

Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

"Great community, great council"



Dubbo Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on dd/mm/yy. Council has the power to amend and reissue these financial statements.
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Dubbo Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

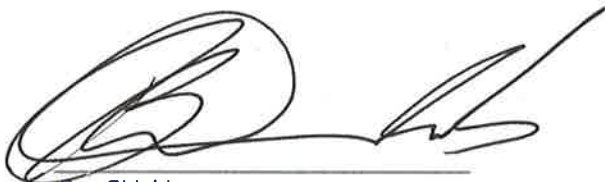
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

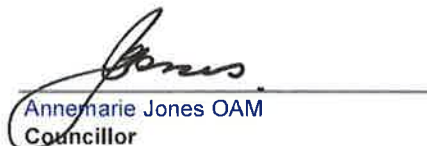
- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

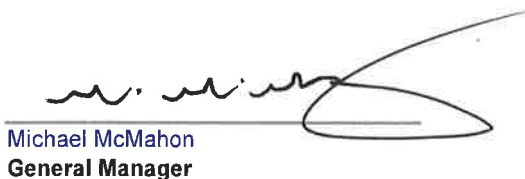
Signed in accordance with a resolution of Council made on 26 February 2018.



Ben Shields
Mayor



Annemarie Jones OAM
Councillor



Michael McMahon
General Manager



Jane Bassingthwaighte
Responsible accounting officer

Dubbo Regional Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	59,787
User charges and fees	3b	55,912
Interest and investment revenue	3c	6,291
Other revenues	3d	1,778
Grants and contributions provided for operating purposes	3e,f	37,994
Grants and contributions provided for capital purposes	3e,f	36,155
<i>Other income:</i>		
Net gains from the disposal of assets	5	3,696
Net share of interests in joint ventures and associates using the equity method	19	183
Total income from continuing operations		201,796
Expenses from continuing operations		
Employee benefits and on-costs	4a	43,183
Borrowing costs	4b	5,215
Materials and contracts	4c	38,940
Depreciation and amortisation	4d	35,131
Other expenses	4e	18,056
Total expenses from continuing operations		140,525
Operating result from continuing operations		61,271
Net operating result for the period		61,271
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	2,266,670
Net result for the period		2,327,941
Net operating result attributable to Council		2,327,941
Net operating result for the period before grants and contributions provided for capital purposes		25,116

Dubbo Regional Council

Statement of Comprehensive Income
for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		2,327,941
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	122,836
Total items which will not be reclassified subsequently to the operating result		122,836
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
Total other comprehensive income for the period		122,836
Total comprehensive income for the period		2,450,777
Total comprehensive income attributable to Council		2,450,777

Dubbo Regional Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	25,752
Investments	6b	45,138
Receivables	7	18,198
Inventories	8	1,876
Other	8	463
Total current assets		91,427
Non-current assets		
Investments	6b	117,235
Receivables	7	755
Inventories	8	1,993
Infrastructure, property, plant and equipment	9	2,335,646
Investments accounted for using the equity method	19	1,333
Other	8	495
Total non-current assets		2,457,457
TOTAL ASSETS		2,548,884
LIABILITIES		
Current liabilities		
Payables	10	7,688
Income received in advance	10	770
Borrowings	10	4,652
Provisions	10	15,047
Total current liabilities		28,157
Non-current liabilities		
Payables	10	1
Borrowings	10	67,356
Provisions	10	2,593
Total non-current liabilities		69,950
TOTAL LIABILITIES		98,107
Net assets		2,450,777
EQUITY		
Retained earnings	20	2,327,941
Revaluation reserves	20	122,836
Total equity		2,450,777

Dubbo Regional Council

Statement of Changes in Equity
for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Asset	Other			
\$ '000	Notes	Retained	revaluation	reserves	Council	Non-	Total
		earnings	reserve	(Refer 20b)	interest	controlling	equity
			(Refer 20b)	(Refer 20b)		interest	
Opening balance		–	–	–	–	–	–
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–
Revised opening balance		–	–	–	–	–	–
c. Net result for the year		2,327,941	–	–	2,327,941	–	2,327,941
d. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	122,836	–	122,836	–	122,836
Other comprehensive income		–	122,836	–	122,836	–	122,836
Total comprehensive income (c&d)		2,327,941	122,836	–	2,450,777	–	2,450,777
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–
Equity – balance at end of the reporting period		2,327,941	122,836	–	2,450,777	–	2,450,777

Dubbo Regional Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		66,266
User charges and fees		57,616
Investment and interest revenue received		6,163
Grants and contributions		66,592
Bonds, deposits and retention amounts received		305
Other		8,062
Payments:		
Employee benefits and on-costs		(42,612)
Materials and contracts		(47,744)
Borrowing costs		(5,707)
Other		(19,475)
Net cash provided (or used in) operating activities	11b	89,466
Cash flows from investing activities		
Receipts:		
Sale of investment securities		88,594
Sale of real estate assets		4,962
Sale of infrastructure, property, plant and equipment		2,562
Deferred debtors receipts		80
Payments:		
Purchase of investment securities		(122,268)
Purchase of infrastructure, property, plant and equipment		(52,872)
Purchase of real estate assets		(860)
Deferred debtors and advances made		(472)
Net cash provided (or used in) investing activities		(80,274)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(5,434)
Net cash flow provided (used in) financing activities		(5,434)
Net increase/(decrease) in cash and cash equivalents		3,758
Plus: cash transferred on amalgamation of councils	29	21,994
Cash and cash equivalents – end of the year	11a	25,752
Additional Information:		
plus: Investments on hand – end of year	6b	162,373
Total cash, cash equivalents and investments		188,125

Please refer to Note 11 for information on the following:

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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

(a) Basis of preparation

The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of two former councils:

- Dubbo City Council
- Wellington Council

to Dubbo Regional Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Dubbo Regional Council, being 13 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Dubbo City Council and Wellington Council have been recognised by the Dubbo Regional Council at the carrying amount recorded by the former council.

Dubbo Regional Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

These general purpose financial statements have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act 1993 (NSW) and Regulations, and

- the Local Government Code of Accounting Practice and Financial Reporting.

Council is deemed to be a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the reporting period beginning 12 May 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention except for:

- certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- the write down of any asset on the basis of impairment (if warranted), and
- certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(iv) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) Estimated fair values of Infrastructure, Property, Plant and Equipment,
- (ii) Estimated remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

Rates and Federal Assistance Grants (FAG) revenue to 30 June 2016 were recognised in the former Council's financial statements as per Australian Accounting Standards and directive from the Office of Local Government.

These statements recognise rates and FAGs revenue from 1 July 2016, but all other revenue and expenditure from 13 May 2016.

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below.

Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

A provision for impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue from contributions is recognised when the Council either obtains control of the contribution or the right to receive it, and (i) it is probable that the economic benefits comprising the contribution will flow to the Council and (ii) the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provision of s94 of the *EPA Act 1979*.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

developer contributions are only recognised as income upon their physical 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 the Council may apply contributions according to the priorities established in work schedules.

A detailed note relating to developer contributions can be found at Note 17.

(ii) User charges, fees and other income

User charges and fees are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs. Parking fines are only recognised on receipt of the fines from the Office of State Revenue, as it only at this time that Council has control over the revenue.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

(v) Rent

Rental income is accounted for on a straight-line basis over the lease term.

(vi) Other income

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

(c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The consolidated fund

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

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- General purpose operations
- Water service
- Sewerage service

(ii) 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.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Trust monies and property held by Council but not subject to the control of Council have been excluded from 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.

(iii) County councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint ventures

Joint ventures represent operational arrangements where the joint control parties have rights to the net assets of the arrangement.

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profit or loss are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the statement of financial position.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

(d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease. Council has no finance leases.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to

the income statement on a straight-line basis over the period of the lease.

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

(e) Cash and cash equivalents

For statement of cash flow presentation purposes, cash and cash equivalents includes:

- cash on hand;
- deposits held at call with financial institutions;
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value; and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position but are incorporated into cash and cash equivalents for presentation of the statement of cash flows.

(f) Investments and other financial assets

Classification

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available-for-sale financial assets.

Each classification depends on the purpose or intention for which the investments were acquired and at the time it was acquired.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if acquired principally for the purpose of selling in the short-term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or expected to be realised within 12 months of the reporting date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to the debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date or the term to maturity from the reporting date is less than 12 months.

Recognition and de-recognition

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

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transaction costs.

Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Subsequent measurement

Available-for-sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as 'fair value through profit or loss' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as 'available-for-sale' are recognised in equity in the available-for-sale investments revaluation reserve.

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

Investment Policy

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

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains an investment policy that complies with the Act and ensures that delegated staff exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(g) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised costs, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

(i) Inventories

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

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost, adjusted where applicable for any loss of service potential.

(ii) Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

(j) Infrastructure, property, plant and equipment (I,PP&E)

Council's non-current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of infrastructure, property, plant and equipment were stated at their fair value:

- Plant and equipment
(as approximated by depreciated historical cost)
- Operational land (external valuation)
- Community land (internal valuation)

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- Land improvements (as approximated by depreciated historical cost)
- Buildings – specialised/non-specialised (external/internal valuation)
- Other structures (external/internal valuation done in conjunction with valuation of buildings)
- Roads assets including roads, bridges and footpaths (internal valuation)
- Bulk earthworks (internal valuation)
- Stormwater drainage (internal valuation)
- Water and sewerage networks (internal valuation)
- Swimming pools (as approximated by depreciated historical cost/external valuation)
- Other open space/recreational assets (external valuation)
- Other infrastructure – airport runways and taxiways (as approximated by depreciated historical cost)
- Other assets (as approximated by depreciated historical cost)

Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than costs, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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 can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they occurred.

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount.

Full revaluations are undertaken for all assets on a five-year cycle.

As a consequence of the amalgamation of the former Wellington Council and Dubbo City Council, only

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

assets and liabilities were taken up by the new Council. This effectively eliminated any asset revaluation reserves held by the former councils.

Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

- Council land	100% Capitalised
- Open space	100% Capitalised
- Land under roads (purchases after 30/6/08)	100% Capitalised

Plant and equipment

Office furniture	> \$5,000
Office equipment	> \$5,000
Other plant and equipment	> \$5,000

Buildings and land improvements

Park furniture and equipment	> \$5,000
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Building

- Construction/extensions	> \$5,000
- Renovations	> \$5,000

Other structures

> \$5,000

Water and sewer assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater assets

Drains and culverts	> \$5,000
Other	> \$5,000

Transport assets

Road construction and reconstruction	> \$5,000
Reseal/re-sheet and major repairs:	> \$5,000

Bridge construction and reconstruction

> \$5,000

Other infrastructure assets

Swimming pools	> \$5,000
Other open space/recreational assets	> \$5,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's

cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's infrastructure, property, plant and equipment include:

Plant and equipment

- Office equipment	1 to 8 years
- Office furniture	1 to 10 years
- Computer equipment	1 to 8 years
- Vehicles	5 to 8 years
- Heavy plant/road making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats	10 to 20 years

Buildings

- Buildings: masonry	50 to 150 years
- Buildings: other	20 to 100 years

Stormwater Drainage

- Drains	80 to 200 years
- Culverts	50 to 120 years

Transportation assets

- Sealed roads: surface	21 to 24 years
- Sealed roads: structure	15 to 90 years
- Unsealed roads	10 to 34 years
- Bridge: concrete	100 years
- Bridge: other	80 years
- Road pavements	60 to 90 years
- Kerb	40 to 200 years
- Gutter and paths	40 to 200 years

Water and sewer assets

- Reservoirs	100 years
- Bores	30 years
- Reticulation pipes: PVC	70 years
- Reticulation pipes: other	25 to 70 years
- Pumps and telemetry	15 to 50 years

Other Infrastructure Assets

- Bulk Earthworks	Infinite
- Swimming pools	5 to 50 years
- Other open space/recreational	15 to 80 years

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(r) on asset impairment.

Disposal and derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's income statement in the year the asset is derecognised.

(k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either operational or community.

This classification of land is disclosed in Note 9(a).

(l) Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

(m) Intangible assets

Council has not classified any assets as intangible.

(n) 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.

Representations are currently being sought across state and local government to develop a consistent accounting treatment for Crown reserves across both tiers of government.

(o) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all fire fighting 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 fire fighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to incorporate the assets, their values and depreciation charges within these financial statements.

(p) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the 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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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 that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan. 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.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for close down, restoration and remediation 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 property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the income statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date.

These costs are charged to the income statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, 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.

Specific information about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the statement of financial position.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

(r) Impairment of assets

All Council's infrastructure, property plant & equipment is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

Where an asset is not held principally for cash-generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(s) Payables

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed.

(v) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(w) Employee benefits

(i) Short-term obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

(ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the statement of financial position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service.

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

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 has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The position is monitored annually.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme is recognised as an expense and disclosed as part of superannuation expenses at Note 4(a).

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee benefit on-costs

Council has recognised at period end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30 June 2017.

(x) Self-insurance

Council does not self-insure.

(y) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

(z) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Goods and services tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the statement of financial position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the statement of financial position.

Operating cash flows within the statement of cash flows are on a gross basis, i.e. they are inclusive of GST where applicable.

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for the current reporting period.

Council has not adopted any of these standards early.

(ab) Rounding of amounts

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Governance	200	4,565	(4,365)	–	–
Administration	21,085	7,184	13,901	21,018	591,058
Public order and safety	1,485	4,143	(2,658)	1,131	11,856
Health	169	332	(163)	–	–
Environment	13,240	11,850	1,390	122	194,295
Community services and education	5,914	5,602	312	2,139	882
Housing and community amenities	1,671	4,366	(2,695)	221	6,068
Water supplies	28,488	19,897	8,591	143	291,050
Sewerage services	22,626	16,213	6,413	206	321,942
Recreation and culture	6,003	22,064	(16,061)	813	40,326
Mining, manufacturing and construction	1,170	2,155	(985)	–	1,997
Transport and communication	32,692	32,963	(271)	9,658	1,047,479
Economic affairs	14,502	9,191	5,311	708	40,598
Total functions and activities	149,245	140,525	8,720	36,159	2,547,551
Share of gains/(losses) in associates and joint ventures (using the equity method)	183	–	183	–	1,333
General purpose income ¹	52,369	–	52,369	16,401	–
Operating result from continuing operations	201,797	140,525	61,272	52,560	2,548,884

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, 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

SEWERAGE SERVICES

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.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		18,842
Farmland		5,527
Mining		2
Business		8,121
Total ordinary rates		32,492
Special rates		
Sewerage services		1,461
Emergency services		140
Total special rates		1,601
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		6,425
Stormwater management services		36
Water supply services		5,701
Sewerage services		11,382
Drainage		1,491
Waste management services (non-domestic)		659
Total annual charges		25,694
TOTAL RATES AND ANNUAL CHARGES		59,787

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services		101
Water supply services		17,470
Sewerage services		4,804
Waste management services (non-domestic)		2,381
Total user charges		24,756
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation		95
Private works – section 67		76
Regulatory/ statutory fees		2,474
Registration fees		13
Section 149 certificates (EPA Act)		54
Section 603 certificates		20
Other		13
Total fees and charges – statutory/regulatory		2,745
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome		4,356
Caravan park		2,195
Cemeteries		466
Leaseback fees – Council vehicles		336
Multipurpose centre		24
Park rents		36
RMS (formerly RTA) charges (state roads not controlled by Council)		9,240
Swimming centres		81
Tourism		132
Water service connections		46
Caves entry fees		470
Aquatic leisure centre		330
Family day care		414
Fodder sales 'greengrove' effluent reuse property		148
Old Dubbo gaol		621
Private works		735
Public halls		1,618
Rainbow cottage long day care centre		727
Regional livestock markets		3,856
Sewer plan drafting fees		129
Showground		302
Sporting facilities		316
Other		1,833
Total fees and charges – other		28,411
TOTAL USER CHARGES AND FEES		55,912

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		236
– Interest earned on investments (interest and coupon payment income)		6,011
– Interest (other)		41
Fair value adjustments		
– Fair valuation movements in investments (at fair value or held for trading)		(48)
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided		51
TOTAL INTEREST AND INVESTMENT REVENUE		6,291
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		212
General Council cash and investments		3,264
Restricted investments/funds – external:		
Development contributions		
– Section 94		228
– Section 64		74
Water fund operations		883
Sewerage fund operations		1,630
Total interest and investment revenue recognised		6,291
(d) Other revenues		
Rental income – other council properties		600
Fines		234
Legal fees recovery – rates and charges (extra charges)		132
Commissions and agency fees		12
Insurance claim recoveries		296
Sales – general		9
Caves / caravan park kiosk – sales		133
OH&S training		9
Other revenues from local organisations		197
Evocities reimbursement of expenses		47
Other		109
TOTAL OTHER REVENUE		1,778

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	11,381	–
Financial assistance – local roads component	4,681	–
Pensioners' rates subsidies – general component	339	–
Total general purpose	16,401	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	143	–
– Sewerage	134	–
– Domestic waste management	122	–
Sewerage services	–	72
Bushfire and emergency services	656	475
Economic development	–	177
Employment and training programs	29	–
Flood restoration	2,598	–
Heritage and cultural	121	–
Library	251	–
Noxious weeds	84	–
Recreation and culture	–	441
Street lighting	221	–
Transport (roads to recovery)	4,374	–
Transport (other roads and bridges funding)	93	2,270
Local infrast. renewal scheme interest subsidy	–	583
Tourism	4	161
New Council Implementation Fund	5,000	–
Stronger Communities Fund	1,000	9,000
Livestock Markets	–	2,962
Community services	432	1,929
Family day care	1,707	–
Paid parental leave	83	–
Rainbow cottage long day care centre	547	–
Other	337	153
Total specific purpose	17,936	18,223
Total grants	34,337	18,223
Grant revenue is attributable to:		
– Commonwealth funding	19,140	–
– State funding	15,197	18,223
	34,337	18,223

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	13
S 94 – open space		–	1,040
S 94 – drainage		–	343
S 94 – roadworks		–	1,902
S 94A – fixed development consent levies		–	9
S 64 – water supply contributions		–	1,967
S 64 – sewerage service contributions		–	1,864
Voluntary planning agreements		–	67
Total developer contributions	17	–	7,205
Other contributions:			
RMS contributions (regional roads, block grant)		3,368	45
Oval sponsorship		47	–
Sporting facilities		–	22
Infrastructure contributions (non-cash)			
– water		–	766
– sewerage		–	394
– drainage		–	1,649
– roadworks		–	6,297
– land under roads		–	1,474
Evocities MTB sponsorship		14	–
Other		228	80
Total other contributions		3,657	10,727
Total contributions		3,657	17,932
TOTAL GRANTS AND CONTRIBUTIONS		37,994	36,155

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	17,279
Add: grants and contributions recognised in the current period but not yet spent:	19,824
Less: grants and contributions recognised in a previous reporting period now spent:	(3,718)
Net increase (decrease) in restricted assets during the period	16,106
Unexpended and held as restricted assets	33,385
Comprising:	
– Specific purpose unexpended grants	21,776
– Developer contributions	11,609
– Other contributions	–
	33,385

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		36,484
Employee termination costs		74
Travel expenses		419
Employee leave entitlements (ELE)		4,208
Superannuation		4,154
Workers' compensation insurance		1,155
Fringe benefit tax (FBT)		259
Payroll tax		392
Training costs (other than salaries and wages)		370
Other		282
Total employee costs		47,797
Less: capitalised costs		(4,614)
TOTAL EMPLOYEE COSTS EXPENSED		43,183
Number of 'full-time equivalent' employees (FTE) at year end		432
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		5,150
Total interest bearing liability costs expensed		5,150
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	65
Total other borrowing costs		65
TOTAL BORROWING COSTS EXPENSED		5,215

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		25,166
Contractor and consultancy costs		13,031
– Contractor and consultancy costs (internal audit BDO alliance)		65
Auditors remuneration ⁽¹⁾		179
Legal expenses:		
– Legal expenses: planning and development		8
– Legal expenses: debt recovery		126
– Legal expenses: other		69
Operating leases:		
– Operating lease rentals: minimum lease payment ⁽²⁾		296
TOTAL MATERIALS AND CONTRACTS		38,940
1. Auditor remuneration		
a. During the year, the following fees were incurred for services provided by the Auditor-General:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Auditor-General		104
Remuneration for audit and other assurance services		104
Total Auditor-General remuneration		104
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor		75
Remuneration for audit and other assurance services		75
Total Auditor remuneration		179
2. Operating lease payments are attributable to:		
Computers		296
		296

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		4,074
Office equipment		209
Furniture and fittings		226
Land improvements (depreciable)		378
Infrastructure:		
– Buildings – non-specialised		524
– Buildings – specialised		2,218
– Other structures		3,873
– Roads		12,009
– Airport runways		460
– Stormwater drainage		1,152
– Water supply network		4,543
– Sewerage network		5,952
– Swimming pools		118
– Other open space/recreational assets		151
Other assets		
– Heritage collections		1
– Library books		1
– Other		55
Asset reinstatement costs	9 & 26	154
Total gross depreciation and amortisation costs		36,098
Less: capitalised costs		(967)
Total depreciation and amortisation costs		35,131
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>35,131</u>

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		877
Bad and doubtful debts		11
Bank charges		34
Contributions/levies to other levels of government		
– Other contributions/levies		157
Committee fees		403
Committee expenses – other (excluding fees above)		64
Donations, contributions and assistance to other organisations (Section 356)		3,254
Electricity and heating		3,637
Insurance		2,161
Postage		214
Printing and stationery		480
Street lighting		1,225
Telephone and communications		649
Valuation fees		114
Vehicle registration		260
Water resource charge		371
Contributions to emergency services		1,036
Credit card merchant fees		36
Family day care – fee relief		1,499
Property rental		105
Subscription shires association		41
Other		1,428
<u>TOTAL OTHER EXPENSES</u>		<u>18,056</u>

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Plant and equipment		
Proceeds from disposal – plant and equipment		2,562
Less: carrying amount of plant and equipment assets sold/written off		(2,389)
Net gain/(loss) on disposal		173
Infrastructure		
Proceeds from disposal – infrastructure		–
Less: carrying amount of infrastructure assets sold/written off		(705)
Net gain/(loss) on disposal		(705)
Real estate assets held for sale		
Proceeds from disposal – real estate assets		4,962
Less: carrying amount of real estate assets sold/written off		(734)
Net gain/(loss) on disposal		4,228
Financial assets		
Proceeds from disposal/redemptions/maturities – financial assets		88,594
Less: carrying amount of financial assets sold/redeemed/matured		(88,594)
Net gain/(loss) on disposal		–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		3,696

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		24	–
Cash-equivalent assets ¹			
– Deposits at call		25,728	–
Total cash and cash equivalents		25,752	–
Investments (Note 6b)			
– Long term deposits		41,138	99,983
– NCD's, FRN's (with maturities > 3 months)		4,000	17,252
Total investments		45,138	117,235
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		70,890	117,235

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

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

Cash and cash equivalents

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

25,752	–
---------------	----------

Investments

a. 'Held to maturity'

Investments

45,138	117,235
45,138	117,235

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
Total cash, cash equivalents and investments	70,890	117,235
attributable to:		
External restrictions (refer below)	31,910	80,392
Internal restrictions (refer below)	35,154	36,843
Unrestricted	3,826	–
	70,890	117,235

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	---------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	8,314	7,460	(4,581)	11,193
Developer contributions – water fund	(A)	157	21	–	178
Developer contributions – sewer fund	(A)	212	26	–	238
Specific purpose unexpended grants	(B)	8,596	13,180	–	21,776
Water supplies	(C)	27,632	3,894	–	31,526
Sewerage services	(C)	39,804	1,135	–	40,939
Domestic waste management	(C)	5,788	–	(2,540)	3,248
Stormwater management	(C)	4,685	–	(1,481)	3,204
External restrictions – other		95,188	25,716	(8,602)	112,302
Total external restrictions		95,188	25,716	(8,602)	112,302

A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

C Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Fleet management services	11,556	–	(715)	10,841
Infrastructure replacement	650	–	(650)	–
Employees leave entitlement	1,478	2,873	–	4,351
Financial accounting services	1	–	–	1
Human resource services	191	184	–	375
Information management services	1,430	332	–	1,762
Governance and risk services	597	–	(43)	554
Civic administration building	1,295	6	–	1,301
Technical support services	556	270	–	826
Business support services (technical)	14	–	(8)	6
Depot services	741	260	–	1,001
Workers compensation	179	–	(179)	–
Wellington caves complex	36	7	–	43
Works services	137	400	–	537
Governance	89	340	–	429
Risk management – state roads	697	–	(697)	–
Residential development	408	–	(408)	–
Local governments elections	85	–	(85)	–
IT and office equipment	563	–	(563)	–
Federal financial assistance grant (advance recei	–	5,466	–	5,466
Federal local roads funding	370	–	(370)	–
Economic development	82	–	(82)	–
Sporting facilities	786	526	–	1,312
Parks and landcare business support services	72	32	–	104
Landcare services	44	299	–	343
Horticultural services	22	743	–	765
Human environment services	68	55	–	123
Western plains cultural centre	843	164	–	1,007
Cemeteries	282	342	–	624
Regional theatre & convention centre	588	–	(44)	544
Cultural services	8	63	–	71
Family day care	252	24	–	276
Rainbow cottage	311	–	(111)	200
Social services	283	–	(31)	252
Old Dubbo gaol	82	164	–	246
Library services	309	–	(145)	164
Recreation planning and programmes	89	121	–	210
Cemetery improvements	218	–	(218)	–
Asset management	5,116	–	(5,116)	–
Ranger services	15	–	–	15
City strategy	271	379	–	650
continued...				

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Building and development services	601	–	(3)	598
Environment and health services	30	–	–	30
Showground	53	19	–	72
City marketing & communications	194	–	(1)	193
Dubbo city holiday park	82	349	–	431
Property development	4,478	–	(1,830)	2,648
City development	142	47	–	189
Dubbo city regional airport	896	170	–	1,066
Livestock markets	4,089	–	(906)	3,183
Fire services	493	–	(11)	482
Other waste management services	2,248	1,514	–	3,762
Road network - rural roads	2,583	1,995	–	4,578
Emergency management	56	38	–	94
Road network - urban roads	901	4,530	–	5,431
Road network - state roads	152	1,160	–	1,312
Street lighting	346	115	–	461
Traffic management	50	76	–	126
Footpath & cycleways	216	351	–	567
Administration charge	1,394	–	(1,394)	–
Environmental sustainability services	15	–	–	15
Corporate development/strategic management	45	90	–	135
Animal shelter	293	170	–	463
Recreation services	121	–	(33)	88
Employee overheads	280	161	–	441
Stormwater	–	14	–	14
Rates & general revenue	–	8,555	–	8,555
Corporate overheads	–	2,286	–	2,286
Dubbo aquatic leisure centre	–	378	–	378
Other	355	–	(355)	–
Total internal restrictions	50,927	35,068	(13,998)	71,997
TOTAL RESTRICTIONS	146,115	60,784	(22,600)	184,299

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		1,851	–
Interest and extra charges		402	–
User charges and fees		10,687	–
Private works		10	–
Accrued revenues			
– Interest on investments		1,969	–
Deferred debtors		887	755
Government grants and subsidies		899	–
Net GST receivable		444	–
Due from other levels of government		158	–
Other debtors		937	–
Total		18,244	755
Less: provision for impairment			
User charges and fees		(46)	–
Total provision for impairment – receivables		(46)	–
<u>TOTAL NET RECEIVABLES</u>		<u>18,198</u>	<u>755</u>
Externally restricted receivables			
Water supply			
– Rates and availability charges		159	–
– Other		4,585	–
Sewerage services			
– Rates and availability charges		401	–
– Other		1,933	–
Total external restrictions		7,078	–
Unrestricted receivables		11,120	755
<u>TOTAL NET RECEIVABLES</u>		<u>18,198</u>	<u>755</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Real estate for resale (refer below)		719	1,993
Stores and materials		1,078	–
Trading stock		79	–
Total inventories at cost		1,876	1,993
<u>TOTAL INVENTORIES</u>		<u>1,876</u>	<u>1,993</u>
(b) Other assets			
Prepayments		463	–
Shares in unlisted companies – StateCover		–	495
<u>TOTAL OTHER ASSETS</u>		<u>463</u>	<u>495</u>
Externally restricted assets			
Water			
Stores and materials		223	–
Other		–	44
Prepayments		5	–
Total water		228	44
Total externally restricted assets		228	44
Total internally restricted assets		–	–
Total unrestricted assets		2,111	2,444
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>		<u>2,339</u>	<u>2,488</u>

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Current	Non-current
(i) Other disclosures		
(a) Details for real estate development		
Residential	596	1,271
Industrial/commercial	123	722
Total real estate for resale	719	1,993
Represented by:		
Acquisition costs	–	119
Development costs	719	1,874
Total real estate for resale	719	1,993
Movements:		
Real estate assets at beginning of the year (former Councils)	622	1,971
– Purchases and other costs	829	31
– Transfers in from (out to) Note 9	–	(7)
– WDV of sales (expense)	(734)	–
– Transfer between current/non-current	2	(2)
Total real estate for resale	719	1,993

(b) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Remeasurement adjustment (via P/L)	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	7,388	–	7,388	6,768	14,811	–	–	(2,050)	–	–	–	–	26,917	–	26,917
Plant and equipment	49,018	24,402	24,616	2,074	6,195	(2,386)	(4,074)	–	–	–	–	–	50,387	23,962	26,425
Office equipment	2,240	1,570	670	39	810	–	(209)	–	–	–	–	–	3,084	1,774	1,310
Furniture and fittings	3,334	2,246	1,088	318	227	(3)	(226)	–	(9)	–	–	–	3,866	2,471	1,395
Land:															
– Operational land	31,434	–	31,434	438	386	–	–	–	–	–	–	–	32,258	–	32,258
– Community land	35,841	–	35,841	–	–	(1)	–	–	–	–	–	–	35,840	–	35,840
– Land under roads (post 30/6/08)	7,715	–	7,715	1,474	–	–	–	–	–	7	–	–	9,196	–	9,196
Land improvements – non-depreciable	1,801	–	1,801	–	–	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	8,119	4,497	3,622	139	38	–	(378)	–	–	–	–	–	8,296	4,875	3,421
Infrastructure:															
– Buildings – non-specialised	47,688	31,665	16,023	134	–	–	(524)	–	–	–	–	–	47,822	32,189	15,633
– Buildings – specialised	130,394	65,118	65,276	1,340	1,469	(85)	(2,218)	1	9	–	–	–	132,729	66,937	65,792
– Other structures	102,949	49,224	53,725	813	6,565	(181)	(3,873)	–	–	–	–	–	109,723	52,674	57,049
– Roads	1,264,217	260,572	1,003,645	6,275	6,632	(223)	(12,009)	655	–	–	–	–	1,277,514	272,539	1,004,975
– Airport runways/taxiways	32,129	16,344	15,785	614	–	–	(460)	–	–	–	–	–	32,743	16,804	15,939
– Bulk earthworks (non-depreciable)	343,553	–	343,553	656	–	(10)	–	–	–	–	–	–	344,199	–	344,199
– Stormwater drainage	217,618	29,385	188,233	772	985	–	(1,152)	53	–	–	–	–	219,427	30,536	188,891
– Water supply network	257,161	73,324	183,837	1,112	774	(83)	(4,543)	322	–	–	53,415	–	336,801	101,967	234,834
– Sewerage network	291,139	97,027	194,112	1,910	242	(122)	(5,952)	985	–	–	69,421	–	312,092	51,496	260,596
– Swimming pools	6,843	3,959	2,884	121	–	–	(118)	–	–	–	–	–	6,964	4,077	2,887
– Other open space/recreational assets	5,714	3,605	2,109	426	–	–	(151)	34	–	–	–	–	6,174	3,756	2,418
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:															
– Heritage collections	33	4	29	–	–	–	(1)	–	–	–	–	–	33	5	28
– Library books	13	12	1	–	–	–	(1)	–	–	–	–	–	13	13	–
– Other	2,395	1,102	1,293	–	–	–	(55)	–	–	–	–	–	2,395	1,157	1,238
Reinstatement, rehabilitation and restoration assets (refer Note 26):															
– Tip restoration assets	1,123	605	518	–	–	–	(139)	–	–	(10)	–	–	1,044	675	369
– Quarry restoration assets	524	143	381	–	–	–	(15)	–	–	(128)	–	–	465	227	238
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,852,380	664,804	2,187,576	25,423	39,134	(3,094)	(36,098)	–	–	(138)	7	122,836	3,003,780	668,134	2,335,646

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

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

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual		
	2017		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	12,555	–	12,555
Plant and equipment	2,173	955	1,218
Office equipment	41	41	–
Furniture and fittings	20	17	3
Land			
– Operational land	1,614	–	1,614
– Community land	39	–	39
Buildings	8,825	2,430	6,395
Other structures	716	173	543
Infrastructure	327,379	99,505	227,874
Roads	3,447	528	2,919
Bulk earthworks	746	–	746
Other assets	425	1	424
Total water supply	357,980	103,650	254,330
Sewerage services			
WIP	6,809	–	6,809
Plant and equipment	1,960	937	1,023
Office equipment	99	66	33
Furniture and fittings	13	7	6
Land			
– Operational land	6,183	–	6,183
– Community land	149	–	149
Buildings	5,901	2,387	3,514
Other structures	590	399	191
Infrastructure	305,953	48,977	256,976
Roads	3,695	979	2,716
Bulk earthworks	830	–	830
Total sewerage services	332,182	53,752	278,430
Domestic waste management			
Plant and equipment	1,710	992	718
Land			
– Operational land	150	–	150
– Community land	35	–	35
– Improvements – depreciable	88	53	35
Buildings	484	74	410
Other structures	291	286	5
Roads	20	8	12
Bulk earthworks	49	–	49
Other assets	98	26	72
Total DWM	2,925	1,439	1,486
Stormwater drainage			
WIP	880	–	880
Plant and equipment	31	25	6
Land			
– Operational land	720	–	720
– Community land	31	–	31
Infrastructure	219,091	30,457	188,634
Bulk earthworks	2,405	–	2,405
Total other restrictions	223,158	30,482	192,676
TOTAL RESTRICTED I,PP&E	916,245	189,323	726,922

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		4,566	–
Accrued expenses:			
– Borrowings		625	–
– Salaries and wages		1,032	–
Security bonds, deposits and retentions		1,465	–
Other		–	1
Total payables		7,688	1
Income received in advance			
Payments received in advance		770	–
Total income received in advance		770	–
Borrowings			
Loans – secured ¹		4,652	67,356
Total borrowings		4,652	67,356
Provisions			
Employee benefits:			
Annual leave		3,937	–
Sick leave		1,303	–
Long service leave		9,751	476
Other leave		56	–
Sub-total – aggregate employee benefits		15,047	476
Asset remediation/restoration (future works)	26	–	2,117
Total provisions		15,047	2,593
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		28,157	69,950

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 15.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

(i) Liabilities relating to restricted assets

	2017	
	Current	Non-current
Externally restricted assets		
Water	2,782	25,967
Sewer	2,321	19,434
Drainage	238	3,536
Liabilities relating to externally restricted assets	<u>5,341</u>	<u>48,937</u>
Internally restricted assets		
Nil		
Total liabilities relating to restricted assets	5,341	48,937
Total liabilities relating to unrestricted assets	<u>22,816</u>	<u>21,013</u>
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	<u><u>28,157</u></u>	<u><u>69,950</u></u>

(ii) Current liabilities not anticipated to be settled within the next twelve months

	Actual 2017
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.	
Provisions – employees benefits	<u>8,434</u>
	<u>8,434</u>

Note 10b. Description of and movements in provisions

Class of provision	2016 Opening balance (former Councils)	13/5/16 to 30/6/17				Closing balance as at 30/6/17
		Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	2,206	(154)	–	65	–	2,117

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	25,752
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		25,752
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		61,271
Adjust for non-cash items:		
Depreciation and amortisation		35,131
Net losses/(gains) on disposal of assets		(3,696)
Non-cash capital grants and contributions		(10,580)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Investments classified as 'at fair value' or 'held for trading'		48
Amortisation of premiums, discounts and prior period fair valuations		
– Interest on all fair value adjusted interest free advances made by Council		(51)
Unwinding of discount rates on reinstatement provisions		(89)
Share of net (profits) or losses of associates/joint ventures		(183)
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		7,570
Increase/(decrease) in provision for doubtful debts		(187)
Decrease/(increase) in inventories		23
Decrease/(increase) in other assets		351
Increase/(decrease) in payables		(827)
Increase/(decrease) in accrued interest payable		(403)
Increase/(decrease) in other accrued expenses payable		476
Increase/(decrease) in other liabilities		294
Increase/(decrease) in employee leave entitlements		318
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		89,466

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Infrastructure contributions		10,580
Total non-cash investing and financing activities		10,580
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ⁽¹⁾		200
Credit cards/purchase cards		435
Total financing arrangements		635
Amounts utilised as at balance date:		
– Credit cards/purchase cards		38
Total financing arrangements utilised		38

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(e) Bank guarantees

No bank guarantees have been provided by Council to external third parties.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Road Infrastructure		5,187
Other structures		3,667
Water infrastructure		413
Sewer infrastructure		2,797
Total commitments		12,064
These expenditures are payable as follows:		
Within the next year		9,532
Later than one year and not later than 5 years		2,532
Total payable		12,064
Sources for funding of capital commitments:		
Unrestricted general funds		8,854
Externally restricted reserves		3,210
Total sources of funding		12,064

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year		101
Later than one year and not later than 5 years		83
Total non-cancellable operating lease commitments		184

b. Non-cancellable operating leases include the following assets:

- Computer equipment

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	21,285	13.15%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	161,810		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	123,816	62.54%	>60.00%
Total continuing operating revenue ⁽¹⁾	197,965		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	52,211	3.63x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	14,382		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	61,631	5.79x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	10,649		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	2,253	3.27%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	68,960		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	166,873	16.55 mths	> 3 mths
Payments from cash flow of operating and financing activities	10,081		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	10.43%	22.04%	17.66%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	53.55%	89.37%	87.26%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	3.63x	7.55x	6.58x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	5.35x	6.14x	7.43x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	3.49%	2.08%	3.15%	< 5%
Rates, annual and extra charges collectible				Metro <10% Rural
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	19.53	4.96	5.51	> 3 mths
Payments from cash flow of operating and financing activities	mths	mths	mths	

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

Dubbo Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 1% movement in interest rates	1,880	1,880	(1,880)	(1,880)

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	57%	74%
Overdue	43%	26%
	<u>100%</u>	<u>100%</u>

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Current	Current	1,072	12,750
< 1 year overdue	0 – 30 days overdue	779	3,319
1 – 2 years overdue	31 – 60 days overdue	–	337
2 – 5 years overdue	61 – 90 days overdue	–	36
> 5 years overdue	> 91 days overdue	–	706
		<u>1,851</u>	<u>17,148</u>

(iii) Movement in provision for impairment of receivables

	2017
Balance at the beginning of the year (former Councils)	233
– amounts already provided for and written off this year	15
– previous impairment losses reversed	(202)
Balance at the end of the year	<u>46</u>

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	1,465	6,224	-	-	-	-	-	7,689	7,689
Loans and advances	-	9,017	8,960	8,960	8,960	8,960	63,269	108,126	72,008
Total financial liabilities	1,465	15,241	8,960	8,960	8,960	8,960	63,269	115,815	79,697

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

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	7,689	0.00%
Loans and advances – fixed interest rate	72,008	4.50%
	<u>79,697</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not applicable for "new Councils".

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,352	344	–	33	(88)	–	1,641	–
Roads	5,633	1,895	–	153	(200)	–	7,481	–
Parking	85	6	–	2	–	–	93	–
Open space	945	1,040	–	30	(434)	–	1,581	–
Voluntary planning agreements	25	67	–	–	–	–	92	–
S94 contributions – under a plan	8,040	3,352	–	218	(722)	–	10,888	–
S94A levies – under a plan	21	9	–	1	–	–	31	–
Total S94 revenue under plans	8,061	3,361	–	219	(722)	–	10,919	–
S94 not under plans	252	13	–	9	–	–	274	–
S64 contributions	370	3,831	–	74	(3,859)	–	416	–
Total contributions	8,683	7,205	–	302	(4,581)	–	11,609	–

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Dubbo)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	1,352	344	–	33	(88)	–	1,641	–
Roads	5,633	1,895	–	153	(200)	–	7,481	–
Parking	85	6	–	2	–	–	93	–
Open space	945	1,040	–	30	(434)	–	1,581	–
Voluntary planning agreements	25	67	–	–	–	–	92	–
Total	8,040	3,352	–	218	(722)	–	10,888	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Public order and safety	4	1	–	–	–	–	5	–
Community services and education	4	1	–	–	–	–	5	–
Household and community amenities	4	1	–	–	–	–	5	–
Recreation and culture	3	2	–	1	–	–	6	–
Transport and communication	2	2	–	–	–	–	4	–
Economic affairs	4	2	–	–	–	–	6	–
Total	21	9	–	1	–	–	31	–

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former Wellington)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	62	10	–	3	–	–	75	–
Roads	114	–	–	4	–	–	118	–
Open space	34	–	–	1	–	–	35	–
Community facilities	9	1	–	–	–	–	10	–
Emergency services	33	2	–	1	–	–	36	–
Total	252	13	–	9	–	–	274	–

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) 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:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(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.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income Actual 13/5/16 to 30/6/17	Council's share of net assets Actual 2017
Joint ventures	183	1,333
Total	183	1,333

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017
Macquarie Regional Library	Joint Venture	Equity	1,333
Total carrying amounts – material joint ventures and associates			1,333

(b) Details

Name of entity	Principal activity	Place of business
Macquarie Regional Library	Public library services	Branches in Dubbo, Narromine and Warrumbungle Council areas

(c) Relevant interests and fair values

Name of entity	Quoted fair value 2017	Interest in outputs 2017	Interest in ownership 2017	Proportion of voting power 2017
Macquarie Regional Library	n/a	69%	73%	33%

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(d) Summarised financial information for joint ventures and associatesMacquarie
Regional
Library

2017

Statement of financial position**Current assets**

Cash and cash equivalents

1,653

Other current assets

85

Non-current assets**991****Current liabilities**

Other current liabilities

871

Non-current liabilities**29****Net assets****1,829****Reconciliation of the carrying amount**

Opening net assets (former Councils)

1,562

Profit/(loss) for the period

267

Closing net assets**1,829****Council's share of net assets (%)****72.9%****Council's share of net assets (\$)****1,333****Statement of comprehensive income**

Income

2,921

Interest income

37

Depreciation and amortisation

(313)

Other expenses

(2,378)

Profit/(loss) from continuing operations**267****Total comprehensive income****267****Share of income – Council (%)****68.5%****Profit/(loss) – Council (\$)****183****Total comprehensive income – Council (\$)****183****(c) Joint operations**

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
a. Net result for the year		2,327,941
Balance at end of the reporting period		<u>2,327,941</u>
(b) Revaluation reserves		
(i) Reserves are represented by:		
– Infrastructure, property, plant and equipment revaluation reserve		122,836
Total		<u>122,836</u>
(ii) Reconciliation of movements in reserves:		
Infrastructure, property, plant and equipment revaluation reserve		
– Revaluations for the year	9(a)	122,836
– Balance at end of year		<u>122,836</u>
TOTAL VALUE OF RESERVES		<u>122,836</u>
(iii) Nature and purpose of reserves		
Infrastructure, property, plant and equipment revaluation reserve		
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.		
(c) Correction of error/s relating to a previous reporting period		
Council made no correction of errors during the current reporting period.		
(d) Voluntary changes in accounting policies		
Council made no voluntary changes in any accounting policies during the year.		
(e) Changes in accounting estimates		
Council made no changes in accounting estimates during the year.		

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	7,654	12,729	39,404
User charges and fees	16,816	5,213	33,883
Interest and investment revenue	909	1,678	3,704
Other revenues	81	66	1,631
Grants and contributions provided for operating purposes	170	141	37,683
Grants and contributions provided for capital purposes	2,858	2,733	30,564
Other income			
Net gains from disposal of assets	–	65	3,786
Share of interests in joint ventures and associates using the equity method	–	–	183
Total income from continuing operations	28,488	22,625	150,838
Expenses from continuing operations			
Employee benefits and on-costs	4,770	3,808	34,605
Borrowing costs	1,916	1,252	2,047
Materials and contracts	5,068	3,302	30,570
Depreciation and amortisation	5,002	6,144	23,985
Other expenses	3,101	1,594	13,361
Net losses from the disposal of assets	41	114	–
Total expenses from continuing operations	19,898	16,214	104,568
Operating result from continuing operations	8,590	6,411	46,270
Net operating result for the year	8,590	6,411	46,270
<u>Gain on local government amalgamation</u>			
Assets and liabilities transferred from former councils	200,296	224,354	1,842,020
Net result for the year	208,886	230,765	1,888,290
Net operating result for the year before grants and contributions provided for capital purposes	5,732	3,678	15,706

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Dubbo Regional Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	6,204	4,677	14,871
Investments	10,000	8,500	26,638
Receivables	4,744	2,334	11,120
Inventories	223	–	1,653
Other	5	–	458
Total current assets	21,176	15,511	54,740
Non-current assets			
Investments	15,500	28,000	73,735
Receivables	–	–	755
Inventories	–	–	1,993
Infrastructure, property, plant and equipment	254,330	278,430	1,802,886
Investments accounted for using the equity method	–	–	1,333
Other	44	–	451
Total non-current assets	269,874	306,430	1,881,153
TOTAL ASSETS	291,050	321,941	1,935,893
LIABILITIES			
Current liabilities			
Payables	805	359	6,524
Income received in advance	–	–	770
Borrowings	1,012	1,849	1,791
Provisions	965	113	13,969
Total current liabilities	2,782	2,321	23,054
Non-current liabilities			
Payables	–	–	1
Borrowings	25,934	19,429	21,993
Provisions	33	5	2,555
Total non-current liabilities	25,967	19,434	24,549
TOTAL LIABILITIES	28,749	21,755	47,603
Net assets	262,301	300,186	1,888,290
EQUITY			
Retained earnings	208,886	230,765	1,888,290
Revaluation reserves	53,415	69,421	–
Total equity	262,301	300,186	1,888,290

¹ General Fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Dubbo Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 27/02/2018.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision 2017
Quarries	2015 to 2055	821
Tips	2018 to 2023	<u>1,296</u>
Balance at end of the reporting period	^{10(a)}	<u><u>2,117</u></u>

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for year:

Balance at beginning of year (former Councils)	2,206
Effect of a change in discount rates used in PV calculations	(154)
Amortisation of discount (expensed to borrowing costs)	<u>65</u>
Total – reinstatement, rehabilitation and restoration provision	<u><u>2,117</u></u>

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

13/5/16 to 30/6/17	Date of latest	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in	Level 2 Significant observable	Level 3 Significant unobservable	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/17	–	–	26,917	26,917
Plant and equipment	30/06/14	–	26,425	–	26,425
Office equipment	30/06/14	–	1,310	–	1,310
Furniture and fittings	30/06/14	–	1,395	–	1,395
Operational land	30/06/13	–	32,258	–	32,258
Community land	30/06/11	–	–	35,840	35,840
Land under roads (post 30/06/2008)	At cost	–	–	9,196	9,196
Land improvements - non-depreciable	30/06/10	–	–	1,801	1,801
Land improvement - depreciable	30/06/08	–	–	3,421	3,421
Buildings - non-specialised	30/06/13	–	–	15,633	15,633
Buildings - specialised	30/06/13	–	–	65,792	65,792
Other structures	30/06/13	–	–	57,049	57,049
Roads	30/06/15	–	–	1,004,975	1,004,975
Airport runways/taxiways	30/06/15	–	–	15,939	15,939
Bulk earthworks	30/06/15	–	–	344,199	344,199
Stormwater drainage	30/06/15	–	–	188,891	188,891
Water supply network	30/06/17	–	–	234,834	234,834
Sewerage network	30/06/17	–	–	260,596	260,596
Swimming pools	12/05/16	–	–	2,887	2,887
Other open space/recreational assets	12/05/16	–	–	2,418	2,418
Quarry assets	30/06/14	–	1,997	–	1,997
Heritage collections	30/06/07	–	–	28	28
Other assets	30/06/07	–	–	1,238	1,238
Tip restoration assets	30/06/13	–	–	369	369
Quarry restoration assets	30/06/13	–	–	238	238
Total infrastructure, property, plant and equipment		–	63,385	2,272,261	2,335,646

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

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

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

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 9 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.

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 2 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.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Level 3 inputs

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. 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 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.

Buildings - specialised and non-specialised and other structures (including swimming pools and open space/recreational assets)

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.

Infrastructure roads, bridges and footpaths

Valuation of roads was undertaken by both an external valuer and 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.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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 an external valuer and 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 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 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.

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3)

a. The following tables present the changes in level 3 fair value asset classes.

	Capital works in progress	Community land	Land under roads	Land improvements non depreciable	Land improvements depreciable	Buildings non specialised	Buildings specialised	Other structures	Sub -Total
Balance on transfer from former Councils	7,388	35,841	7,715	1,801	3,622	16,023	65,276	53,725	191,391
Transfers from/(to) another asset class	(2,050)	–	7	–	–	–	10	–	(2,033)
Purchases (GBV)	21,579	–	1,474	–	177	134	2,809	7,378	33,551
Disposals (WDV)	–	(1)	–	–	–	–	(85)	(181)	(267)
Depreciation and impairment	–	–	–	–	(378)	(524)	(2,218)	(3,873)	(6,993)
Closing balance – 30/6/17	26,917	35,840	9,196	1,801	3,421	15,633	65,792	57,049	215,649

	Roads	Airport runways taxiways	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Other open space recreational	Sub-Total
Balance on transfer from former Councils	1,003,645	15,785	343,553	188,233	183,837	194,112	2,884	2,109	1,934,158
Transfers from/(to) another asset class	655	–	–	53	322	985	–	34	2,049
Purchases (GBV)	12,907	614	656	1,757	1,886	2,152	121	426	20,519
Disposals (WDV)	(223)	–	(10)	–	(83)	(122)	–	–	(438)
Depreciation and impairment	(12,009)	(460)	–	(1,152)	(4,543)	(5,952)	(118)	(151)	(24,385)
FV gains – other comprehensive income	–	–	–	–	53,415	69,421	–	–	122,836
Closing balance – 30/6/17	1,004,975	15,939	344,199	188,891	234,834	260,596	2,887	2,418	2,054,739

Dubbo Regional Council

Notes to the Financial Statements
for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) continued

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Heritage collections	Library books	Other assets	Tip restoration assets	Quarry restoration assets	Total
Balance on transfer from former Councils	29	1	1,293	518	381	2,127,771
Transfers from/(to) another asset class	–	–	–	–	–	16
Purchases (GBV)	–	–	–	–	–	54,070
Disposals (WDV)	–	–	–	–	–	(705)
Depreciation and impairment	(1)	(1)	(55)	(139)	(15)	(31,589)
FV gains – other comprehensive income	–	–	–	–	–	122,836
Remeasurement - Income Statement	–	–	–	(10)	(128)	(138)
Closing balance – 30/6/17	28	–	1,238	369	238	2,272,261

(5). Highest and best use

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

Note 28. Related party disclosures

In accordance with the Supplementary Code 25, this note is not applicable for "new Councils".

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000

Notes

The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Wellington Council and Dubbo City Council to Dubbo Regional Council as at 12 May 2016.

**Actual
13/5/16
to 30/6/17**

Gain on local government amalgamation

Assets and liabilities transferred from former councils	a	<u>2,266,670</u>
		<u>2,266,670</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Wellington Council
- Dubbo City Council

have been recognised by the Council at the carrying amount recorded by the former council.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Dubbo Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Wellington Council	Former Dubbo City Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	11,088	10,906	21,994
Investments	7,805	80,789	88,594
Receivables	4,398	18,865	23,263
Inventories	456	1,503	1,959
Other	273	541	814
Total current assets	24,020	112,604	136,624
Non-current assets			
Investments	14,793	25,360	40,153
Receivables	272	2,358	2,630
Inventories	–	1,814	1,814
Infrastructure, property, plant and equipment	314,998	1,872,578	2,187,576
Investments accounted for using the equity method	242	908	1,150
Other	–	495	495
Total non-current assets	330,305	1,903,513	2,233,818
TOTAL ASSETS	354,325	2,016,117	2,370,442
LIABILITIES			
Current liabilities			
Payables	1,822	7,096	8,918
Borrowings	388	4,989	5,377
Provisions	2,779	11,797	14,576
Total current liabilities	4,989	23,882	28,871
Non-current liabilities			
Payables	–	1	1
Borrowings	8,923	63,142	72,065
Provisions	1,577	1,258	2,835
Total non-current liabilities	10,500	64,401	74,901
TOTAL LIABILITIES	15,489	88,283	103,772
Net assets transferred	338,836	1,927,834	2,266,670

(ii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 13 May 2016 to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Dubbo Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 30. Council information and contact details

Principal place of business:

Church Street
Dubbo NSW 2830

Contact details

Mailing address:

PO Box 81
Dubbo NSW 2830

Opening hours:

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

Telephone: 02 6801 4000

Facsimile: 02 6801 4259

Internet: www.dubbo.nsw.gov.au

Email: dcc@dubbo.nsw.gov.au

Officers

GENERAL MANAGER

Michael McMahon

RESPONSIBLE ACCOUNTING OFFICER

Jane Bassingthwaighte

PUBLIC OFFICER

Craig Giffin

AUDITORS

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

Elected members

MAYOR

Ben Shields

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 income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, the statement of financial position as at 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read 'R Meimaroglou', followed by a period.

Renee Meimaroglou
Director, Financial Audit Services

27 February 2018
SYDNEY

Mr Ben Shields
Mayor
Dubbo Regional Council
PO Box 81
Dubbo NSW 2830

Contact: Renee Meimaroglou
Phone no: 9275-7389
Our ref: D1803342/1807

27 February 2018

Dear Mayor

**Report on the Conduct of the Audit
for the period 13 May 2016 to 30 June 2017
Dubbo Regional Council**

I have audited the general purpose financial statements of the Dubbo Regional Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

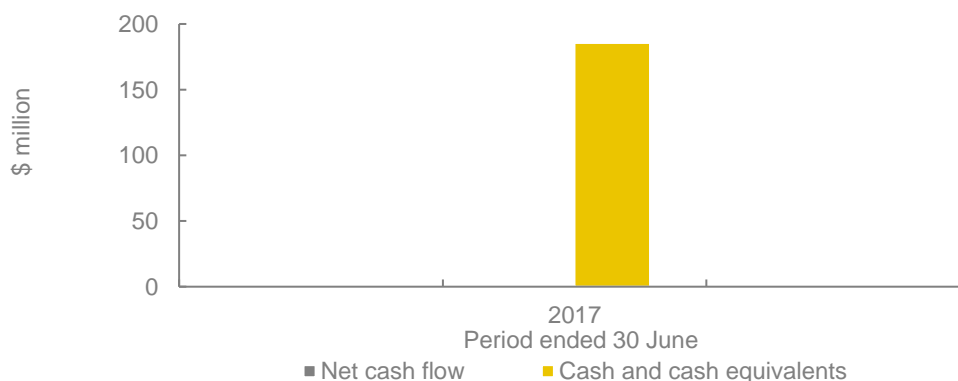
Operating result

	13 May 2016 to 30 June 2017
	\$m
Rates and annual charges revenue	59.8
Grants and contributions revenue	74.1
Operating result for the year	61.3
Net operating result before capital amounts	25.1

- Rates and annual charges consist of the rates and charges for the period 1 July 2016 to 30 June 2017. The rates for the period 13 May to 30 June 2016 were accounted for by the former Councils as required by Australian Accounting Standards. Rates and annual charges represented 29.6 per cent of total income from operations. However the cash collected during this period should be recorded by the new amalgamated council.
- Grants and contributions of \$74.1 million represented 36.7 per cent of total income from operations. Grants and contributions included the financial assistance grants of \$16.0 million, New Council Implementation Fund of \$5.0 million and Roads to Recovery of \$4.4 million.
- the Operating Result for the period is affected by the additional grants above and the additional expenses for the period 13 May 2016 to 30 June 2016.
- Gain on local government amalgamation of \$2.3 billion included assets and liabilities transferred from two former councils (Dubbo City Council and Wellington Council) on 12 May 2016.

STATEMENT OF CASH FLOWS

Statement of Cash Flows



- The Council's cash, cash equivalents and investments balance at 30 June 2017 was \$185.6 million.
- Council has a considerable amount of cash and generated a positive cash-flow for this period
- The cash and cash equivalents balance included the transfer of \$22.0 million cash on amalgamation
- Cash flows generated from operating activities was \$89.5 million. Investing cash flows was negative \$80.3 million due to purchases of investment securities, infrastructure and property assets.

FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	30 June 2017
	\$m
External restrictions	112.3
Internal restrictions	72
Unrestricted	3.8
Cash and investments	188.1

- External restrictions mainly relating to developer contributions, specific purpose unexpended grants, water supplies and sewer services.
- Internal restrictions primarily relating to fleet management services.

Debt

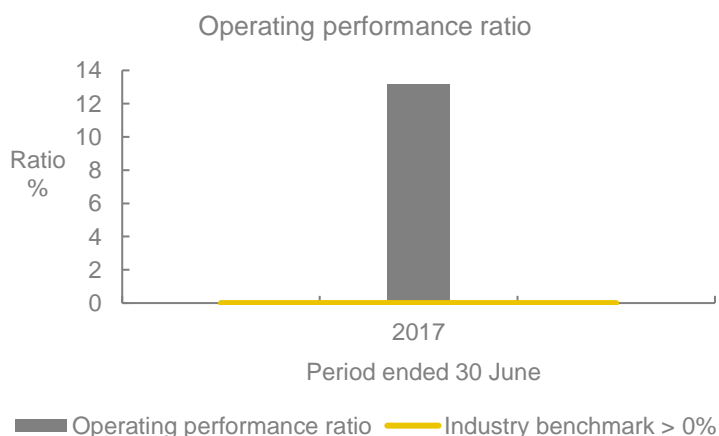
- Council paid loan principal and interest of \$5.4 million during the period
- at 30 June 2017 Council had borrowings of \$72.1 million.

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7.

Operating performance ratio

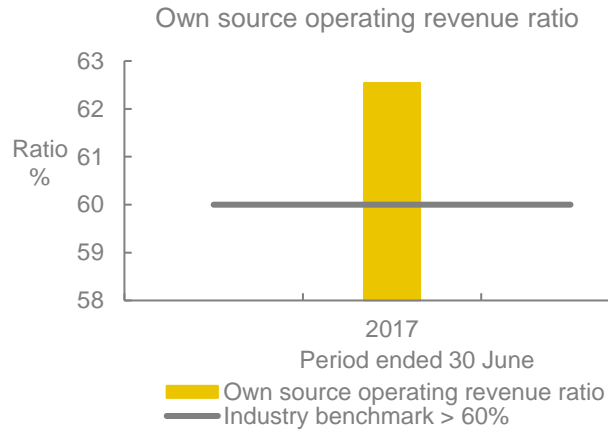
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



The indicator of 13.2 per cent was above the industry benchmark of greater than zero per cent. The ratio was impacted by the New Council Implementation Fund grants of \$5.0 million received. The ratio was also affected by the longer accounting period expenses with no corresponding rates revenue.

Own source operating revenue ratio

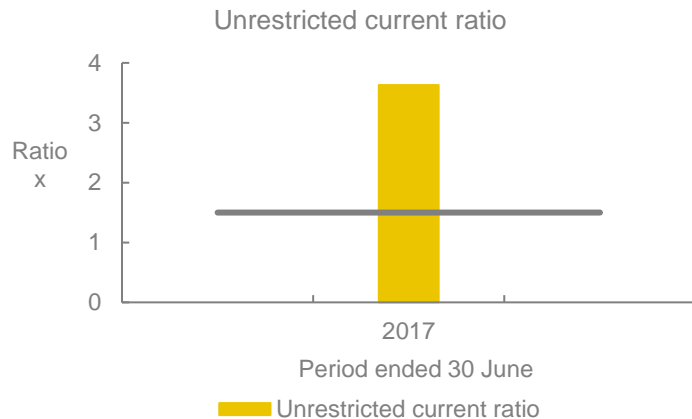
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Council's own source operating revenue ratio of 62.5 per cent reflects a low level of reliance on externally sourced grant revenue and exceeded the OLG benchmark of greater than 60 per cent.

Unrestricted current ratio

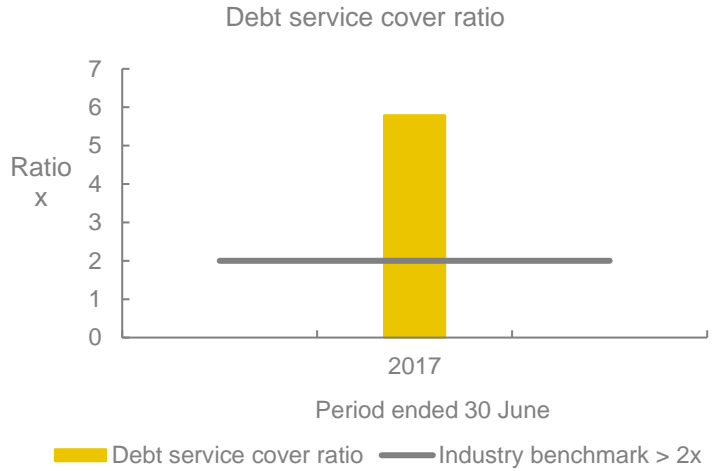
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



This ratio indicated that Council currently had \$3.60 of unrestricted assets available to service every \$1.00 of unrestricted current liabilities. This exceeded the OLG industry benchmark. Significant cash reserves from the former councils and the additional \$5.0 million New Council Implementation Fund grant received during the current period contributed to this result.

Debt service cover ratio

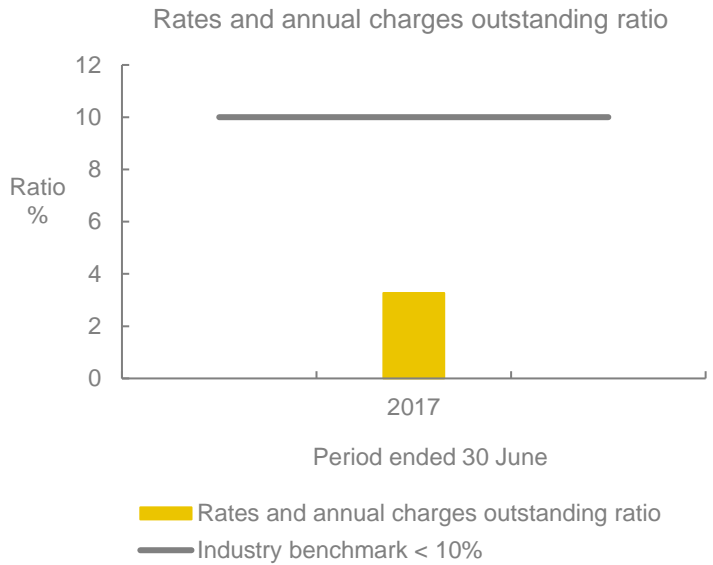
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Council ratio of 5.79 times performed better than the OLG industry benchmark due to the impact of \$5.4 million repayment of interested, borrowings and advances.

Rates and annual charges outstanding ratio

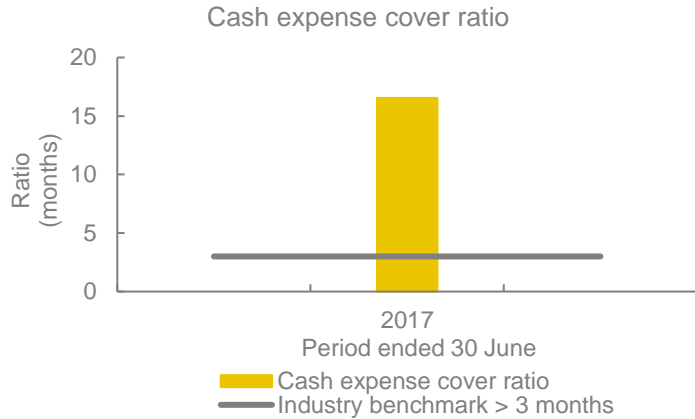
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Council outstanding rates and charges ratio of 3.27 per cent was within the OLG industry benchmark of less than ten per cent. This was due to Council's rate recovery measures being effective in collecting and reducing outstanding debts.

Cash expense cover ratio

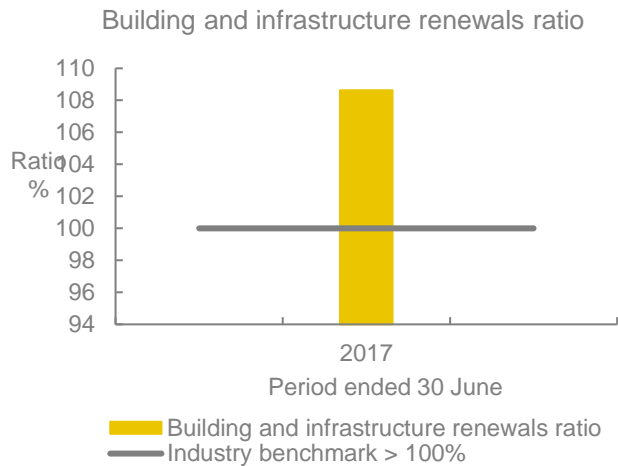
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Council's cash expense cover ratio of 16.55 months well exceeded the benchmark of greater than three months due to the significant cash reserves and investment balances at the end of the year of \$143 million.

Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent. This ratio is sourced from council's Special Schedule 7 which has not been audited.



Council's building and infrastructure renewals ratio of 108.62 per cent exceeded the OLG benchmark. This indicates Council is replenishing its assets in order to maintain the same levels service delivery.

OTHER MATTERS

Legislative compliance

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

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



Renee Meimaroglou
Director, Financial Audit Services

cc: Mr Michael McMahon, General Manager
Mr John Walkom, Chair Audit & Risk
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
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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 period 13 May 2016 to 30 June 2017

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 financial statements:

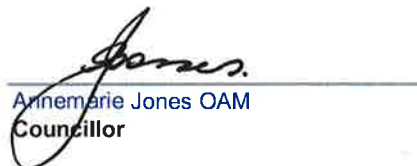
- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

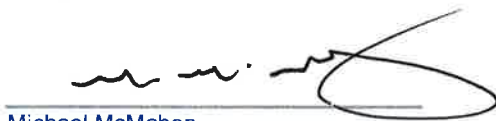
Signed in accordance with a resolution of Council made on 26 February 2018.



Ben Shields
Mayor



Annemarie Jones OAM
Councillor



Michael McMahon
General Manager



Jane Basingthwaite
Responsible accounting officer

Dubbo Regional Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	7,654
User charges	16,816
Fees	–
Interest	909
Grants and contributions provided for non-capital purposes	170
Other income	81
Total income from continuing operations	25,630
Expenses from continuing operations	
Employee benefits and on-costs	4,770
Borrowing costs	1,916
Materials and contracts	5,068
Depreciation, amortisation and impairment	5,002
Water purchase charges	70
Loss on sale of assets	41
Calculated taxation equivalents	125
Other expenses	3,031
Total expenses from continuing operations	20,023
Surplus (deficit) from continuing operations before capital amounts	5,607
Grants and contributions provided for capital purposes	2,858
Surplus (deficit) from continuing operations after capital amounts	8,465
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	8,465
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,682)
SURPLUS (DEFICIT) AFTER TAX	6,783
Plus Assets and liabilities transferred from former councils	200,296
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	125
– Debt guarantee fees	–
– Corporate taxation equivalent	1,682
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	208,886
Return on capital %	3.0%
Subsidy from Council	–
Calculation of dividend payable:	
Surplus (deficit) after tax	6,783
Less: capital grants and contributions (excluding developer contributions)	(2,843)
Surplus for dividend calculation purposes	3,940
Potential dividend calculated from surplus	1,970

Dubbo Regional Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	12,729
User charges	4,857
Liquid trade waste charges	39
Fees	317
Interest	1,678
Grants and contributions provided for non-capital purposes	141
Profit from the sale of assets	65
Other income	66
Total income from continuing operations	19,892
Expenses from continuing operations	
Employee benefits and on-costs	3,808
Borrowing costs	1,252
Materials and contracts	3,302
Depreciation, amortisation and impairment	6,144
Loss on sale of assets	114
Calculated taxation equivalents	225
Other expenses	1,594
Total expenses from continuing operations	16,439
Surplus (deficit) from continuing operations before capital amounts	3,453
Grants and contributions provided for capital purposes	2,733
Surplus (deficit) from continuing operations after capital amounts	6,186
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	6,186
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,036)
SURPLUS (DEFICIT) AFTER TAX	5,150
Plus Assets and liabilities transferred from former councils	224,354
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	225
– Debt guarantee fees	–
– Corporate taxation equivalent	1,036
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	230,765
Return on capital %	1.7%
Subsidy from Council	1,922
Calculation of dividend payable:	
Surplus (deficit) after tax	5,150
Less: capital grants and contributions (excluding developer contributions)	(2,715)
Surplus for dividend calculation purposes	2,435
Potential dividend calculated from surplus	1,218

Dubbo Regional Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Dubbo City Regional Airport Category 1	Livestock Markets Category 1
	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000		
Income from continuing operations		
Access charges	–	–
User charges	4,362	3,860
Fees	–	–
Interest	–	–
Grants and contributions provided for non-capital purposes	–	–
Other income	187	34
Total income from continuing operations	4,549	3,894
Expenses from continuing operations		
Employee benefits and on-costs	459	649
Borrowing costs	152	–
Materials and contracts	1,830	1,205
Depreciation, amortisation and impairment	826	1,280
Loss on sale of assets	–	293
Calculated taxation equivalents	100	7
Other expenses	254	197
Total expenses from continuing operations	3,621	3,631
Surplus (deficit) from continuing operations before capital amounts	928	263
Grants and contributions provided for capital purposes	284	2,962
Surplus (deficit) from continuing operations after capital amounts	1,212	3,225
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,212	3,225
Less: corporate taxation equivalent (30%) [based on result before capital]	(278)	(79)
SURPLUS (DEFICIT) AFTER TAX	934	3,146
Plus Assets and liabilities transferred from former councils	25,971	21,818
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	100	7
– Debt guarantee fees	–	–
– Corporate taxation equivalent	278	79
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	27,283	25,050
Return on capital %	4.0%	1.3%
Subsidy from Council	–	229

Dubbo Regional Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Property Development Category 1	Dubbo City Holiday Park Category 2
\$ '000	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
Income from continuing operations		
Access charges	–	–
User charges	–	1,915
Fees	–	–
Interest	26	–
Grants and contributions provided for non-capital purposes	–	–
Profit from the sale of assets	4,205	–
Other income	12	–
Total income from continuing operations	4,243	1,915
Expenses from continuing operations		
Employee benefits and on-costs	2	4
Borrowing costs	–	40
Materials and contracts	2,400	1,146
Depreciation, amortisation and impairment	–	200
Calculated taxation equivalents	297	62
Other expenses	–	227
Total expenses from continuing operations	2,699	1,679
Surplus (deficit) from continuing operations before capital amounts	1,544	236
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	1,544	236
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,544	236
Less: corporate taxation equivalent (30%) [based on result before capital]	(463)	(71)
SURPLUS (DEFICIT) AFTER TAX	1,081	165
Plus Assets and liabilities transferred from former councils	7,358	5,145
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	297	62
– Debt guarantee fees	–	–
– Corporate taxation equivalent	463	71
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	9,199	5,443
Return on capital %	n/a	5.7%
Subsidy from Council	–	–

Dubbo Regional Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

Rainbow
Cottage

Category 2

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	–
User charges	726
Fees	–
Interest	–
Grants and contributions provided for non-capital purposes	581
Profit from the sale of assets	–
Other income	–
Total income from continuing operations	1,307
Expenses from continuing operations	
Employee benefits and on-costs	1,004
Borrowing costs	–
Materials and contracts	374
Depreciation, amortisation and impairment	35
Calculated taxation equivalents	7
Other expenses	24
Total expenses from continuing operations	1,444
Surplus (deficit) from continuing operations before capital amounts	(137)
Grants and contributions provided for capital purposes	–
Surplus (deficit) from continuing operations after capital amounts	(137)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(137)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(137)
Plus Assets and liabilities transferred from former councils	760
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	7
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Add:	
– Subsidy paid/contribution to operations	–
Less:	
– TER dividend paid	–
– Dividend paid	–
Closing retained profits	630
Return on capital %	-21.4%
Subsidy from Council	152

Dubbo Regional Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	6,204
Investments	10,000
Receivables	4,744
Inventories	223
Other	5
Non-current assets classified as held for sale	–
Total current assets	21,176
Non-current assets	
Investments	15,500
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	254,330
Investment property	–
Intangible assets	–
Other	44
Total non-current assets	269,874
TOTAL ASSETS	291,050
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	805
Income received in advance	–
Borrowings	1,012
Provisions	965
Total current liabilities	2,782
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	25,934
Provisions	33
Total non-current liabilities	25,967
TOTAL LIABILITIES	28,749
NET ASSETS	262,301
EQUITY	
Retained earnings	208,886
Revaluation reserves	53,415
TOTAL EQUITY	262,301

Dubbo Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	4,677
Investments	8,500
Receivables	2,334
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current Assets	15,511
Non-current assets	
Investments	28,000
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	278,430
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	306,430
TOTAL ASSETS	321,941
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	359
Income received in advance	–
Borrowings	1,849
Provisions	113
Total current liabilities	2,321
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	19,429
Provisions	5
Total non-current liabilities	19,434
TOTAL LIABILITIES	21,755
NET ASSETS	300,186
EQUITY	
Retained earnings	230,765
Revaluation reserves	69,421
TOTAL EQUITY	300,186

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Dubbo City Regional Airport Category 1	Livestock Markets Category 1
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	1	–
Investments	1,624	4,192
Receivables	250	442
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,875	4,634
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	26,963	20,652
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	26,963	20,652
TOTAL ASSETS	28,838	25,286
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	101	67
Income received in advance	–	–
Borrowings	163	–
Provisions	120	158
Total current liabilities	384	225
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	1,163	–
Provisions	8	11
Total non-current liabilities	1,171	11
TOTAL LIABILITIES	1,555	236
NET ASSETS	27,283	25,050
EQUITY		
Retained earnings	27,283	25,050
Revaluation reserves	–	–
TOTAL EQUITY	27,283	25,050

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Property Development Category 1	Dubbo City Holiday Park Category 2
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	–	–
Investments	5,534	1,002
Receivables	1,111	–
Inventories	659	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	7,304	1,002
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	1,895	–
Infrastructure, property, plant and equipment	–	4,871
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	1,895	4,871
TOTAL ASSETS	9,199	5,873
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	67
Income received in advance	–	–
Borrowings	–	117
Provisions	–	–
Total current liabilities	–	184
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	–	246
Provisions	–	–
Total non-current liabilities	–	246
TOTAL LIABILITIES	–	430
NET ASSETS	9,199	5,443
EQUITY		
Retained earnings	9,199	5,443
Revaluation reserves	–	–
TOTAL EQUITY	9,199	5,443

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Rainbow
Cottage
Category 2

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	–
Investments	199
Receivables	13
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total Current Assets	212
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	640
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	640
TOTAL ASSETS	852
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	13
Income received in advance	–
Borrowings	–
Provisions	197
Total current liabilities	210
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	12
Total non-current liabilities	12
TOTAL LIABILITIES	222
NET ASSETS	630
EQUITY	
Retained earnings	630
Revaluation reserves	–
TOTAL EQUITY	630

Dubbo Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	14
2	Water Supply Business Best-Practice Management disclosure requirements	17
3	Sewerage Business Best-Practice Management disclosure requirements	19

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies

These financial statements are Special Purpose Financial Statements 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 (NSW), the Local Government (General) 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, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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, return 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 Boothenba 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.

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

Category 2

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

a. Dubbo City Holiday Park

Comprising the whole of the holiday park operations and net assets located on Whylandra Street.

The park offers accommodation for caravans, cabin accommodation and tent sites. The Dubbo City Holiday Park is in direct competition with other caravan parks within Dubbo.

b. Rainbow Cottage Long Day Care Centre

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.

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) 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 – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the Department of Primary Industries Water (DPIW), 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of 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 30%.

Income tax is only applied where a gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% 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 payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

Loan and debt guarantee fees

Council has determined that there is no significant differential between the Council borrowing rate and the rates that are available to commercial operations, and therefore has not included a loan and debt guarantee component.

(ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when 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.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) 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'.

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of Infrastructure, Property, Plant & Equipment as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)	13/5/16 to 30/6/17
1. Calculation and payment of tax-equivalents	
[all local government local water utilities must pay this dividend for tax equivalents]	
(i) Calculated tax equivalents	125,000
(ii) Number of assessments multiplied by \$3/assessment	58,725
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	58,725
(iv) Amounts actually paid for tax equivalents	–
2. Dividend from surplus	
(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,969,950
(ii) Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	528,525
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	12,679,900
<hr/>	
2017 Surplus	3,939,900
<hr/>	
(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	528,525
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi) Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES
3. Required outcomes for 6 criteria	
[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']	
(i) Completion of strategic business plan (including financial plan)	YES
(ii) Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
– Complying charges [item 2 (b) in table 1]	YES
– DSP with commercial developer charges [item 2 (e) in table 1]	YES
– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii) Sound water conservation and demand management implemented	YES
(iv) Sound drought management implemented	YES
(v) Complete performance reporting form (by 15 September each year)	YES
(vi) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 2. Water supply business

best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		13/5/16 to 30/6/17
National Water Initiative (NWI) financial performance indicators		
NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000 27,552
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	% 71.55%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000 253,109
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000 11,916
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000 2,741
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	% 4.19%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000 –

- Notes:
1. References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)	13/5/16 to 30/6/17
1. Calculation and payment of tax-equivalents	
[all local government local water utilities must pay this dividend for tax equivalents]	
(i) Calculated tax equivalents	225,000
(ii) Number of assessments multiplied by \$3/assessment	54,441
(iii) Amounts payable for tax equivalents [lesser of (i) and (ii)]	54,441
(iv) Amounts actually paid for tax equivalents	–
2. Dividend from surplus	
(i) 50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,217,550
(ii) Number of assessments x (\$30 less tax equivalent charges per assessment)	489,969
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	9,216,600
2017 Surplus	2,435,100
(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	489,969
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi) Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES
3. Required outcomes for 4 criteria	
[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']	
(i) Completion of strategic business plan (including financial plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
Complying charges (a) Residential [item 2 (c) in table 1]	YES
(b) Non-residential [item 2 (c) in table 1]	YES
(c) Trade waste [item 2 (d) in table 1]	YES
DSP with commercial developer charges [item 2 (e) in table 1]	YES
Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii) Complete performance reporting form (by 15 September each year)	YES
(iv) a. Integrated water cycle management evaluation	YES
b. Complete and implement integrated water cycle management strategy	YES

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		13/5/16 to 30/6/17
National Water Initiative (NWI) financial performance indicators		
NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000 20,875
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000 277,368
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000 8,630
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000 1,759
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	% 2.19%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000 –

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000 48,371
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	% 0.57%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000 4,500
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	% 3.15%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000 –
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	% 0.00%

Dubbo Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)		13/5/16 to 30/6/17
National Water Initiative (NWI) financial performance indicators		
Water and sewer (combined)		
NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	% -4.38%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 16,769 Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: 581 Interest expense (w4a + s4a) – interest income (w9 + s10)	29
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000 15,001
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000 277

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 2. The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statement

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 of the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, the statement of financial position of each Declared Business Activity as at 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Dubbo City Regional Airport
- Livestock markets
- Property development
- Dubbo City Holiday Park
- 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 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility 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 Note 1 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- 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.



Renee Meimaroglou
Director, Financial Audit Services

27 February 2018
SYDNEY

Dubbo Regional Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

"Great community, great council"



Dubbo Regional Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Dubbo Regional Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	4,565	200	–	(4,365)
Administration	7,184	11,908	9,177	13,901
Public order and safety				
Fire service levy, fire protection, emergency services	2,446	771	485	(1,190)
Beach control	–	–	–	–
Enforcement of local government regulation	409	2	–	(407)
Animal control	1,278	227	–	(1,051)
Other	10	–	–	(10)
Total public order and safety	4,143	1,000	485	(2,658)
Health	332	169	–	(163)
Environment				
Noxious plants and insect/vermin control	166	45	–	(121)
Other environmental protection	663	3	–	(660)
Solid waste management	8,086	9,550	–	1,464
Street cleaning	483	–	–	(483)
Drainage	2,452	1,544	2,049	1,141
Stormwater management	–	49	–	49
Total environment	11,850	11,191	2,049	1,390
Community services and education				
Administration and education	1,100	239	–	(861)
Social protection (welfare)	444	16	–	(428)
Aged persons and disabled	215	143	–	(72)
Children's services	3,843	3,587	1,929	1,673
Total community services and education	5,602	3,985	1,929	312
Housing and community amenities				
Public cemeteries	606	479	–	(127)
Public conveniences	153	–	–	(153)
Street lighting	1,310	221	–	(1,089)
Town planning	2,248	971	–	(1,277)
Other community amenities	49	–	–	(49)
Total housing and community amenities	4,366	1,671	–	(2,695)
Water supplies	19,897	25,630	2,858	8,591
Sewerage services	16,213	19,892	2,734	6,413

Dubbo Regional Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,573	241	–	(2,332)
Museums	47	–	–	(47)
Art galleries	2,283	344	–	(1,939)
Community centres and halls	87	24	–	(63)
Performing arts venues	3,935	1,684	161	(2,090)
Other performing arts	–	–	–	–
Other cultural services	1,211	9	–	(1,202)
Sporting grounds and venues	5,086	331	334	(4,421)
Swimming pools	1,436	454	–	(982)
Parks and gardens (lakes)	2,903	679	1,289	(935)
Other sport and recreation	2,503	453	–	(2,050)
Total recreation and culture	22,064	4,219	1,784	(16,061)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,142	1,170	–	(972)
Other mining, manufacturing and construction	13	–	–	(13)
Total mining, manufacturing and construction	2,155	1,170	–	(985)
Transport and communication				
Urban roads (UR) – local	9,140	3,244	8,462	2,566
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,460	532	307	(3,621)
Sealed rural roads (SRR) – regional	2,882	2,003	45	(834)
Unsealed rural roads (URR) – local	3,692	2,180	–	(1,512)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	242	–	783	541
Bridges on SRR – local	273	–	–	(273)
Bridges on URR – local	42	–	–	(42)
Bridges on regional roads	36	–	–	(36)
Parking areas	260	–	–	(260)
Footpaths	1,378	72	268	(1,038)
Aerodromes	3,521	4,549	284	1,312
Other transport and communication	7,037	8,095	1,868	2,926
Total transport and communication	32,963	20,675	12,017	(271)
Economic affairs				
Camping areas and caravan parks	1,617	1,915	–	298
Other economic affairs	7,574	9,464	3,123	5,013
Total economic affairs	9,191	11,379	3,123	5,311
Totals – functions	140,525	113,089	36,156	8,720
General purpose revenues⁽¹⁾		52,369		52,369
Share of interests – joint ventures and associates using the equity method	–	183		183
NET OPERATING RESULT⁽²⁾	140,525	165,641	36,156	61,272

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

Dubbo Regional Council

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	11	3	14	–	14	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	5,366	72,062	77,428	–	5,420	–	–	5,150	4,652	67,356	72,008
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	5,377	72,065	77,442	–	5,434	–	–	5,150	4,652	67,356	72,008
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	5,377	72,065	77,442	–	5,434	–	–	5,150	4,652	67,356	72,008

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Dubbo Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	3,693
b. Engineering and supervision	919
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	–
– Mains	
c. Operation expenses	217
d. Maintenance expenses	1,245
– Reservoirs	
e. Operation expenses	48
f. Maintenance expenses	236
– Pumping stations	
g. Operation expenses (excluding energy costs)	179
h. Energy costs	307
i. Maintenance expenses	111
– Treatment	
j. Operation expenses (excluding chemical costs)	2,666
k. Chemical costs	1,311
l. Maintenance expenses	458
– Other	
m. Operation expenses	443
n. Maintenance expenses	13
o. Purchase of water	70
3. Depreciation expenses	
a. System assets	4,876
b. Plant and equipment	126
4. Miscellaneous expenses	
a. Interest expenses	1,916
b. Revaluation decrements	–
c. Other expenses	1,023
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	19,857

Dubbo Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges	
a. Access (including rates)	5,299
b. Usage charges	13,325
7. Non-residential charges	
a. Access (including rates)	2,355
b. Usage charges	3,491
8. Extra charges	–
9. Interest income	909
10. Other income	81
10a. Aboriginal Communities Water and Sewerage Program	27
11. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	143
c. Other grants	–
12. Contributions	
a. Developer charges	1,967
b. Developer provided assets	766
c. Other contributions	125
13. Total income	28,488
14. Gain (or loss) on disposal of assets	(41)
15. Operating result	8,590
15a. Operating result (less grants for acquisition of assets)	8,590

Dubbo Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	774
c. Renewals	1,434
d. Plant and equipment	533
17. Repayment of debt	132
18. Totals	<u><u>2,873</u></u>
Non-operating funds employed	
19. Proceeds from disposal of assets	83
20. Borrowing utilised	–
21. Totals	<u><u>83</u></u>
C Rates and charges	
22. Number of assessments	
a. Residential (occupied)	17,246
b. Residential (unoccupied, ie. vacant lot)	–
c. Non-residential (occupied)	2,329
d. Non-residential (unoccupied, ie. vacant lot)	–
23. Number of ETs for which developer charges were received	355 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 203,272

Dubbo Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	178	–	178
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	16,026	15,500	31,526
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	159	–	159
c. User charges	4,183	–	4,183
d. Other	402	–	402
27. Inventories	223	–	223
28. Property, plant and equipment			
a. System assets	–	253,109	253,109
b. Plant and equipment	–	1,221	1,221
29. Other assets	5	44	49
30. Total assets	<u>21,176</u>	<u>269,874</u>	<u>291,050</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	805	–	805
33. Borrowings	1,012	25,934	26,946
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	965	33	998
35. Total liabilities	<u>2,782</u>	<u>25,967</u>	<u>28,749</u>
36. NET ASSETS COMMITTED	<u>18,394</u>	<u>243,907</u>	<u>262,301</u>
EQUITY			
37. Accumulated surplus			208,886
38. Asset revaluation reserve			53,415
39. Other reserves			–
40. TOTAL EQUITY			<u>262,301</u>
Note to system assets:			
41. Current replacement cost of system assets			353,671
42. Accumulated current cost depreciation of system assets			(100,562)
43. Written down current cost of system assets			<u>253,109</u>

Dubbo Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	3,268
b. Engineering and supervision	561
2. Operation and maintenance expenses	
– mains	
a. Operation expenses	776
b. Maintenance expenses	169
– Pumping stations	
c. Operation expenses (excluding energy costs)	103
d. Energy costs	184
e. Maintenance expenses	434
– Treatment	
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,774
g. Chemical costs	65
h. Energy costs	590
i. Effluent management	–
j. Biosolids management	–
k. Maintenance expenses	472
– Other	
l. Operation expenses	196
m. Maintenance expenses	38
3. Depreciation expenses	
a. System assets	6,036
b. Plant and equipment	108
4. Miscellaneous expenses	
a. Interest expenses	1,252
b. Revaluation decrements	–
c. Other expenses	74
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	16,100

Dubbo Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	12,729
7. Non-residential charges	
a. Access (including rates)	–
b. Usage charges	4,857
8. Trade waste charges	
a. Annual fees	317
b. Usage charges	39
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	–
10. Interest income	1,678
11. Other income	66
11a. Aboriginal Communities Water and Sewerage Program	7
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	134
c. Other grants	–
13. Contributions	
a. Developer charges	1,864
b. Developer provided assets	394
c. Other contributions	475
14. Total income	<u><u>22,560</u></u>
15. Gain (or loss) on disposal of assets	(49)
16. Operating result	<u><u>6,411</u></u>
16a. Operating result (less grants for acquisition of assets)	6,411

Dubbo Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	–
b. New assets for growth	242
c. Renewals	1,030
d. Plant and equipment	487
18. Repayment of debt	214
19. Totals	<u>1,973</u>
Non-operating funds employed	
20. Proceeds from disposal of assets	–
21. Borrowing utilised	–
22. Totals	<u>–</u>
C Rates and charges	
23. Number of assessments	
a. Residential (occupied)	16,380
b. Residential (unoccupied, ie. vacant lot)	–
c. Non-residential (occupied)	1,767
d. Non-residential (unoccupied, ie. vacant lot)	–
24. Number of ETs for which developer charges were received	336 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 194,344

Dubbo Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	238	–	238
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	12,939	28,000	40,939
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	401	–	401
c. User charges	1,244	–	1,244
d. Other	689	–	689
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	277,368	277,368
b. Plant and equipment	–	1,062	1,062
30. Other assets	–	–	–
31. Total assets	<u>15,511</u>	<u>306,430</u>	<u>321,941</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	359	–	359
34. Borrowings	1,849	19,429	21,278
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	113	5	118
36. Total liabilities	<u>2,321</u>	<u>19,434</u>	<u>21,755</u>
37. NET ASSETS COMMITTED	<u>13,190</u>	<u>286,996</u>	<u>300,186</u>
EQUITY			
38. Accumulated surplus			230,765
39. Asset revaluation reserve			69,421
40. Other reserves			–
41. TOTAL EQUITY			<u>300,186</u>
Note to system assets:			
42. Current replacement cost of system assets			330,110
43. Accumulated current cost depreciation of system assets			(52,742)
44. Written down current cost of system assets			<u>277,368</u>

Dubbo Regional Council

Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

Administration⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in F

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-resident charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	515	515	2,566	2,566	81,425	180,551	46%	37%	13%	3%	1%
	Sub-total	515	515	2,566	2,566	81,425	180,551	46.0%	37.0%	13.0%	3.0%	1.0%
Other structures	Other structures	–	–	–	–	57,049	109,723					100%
	Sub-total	–	–	–	–	57,049	109,723	0.0%	0.0%	0.0%	0.0%	100.0%
Roads	Sealed roads	7,982	7,982	2,539	2,539	531,197	625,686	31%	43%	20%	5%	1%
	Unsealed roads	–	–	1,930	1,930	143,227	525,819	3%	20%	29%	38%	10%
	Bridges	–	–	–	–	27,694	40,227	34%	57%	6%	0%	3%
	Footpaths	1,107	1,107	82	82	33,483	45,559	56%	19%	22%	2%	1%
	Other road assets	757	757	660	660	269,374	40,223	50%	32%	16%	2%	0%
	Bulk earthworks	–	–	–	–	344,199	344,199	100%				0%
	Sub-total	9,846	9,846	5,211	5,211	1,349,174	1,621,713	37.8%	25.8%	18.3%	14.4%	3.7%
Water supply network	Water supply network	–	–	1,585	1,585	234,834	316,252	34%	39%	19%	8%	0%
	Sub-total	–	–	1,585	1,585	234,834	316,252	34.0%	39.0%	19.0%	8.0%	0.0%
Sewerage network	Sewerage network	5,943	5,943	840	840	258,731	355,004	44%	34%	11%	10%	1%
	Sub-total	5,943	5,943	840	840	260,596	355,004	44.0%	34.0%	11.0%	10.0%	1.0%

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	526	526	326	326	188,891	219,427	38%	45%	8%	8%	1%
	Sub-total	526	526	326	326	188,891	219,427	38.0%	45.0%	8.0%	8.0%	1.0%
Open space/recreational assets	Swimming pools	1,028	1,028	8	8	2,887	6,964	33%	39%	27%	1%	0%
	Other recreational assets	707	707	1,341	1,341	2,418	6,174	41%	30%	12%	5%	12%
	Sub-total	1,735	1,735	1,349	1,349	5,305	13,138	36.8%	34.8%	20.0%	2.9%	5.6%
Other infrastructure assets	Other	–	–	–	–	17,936	34,740	100%				0%
	Sub-total	–	–	–	–	17,936	34,740	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	18,565	18,565	11,877	11,877	2,195,210	2,850,548	38.0%	29.2%	15.4%	11.1%	6.3%

Notes:

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

Infrastructure asset condition assessment 'key'

1	Excellent No work required (normal maintenance)
2	Good Only minor maintenance work required
3	Average Maintenance work required
4	Poor Renewal required
5	Very poor Urgent renewal/upgrading required

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>33,673</u>	108.62%
Depreciation, amortisation and impairment	<u>31,000</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>18,565</u>	1.00%
Net carrying amount of infrastructure assets	<u>1,854,432</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>11,877</u>	1.00
Required asset maintenance	<u>11,877</u>	

Notes

- * All asset performance indicators are calculated using the asset 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

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	24.48%	32.09%	149.48%
Depreciation, amortisation and impairment			
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.00%	2.28%	0.93%
Net carrying amount of infrastructure assets			
3. Asset maintenance ratio			
Actual asset maintenance	1.00	1.00	1.00
Required asset maintenance			

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) 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

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		The former Dubbo City Council	The former Wellington Council	Total
Notional general income calculation ⁽¹⁾				
Last year notional general income yield	a	27,773	6,348	34,121
Plus or minus adjustments ⁽²⁾	b	375	3	378
Notional general income	$c = (a + b)$	28,148	6,351	34,499
Permissible income calculation				
Special variation percentage ⁽³⁾	d	0.00%	0.00%	
Or rate peg percentage	e	1.50%	1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	
Less expiring special variation amount	g	–	–	–
Plus special variation amount	$h = d \times (c - g)$	–	–	–
Or plus rate peg amount	$i = c \times e$	422	95	517
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–	–	–
Sub-total	$k = (c + g + h + i + j)$	28,570	6,446	35,016
Plus (or minus) last year's carry forward total	l	1	25	26
Less valuation objections claimed in the previous year	m	(106)	–	(106)
Sub-total	$n = (l + m)$	(105)	25	(80)
Total permissible income	$o = k + n$	28,465	6,471	34,936
Less notional general income yield	p	28,437	6,469	34,906
Catch-up or (excess) result	$q = o - p$	28	2	30
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–
Carry forward to next year	$t = q + r - s$	28	2	30

Dubbo Regional Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

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*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (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 Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Dubbo Regional Council (the Council) for the year ending 30 June 2017.

In my opinion, Special Schedule No. 8 of Dubbo Regional Council for 30 June 2017 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

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 Special Schedule No.8' section of my report.

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

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

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

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

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

I believe 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 notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Renee Meimaroglou
Director, Financial Audit Services

27 February 2018
SYDNEY