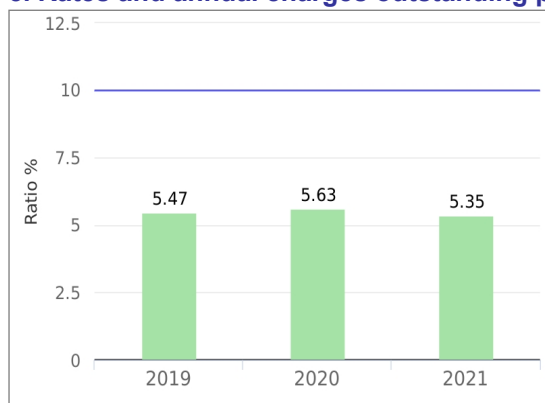
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates and annual charges outstanding percentage



Purpose of rates and annual charges outstanding percentage

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

Commentary on 2020/21 result

2020/21 ratio 5.35%

New measures were introduced with flexible financial hardship options for ratepayers affected by COVID-19.

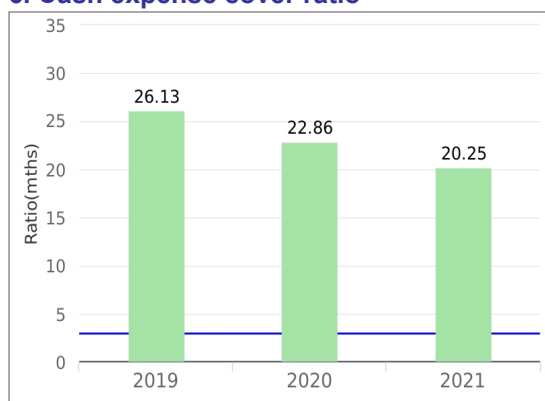
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2020/21 result

2020/21 ratio 20.25 mths

Careful investment choices were made, with expenditure closely monitored due to business interruption from pandemic.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio achieves benchmark

Ratio is outside benchmark

H1-2 Council information and contact details

Principal place of business:

Church Street
Dubbo NSW 2830

Contact details

Mailing Address:

PO Box 81
Dubbo NSW 2830

Telephone: 02 6801 4000

Facsimile: 02 6801 4259

Opening hours:

9:00am - 5:00pm
Monday to Friday

Internet: www.dubbo.nsw.gov.au

Email: council@dubbo.nsw.gov.au

Officers

Chief Executive Officer

Murray Wood

Responsible Accounting Officer

Michael Howlett

Public Officer

Dean Frost

Auditors

Audit Office of New South Wales
GPO Box 12
Sydney NSW 2001

Elected members

Mayor

Stephen Lawrence

Councillors

Annemarie Jones OAM
Jane Diffey
Vicki Etheridge
David Grant
Dayne Gumley
Stephen Lawrence
Greg Mohr
Kevin Parker
John Ryan

Other information

ABN: 53 539 070 928



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Dubbo Regional Council

To the Councillors of the Dubbo Regional Council

Opinion

I have audited the accompanying financial statements of Dubbo Regional Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, 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 (including Independence Standards)' (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

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements 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 purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 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.

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. The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



Min Lee
Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY



Stephen Lawrence
Mayor
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Contact: Min Lee
Phone no: 02 9275 7151
Our ref: D2122572/1807

28 October 2021

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2021
Dubbo Regional Council**

I have audited the general purpose financial statements (GPFS) of the Dubbo Regional Council (the Council) for the year ended 30 June 2021 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 2021 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.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit observation during my audit of the Council's financial statements. This observation was addressed as part of my audit.





Information technology access controls

We identified the following deficiencies in Council's Information technology access controls:

- there is no formal review of user access rights to ensure access levels commensurate with job responsibilities
- activity (audit) logs of privileged account activity can be amended or deleted
- lack of evidence on monitoring of privileged user activity
- the password settings do not comply with current industry practice.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	66.8	64.6	 3.4
Grants and contributions revenue	70.3	54.9	 28.1
Operating result from continuing operations	37.1	24.7	 50.2
Net operating result before capital grants and contributions	(11.1)	(8.3)	 33.7

Rates and annual charges revenue of \$66.8 million increased by \$2.3 million (3.4 per cent) in 2020–21 due to \$548,000 increase in sewerage service, \$300,000 increase in domestic waste charges, rate peg of 2.6 per cent, subdivisions, land releases and re-zonings

Grants and contributions revenue of \$70.3 million increased by \$15.4 million (28.1 per cent) in 2020–21 due to:

- \$11.1 million increase in capital grants and contributions arising from capital grants for Drought Ground Infrastructure project and other specific grants
- \$3.1 million increase of non-cash developer contributions.

The Council's operating result from continuing operations of \$37.1 million (including depreciation and amortisation expense of \$45.5 million) was \$12.4 million higher than the 2019–20 result. This was mainly due to:

- increase in grants and contributions revenue by \$15.4 million as described above
- partly offset by decrease in user charges and fees by \$2.7 million in aerodrome revenue as a result of COVID-19 travel restrictions.

The net operating result before capital grants and contributions of (\$11.1 million) was \$2.8 million lower than the 2019–20 result.

STATEMENT OF CASH FLOWS

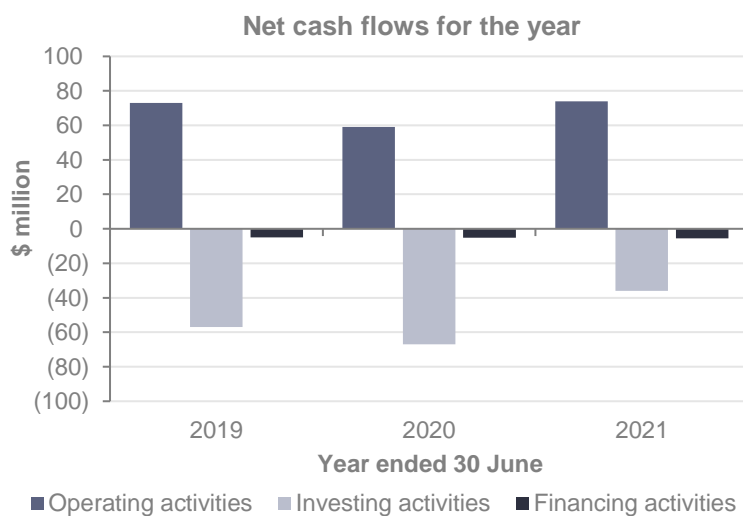
Cash balances have increased due:

- increased grants and contributions received
- maturity of investments that were not reinvested.

Operating cash inflows are higher than last year mainly due to an overall increase in the net cash flows from operating activities combined with a decrease in the net cash flows from investing activities during the year.

Cash outflows from financing activities remained steady compared to prior year.

The Statement of cash flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	66.5	34.0	<ul style="list-style-type: none"> • Externally restricted balances include cash reserves earmarked for specific purposes such as developer contributions, water and sewerage services. • Balances are internally restricted due to Council policy or decisions for forward plans including works program.
Restricted cash and investments:			
• External restrictions	160.2	157.0	
• Internal restrictions	62.4	61.0	

Debt

Total debt during 2020–21 amounted to \$51.7 million (2019–20: \$57.2 million). The decrease is mainly due to net payments made during the year.

PERFORMANCE

Performance measures

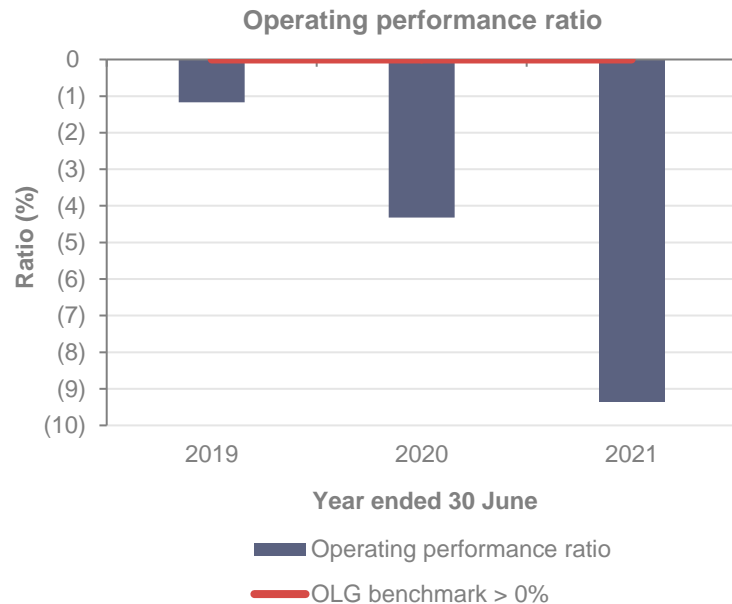
The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

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

The Council did not meet the OLG benchmark for the current reporting period.

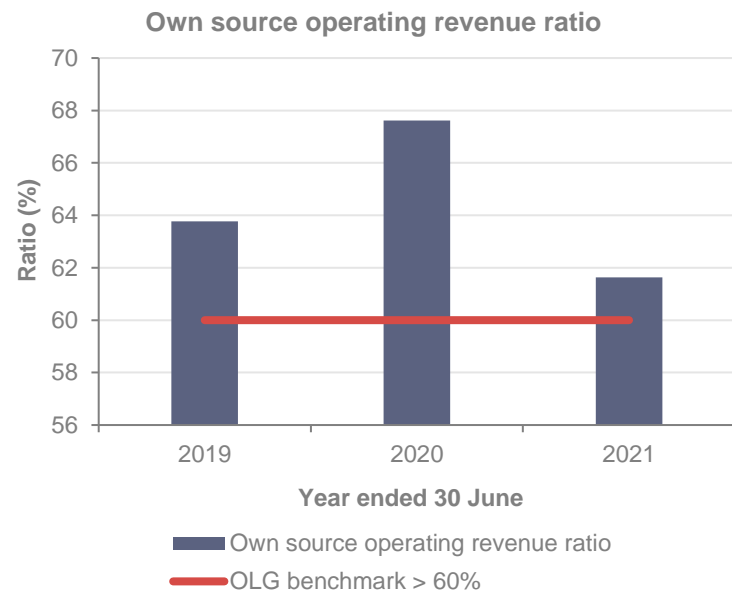
The decrease in ratio was mainly due to increase in depreciation expense and revenue reductions from the impacts of COVID-19.



Own source operating revenue ratio

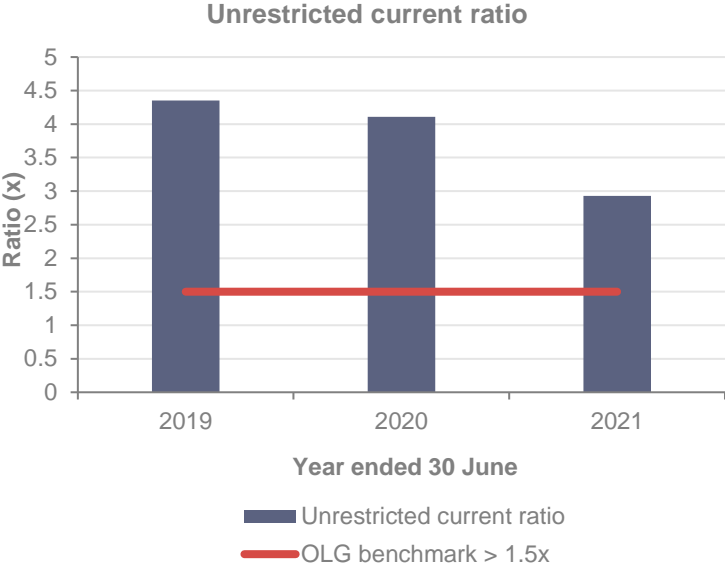
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.

The Council met the OLG benchmark for the current reporting period.



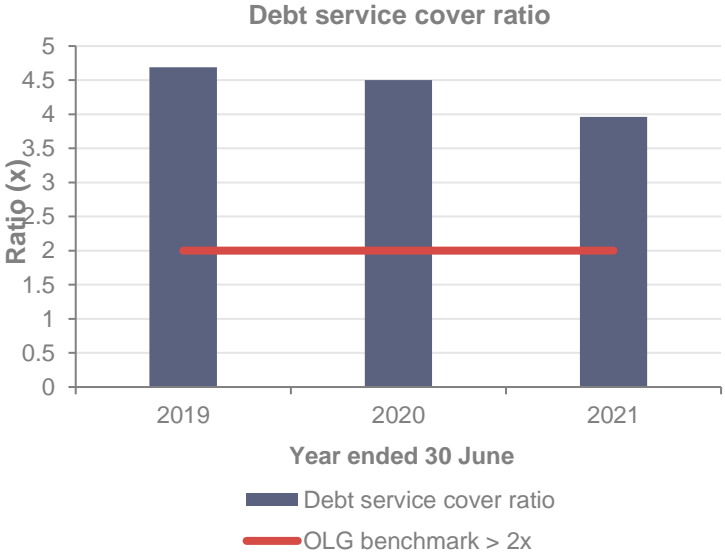
Unrestricted current ratio

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



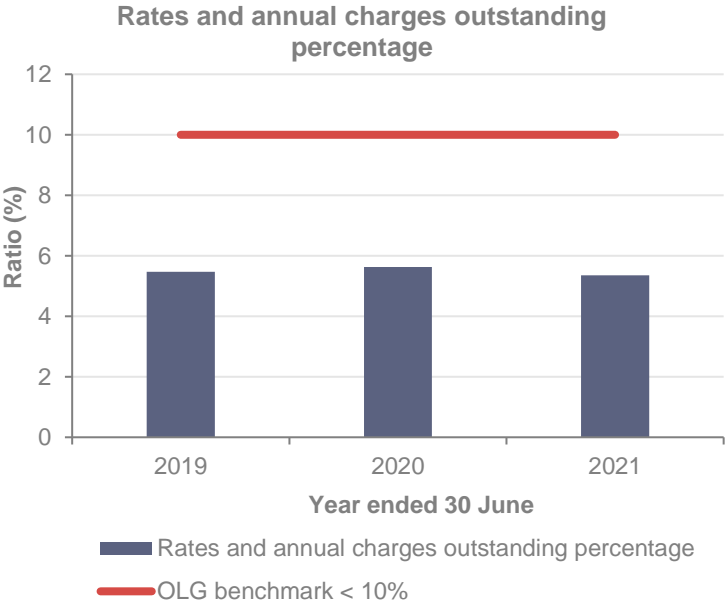
Debt service cover ratio

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



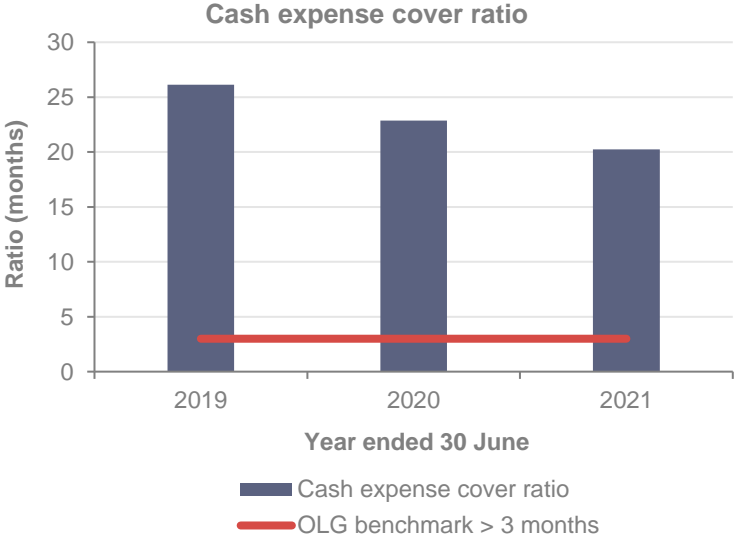
Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils. The Council met the OLG benchmark for the current reporting period.



Cash expense cover ratio

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



Infrastructure, property, plant and equipment renewals

The Council's asset renewal additions for the year were \$19.2 million compared to \$36.0 million in the previous year. The increase is primarily due to renewals on buildings, roads and other structures.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

AASB 1059 did not have a material impact on the Council upon its adoption and this was disclosed in Note A1-1.

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 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.



Min Lee
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Murray Wood, Chief Executive Officer
John Walkom, Chair of Audit and Risk Management Committee
Kiersten Fishburn, Secretary of the Department of Planning, Industry and Environment

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

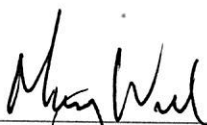
Signed in accordance with a resolution of Council made on 28 October 2021.



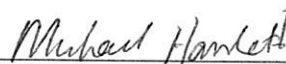
Stephen Lawrence
Mayor
28 October 2021



Anne Marie Jones
Deputy Mayor
28 October 2021



Murray Wood
Chief Executive Officer
28 October 2021



Michael Howlett
Responsible Accounting Officer
28 October 2021

Dubbo Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	8,022	7,770
User charges	13,340	13,231
Interest	678	976
Grants and contributions provided for non-capital purposes	6	–
Other income	57	56
Gain on Sale of Asset	27	–
Total income from continuing operations	22,130	22,033
Expenses from continuing operations		
Employee benefits and on-costs	5,974	6,109
Borrowing costs	1,449	1,515
Materials and services	7,975	8,184
Depreciation, amortisation and impairment	5,499	6,005
Loss on sale of assets	–	138
Calculated taxation equivalents	153	138
Total expenses from continuing operations	21,050	22,089
Surplus (deficit) from continuing operations before capital amounts	1,080	(56)
Grants and contributions provided for capital purposes	12,944	3,511
Surplus (deficit) from continuing operations after capital amounts	14,024	3,455
Surplus (deficit) from all operations before tax	14,024	3,455
Less: corporate taxation equivalent [based on result before capital]	(281)	–
Surplus (deficit) after tax	13,743	3,455
Plus accumulated surplus	233,932	230,339
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	153	138
– Corporate taxation equivalent	281	–
Closing accumulated surplus	248,109	233,932
Return on capital %	0.9%	0.6%
Subsidy from Council	1,666	866
Calculation of dividend payable:		
Surplus (deficit) after tax	13,743	3,455
Less: capital grants and contributions (excluding developer contributions)	(12,944)	(3,511)
Surplus for dividend calculation purposes	799	–
Potential dividend calculated from surplus	400	–

Dubbo Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	13,365	12,981
User charges	4,204	4,196
Liquid trade waste charges	22	22
Fees	296	400
Interest	785	1,057
Other income	53	60
Gain on Sale of Assets	13	–
Total income from continuing operations	18,738	18,716
Expenses from continuing operations		
Employee benefits and on-costs	4,443	4,255
Borrowing costs	739	833
Materials and services	3,443	3,155
Depreciation, amortisation and impairment	4,609	4,722
Loss on sale of assets	–	574
Calculated taxation equivalents	251	229
Total expenses from continuing operations	13,485	13,768
Surplus (deficit) from continuing operations before capital amounts	5,253	4,948
Grants and contributions provided for capital purposes	2,078	3,699
Surplus (deficit) from continuing operations after capital amounts	7,331	8,647
Surplus (deficit) from all operations before tax	7,331	8,647
Less: corporate taxation equivalent [based on result before capital]	(1,366)	(1,361)
Surplus (deficit) after tax	5,965	7,286
Plus accumulated surplus	254,495	245,619
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	251	229
– Corporate taxation equivalent	1,366	1,361
Closing accumulated surplus	262,077	254,495
Return on capital %	2.0%	2.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	5,965	7,286
Less: capital grants and contributions (excluding developer contributions)	(2,078)	(3,699)
Surplus for dividend calculation purposes	3,887	3,587
Potential dividend calculated from surplus	1,944	1,794

Dubbo Regional Council

Income Statement of Dubbo City Regional Airport

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	1,822	3,383
Grants and contributions provided for non-capital purposes	15	23
Other income	431	276
Total income from continuing operations	2,268	3,682
Expenses from continuing operations		
Employee benefits and on-costs	682	660
Borrowing costs	109	107
Materials and services	1,930	2,248
Depreciation, amortisation and impairment	1,497	1,522
Calculated taxation equivalents	132	123
Total expenses from continuing operations	4,350	4,660
Surplus (deficit) from continuing operations before capital amounts	(2,082)	(978)
Grants and contributions provided for capital purposes	705	8,209
Surplus (deficit) from continuing operations after capital amounts	(1,377)	7,231
Surplus (deficit) from all operations before tax	(1,377)	7,231
Surplus (deficit) after tax	(1,377)	7,231
Plus accumulated surplus	83,769	76,411
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	132	123
Closing accumulated surplus	82,524	83,769
Return on capital %	(2.7)%	(1.2)%
Subsidy from Council	3,059	1,508

Dubbo Regional Council

Income Statement of Livestock Markets

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	2,282	2,701
Other income	42	35
Total income from continuing operations	2,324	2,736
Expenses from continuing operations		
Employee benefits and on-costs	675	822
Materials and services	1,323	1,317
Depreciation, amortisation and impairment	1,285	1,345
Loss on sale of assets	-	3
Calculated taxation equivalents	30	7
Total expenses from continuing operations	3,313	3,494
Surplus (deficit) from continuing operations before capital amounts	(989)	(758)
Grants and contributions provided for capital purposes	386	556
Surplus (deficit) from continuing operations after capital amounts	(603)	(202)
Surplus (deficit) from all operations before tax	(603)	(202)
Surplus (deficit) after tax	(603)	(202)
Plus accumulated surplus	25,930	26,125
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	7
Closing accumulated surplus	25,357	25,930
Return on capital %	(3.3)%	(3.7)%
Subsidy from Council	1,434	941

Dubbo Regional Council

Income Statement of Property Development

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Interest	69	137
Profit from the sale of assets	5,379	203
Other income	11	3
Total income from continuing operations	5,459	343
Expenses from continuing operations		
Employee benefits and on-costs	192	148
Materials and services	410	136
Depreciation, amortisation and impairment	48	–
Calculated taxation equivalents	129	139
Total expenses from continuing operations	779	423
Surplus (deficit) from continuing operations before capital amounts	4,680	(80)
Surplus (deficit) from continuing operations after capital amounts	4,680	(80)
Surplus (deficit) from all operations before tax	4,680	(80)
Less: corporate taxation equivalent [based on result before capital]	(1,217)	–
Surplus (deficit) after tax	3,463	(80)
Plus accumulated surplus	14,151	14,092
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	129	139
– Corporate taxation equivalent	1,217	–
Closing accumulated surplus	18,960	14,151
Return on capital %	1,161.3%	(23.6)%
Subsidy from Council	–	82

Dubbo Regional Council

Income Statement of Rainbow Cottage

for the year ended 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
Income from continuing operations		
User charges	540	390
Grants and contributions provided for non-capital purposes	725	838
Total income from continuing operations	1,265	1,228
Expenses from continuing operations		
Employee benefits and on-costs	1,153	1,069
Materials and services	223	288
Depreciation, amortisation and impairment	100	89
Calculated taxation equivalents	10	7
Total expenses from continuing operations	1,486	1,453
Surplus (deficit) from continuing operations before capital amounts	(221)	(225)
Grants and contributions provided for capital purposes	–	8
Surplus (deficit) from continuing operations after capital amounts	(221)	(217)
Surplus (deficit) from all operations before tax	(221)	(217)
Surplus (deficit) after tax	(221)	(217)
Plus accumulated surplus	(80)	130
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	7
Closing accumulated surplus	(291)	(80)
Return on capital %	(17.7)%	(17.6)%
Subsidy from Council	240	236

Dubbo Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	13,308	18,648
Investments	22,573	24,033
Receivables	4,675	4,079
Inventories	153	166
Other	36	10
Total current assets	40,745	46,936
Non-current assets		
Investments	18,000	14,000
Infrastructure, property, plant and equipment	281,552	264,257
Other	44	44
Total non-current assets	299,596	278,301
Total assets	340,341	325,237
LIABILITIES		
Current liabilities		
Contract liabilities	2	34
Payables	419	523
Borrowings	1,264	1,089
Employee benefit provisions	1,311	1,256
Total current liabilities	2,996	2,902
Non-current liabilities		
Borrowings	21,238	22,606
Employee benefit provisions	67	75
Total non-current liabilities	21,305	22,681
Total liabilities	24,301	25,583
Net assets	316,040	299,654
EQUITY		
Accumulated surplus	248,109	233,932
Revaluation reserves	67,931	65,722
Total equity	316,040	299,654

Dubbo Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	10,848	15,324
Investments	9,500	31,460
Receivables	2,260	2,274
Total current assets	22,608	49,058
Non-current assets		
Investments	40,513	11,500
Infrastructure, property, plant and equipment	296,718	291,235
Total non-current assets	337,231	302,735
Total assets	359,839	351,793
LIABILITIES		
Current liabilities		
Contract liabilities	2	9
Payables	306	306
Borrowings	2,221	2,021
Total current liabilities	2,529	2,336
Non-current liabilities		
Borrowings	11,116	13,436
Total non-current liabilities	11,116	13,436
Total liabilities	13,645	15,772
Net assets	346,194	336,021
EQUITY		
Accumulated surplus	262,077	254,495
Revaluation reserves	84,117	81,526
Total equity	346,194	336,021

Dubbo Regional Council

Statement of Financial Position of Dubbo City Regional Airport

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	1
Investments	25,622	27,052
Receivables	32	911
Total current assets	25,654	27,964
Non-current assets		
Infrastructure, property, plant and equipment	72,895	72,377
Total non-current assets	72,895	72,377
Total assets	98,549	100,341
LIABILITIES		
Current liabilities		
Payables	161	29
Borrowings	1,795	1,443
Employee benefit provisions	231	210
Total current liabilities	2,187	1,682
Non-current liabilities		
Borrowings	2,623	4,418
Employee benefit provisions	9	6
Total non-current liabilities	2,632	4,424
Total liabilities	4,819	6,106
Net assets	93,730	94,235
EQUITY		
Accumulated surplus	82,524	83,769
Revaluation reserves	11,206	10,466
Total equity	93,730	94,235

Dubbo Regional Council

Statement of Financial Position of Livestock Markets

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Investments	5,976	5,576
Receivables	122	176
Total current assets	6,098	5,752
Non-current assets		
Infrastructure, property, plant and equipment	29,885	20,755
Total non-current assets	29,885	20,755
Total assets	35,983	26,507
LIABILITIES		
Current liabilities		
Payables	79	74
Employee benefit provisions	203	245
Total current liabilities	282	319
Non-current liabilities		
Employee benefit provisions	19	16
Total non-current liabilities	19	16
Total liabilities	301	335
Net assets	35,682	26,172
EQUITY		
Accumulated surplus	25,357	25,930
Revaluation reserves	10,325	242
Total equity	35,682	26,172

Dubbo Regional Council

Statement of Financial Position of Property Development

as at 30 June 2021

\$ '000	2021	2020
	Category 1	Category 1
ASSETS		
Current assets		
Investments	11,206	6,181
Receivables	14	–
Inventories	1,440	2,758
Total current assets	12,660	8,939
Non-current assets		
Inventories	5,909	4,880
Infrastructure, property, plant and equipment	403	339
Total non-current assets	6,312	5,219
Total assets	18,972	14,158
LIABILITIES		
Current liabilities		
Payables	12	7
Total current liabilities	12	7
Total liabilities	12	7
Net assets	18,960	14,151
EQUITY		
Accumulated surplus	18,960	14,151
Total equity	18,960	14,151

Dubbo Regional Council

Statement of Financial Position of Rainbow Cottage

as at 30 June 2021

\$ '000	2021 Category 2	2020 Category 2
ASSETS		
Current assets		
Receivables	16	4
Total current assets	16	4
Non-current assets		
Infrastructure, property, plant and equipment	1,249	1,276
Total non-current assets	1,249	1,276
Total assets	1,265	1,280
LIABILITIES		
Current liabilities		
Payables	52	36
Employee benefit provisions	244	228
Total current liabilities	296	264
Non-current liabilities		
Employee benefit provisions	14	11
Borrowings	490	343
Total non-current liabilities	504	354
Total liabilities	800	618
Net assets	465	662
EQUITY		
Accumulated surplus	(291)	(80)
Revaluation reserves	756	742
Total equity	465	662

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

In accordance with *Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

a. Water Supply Service

Comprising the whole of the water supply operations and net assets servicing the city of Dubbo, the town of Wellington and the villages of Wongarbron, Ballimore, Brocklehurst, Geurie, Mumbil and North Yeoval.

b. Sewerage Service

Comprising the whole of the sewerage reticulation and treatment operations and net assets system servicing the city of Dubbo, the town of Wellington and the villages of Wongarbron, Brocklehurst, Geurie and Mumbil.

c. Dubbo City Regional Airport

Comprising the whole of the airport operations and net assets located on Coreena Road.

d. Dubbo Regional Livestock Markets

Comprising the whole of the livestock markets operations and net assets located on Bootherba Road.

e. Property Development

Council's property development function competes with other private land developers in Dubbo in the development of both industrial and residential land for purchase.

NB. The surplus on disposal of land is disclosed in the Income Statement of the Business Activities as operating revenue. In the General Purpose Financial Statements this is disclosed as gain/(loss) on disposal of assets.

Category 2

(where gross operating turnover is less than \$2 million)

a. Rainbow Cottage Long Day Care Centre

Note – Significant Accounting Policies (continued)

Rainbow Cottage, located in Mitchell Street, provides day care for children aged between 0 and 5 years.

Several other long day care facilities operate within Dubbo, and Rainbow Cottage is in direct competition with these centres.

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **26%** (19/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

In accordance with the Department of Planning, Industry & Environment – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

Achievement of substantial compliance to the DPIE – Water guidelines is not a prerequisite for the payment of the tax equivalent charges; however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level – gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 26% (19/20 27.5%).

Income tax is only applied where a gain from ordinary activities before capital amounts has been achieved. Since the taxation equivalent is notional – that is, it is payable to the 'Council' as the owner of business operations – it represents an internal payment and has no effect on the operations of the Council.

Accordingly, there is no need for disclosure of internal charges in the SPFS. The rate applied of 26% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face 'true' commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

Note – Significant Accounting Policies (continued)

(ii) Return on investments (rate of return)

The NCP policy statement requires that councils with Category 1 businesses 'would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses, or to any external entities.

A local government water supply and sewerage business is permitted to pay annual dividends from their water supply or sewerage business surpluses. Each dividend must be calculated and approved in accordance with the DPIE – Water guidelines and must not exceed 50% of the relevant surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best Practice Management of Water Supply and Sewer Guidelines, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are submitted to DPIE – Water.



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Dubbo Regional Council

To the Councillors of the Dubbo Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Dubbo Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Dubbo City Regional Airport
- Livestock Markets
- Property Development
- Rainbow Cottage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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 (including Independence Standards)' (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 the 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.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements 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 general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in the Significant accounting policies note to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes 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.

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. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'Min Lee', with a stylized flourish at the end.

Min Lee

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY

Dubbo Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2021

"Great community, great council"



Dubbo Regional Council

Special Schedules

for the year ended 30 June 2021

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Dubbo Regional Council

Permissible income for general rates

\$ '000	Notes	2020/21 The former Dubbo City Council	2020/21 The former Wellington Council	2020/21 Dubbo Regional Council	2021/22 Dubbo Regional Council
Notional general income calculation ¹					
Last year notional general income yield	a	30,512	6,822	37,334	38,455
Plus or minus adjustments ²	b	221	8	229	436
Notional general income	c = a + b	30,733	6,830	37,563	38,891
Permissible income calculation					
Or rate peg percentage	e	2.60%	2.60%		2.00%
Or plus rate peg amount	i = e x (c + g)	799	178	977	778
Sub-total	k = (c + g + h + i + j)	31,532	7,008	38,540	39,669
Plus (or minus) last year's carry forward total	l	23	12	35	130
Sub-total	n = (l + m)	23	12	35	130
Total permissible income	o = k + n	31,555	7,020	38,575	39,799
Less notional general income yield	p	31,462	6,983	38,445	39,766
Catch-up or (excess) result	q = o - p	93	37	130	32
Carry forward to next year ⁶	t = q + r + s	93	37	130	32

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Other	1,800	1,800	3,177	3,177	145,158	239,381	42.5%	35.0%	18.8%	2.5%	1.3%
	Sub-total	1,800	1,800	3,177	3,177	145,158	239,381	42.5%	35.0%	18.8%	2.5%	1.3%
Roads	Other	6,200	6,200	6,617	6,617	1,298,393	1,641,944	81.3%	9.2%	8.6%	0.6%	0.3%
	Sub-total	6,200	6,200	6,617	6,617	1,298,393	1,641,944	81.3%	9.2%	8.6%	0.6%	0.3%
Water supply network	Other	8,900	8,900	1,377	1,377	244,888	373,618	35.7%	39.3%	17.4%	6.7%	0.8%
	Sub-total	8,900	8,900	1,377	1,377	244,888	373,618	35.7%	39.3%	17.4%	6.7%	0.8%
Sewerage network	Other	5,900	5,900	1,265	1,265	264,055	336,618	48.9%	32.2%	10.3%	8.4%	0.3%
	Sub-total	5,900	5,900	1,265	1,265	264,055	336,618	48.9%	32.2%	10.3%	8.4%	0.3%
Stormwater drainage	Other	2,500	2,500	408	408	132,799	178,154	41.1%	43.0%	8.2%	7.0%	0.6%
	Sub-total	2,500	2,500	408	408	132,799	178,154	41.1%	43.0%	8.2%	7.0%	0.6%
Open space / recreational assets	Swimming pools	2,200	2,200	152	152	11,878	14,387	41.7%	27.8%	16.7%	13.9%	0.0%
	Sub-total	2,200	2,200	152	152	11,878	14,387	41.7%	27.8%	16.7%	13.9%	0.0%
Total – all assets		27,500	27,500	12,996	12,996	2,209,389	2,784,102	65.2%	20.5%	10.9%	3.0%	0.5%

(a) Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	19,161	50.11%	98.27%	97.19%	>= 100.00%
Depreciation, amortisation and impairment	38,241				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	27,500	1.20%	1.21%	1.22%	< 2.00%
Net carrying amount of infrastructure assets	2,298,106				
Asset maintenance ratio					
Actual asset maintenance	12,996	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance	12,996				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	27,500	0.99%	0.98%	0.91%	
Gross replacement cost	2,784,102				

(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Dubbo Regional Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	<i>General fund</i>		<i>Water fund</i>		<i>Sewer fund</i>		<i>Benchmark</i>
	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	<i>2021</i>	<i>2020</i>	
Buildings and infrastructure renewals ratio							
Asset renewals ¹	66.61%	135.41%	0.00%	0.00%	0.00%	0.00%	>= 100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard	0.71%	1.01%	3.63%	1.06%	2.23%	2.68%	< 2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.61%	0.85%	2.38%	0.71%	1.75%	2.13%	
Gross replacement cost							

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Dubbo Regional Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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 Schedule' 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 (including Independence Standards)' (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 that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule 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 general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule 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 Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, 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.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to be 'Min Lee', written in a cursive style.

Min Lee

Delegate of the Auditor-General for New South Wales

28 October 2021
SYDNEY