

Dubbo Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"Great community, great council"



Dubbo Regional Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Dubbo Regional Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

Church Street
Dubbo NSW 2830

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

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

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

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

Dubbo Regional Council

General Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

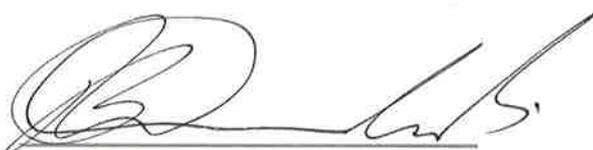
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 29 October 2018.



Ben Shields

Mayor

29 October 2018



Annemarie Jones OAM

Deputy Mayor

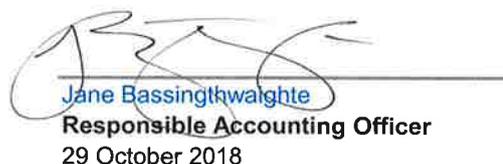
29 October 2018



Michael McMahon

Chief Executive Officer

29 October 2018



Jane Bassingthwaite

Responsible Accounting Officer

29 October 2018

Dubbo Regional Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Restated Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
59,306	Rates and annual charges	3a	56,909	59,787
38,329	User charges and fees	3b	54,445	55,912
4,085	Interest and investment revenue	3c	6,494	6,291
6,163	Other revenues	3d	1,359	1,778
20,773	Grants and contributions provided for operating purpose	3e,f	30,703	37,994
25,166	Grants and contributions provided for capital purposes	3e,f	60,804	36,155
Other income:				
250	Net gains from the disposal of assets	5	2,762	3,696
–	Net share of interests in joint ventures and associates using the equity method	14	151	183
154,072	Total income from continuing operations		213,627	201,796
Expenses from continuing operations				
38,036	Employee benefits and on-costs	4a	37,187	43,183
3,864	Borrowing costs	4b	5,682	5,215
32,486	Materials and contracts	4c	32,936	38,940
32,749	Depreciation and amortisation	4d	30,407	35,131
13,447	Other expenses	4e	16,069	18,056
120,582	Total expenses from continuing operations		122,281	140,525
33,490	Operating result from continuing operations		91,346	61,271
33,490	Net operating result for the year		91,346	61,271
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	2,230,263
33,490	Net result for the year		91,346	2,291,534
33,490	Net result attributable to Council		91,346	2,291,534
8,324	Net operating result for the year before grants and contributions provided for capital purposes		30,542	25,116

Dubbo Regional Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	Restated Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		91,346	2,291,534
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	47,062	122,836
Total items which will not be reclassified subsequently to the operating result		47,062	122,836
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		47,062	122,836
Total comprehensive income for the year		138,408	2,414,370
Total comprehensive income attributable to Council		138,408	2,414,370

Dubbo Regional Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	Restated Actual 2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	36,755	25,752
Investments	6b	89,068	45,138
Receivables	7	21,379	18,198
Inventories	8	1,873	1,876
Other	8	663	463
Total current assets		149,738	91,427
Non-current assets			
Investments	6b	108,664	117,235
Receivables	7	629	755
Inventories	8	2,025	1,993
Infrastructure, property, plant and equipment	9	2,387,677	2,299,239
Investments accounted for using the equity method	14	1,484	1,333
Other	8	495	495
Total non-current assets		2,500,974	2,421,050
TOTAL ASSETS		2,650,712	2,512,477
LIABILITIES			
Current liabilities			
Payables	10	12,038	7,688
Income received in advance	10	328	770
Borrowings	10	4,922	4,652
Provisions	11	13,765	15,047
Total current liabilities		31,053	28,157
Non-current liabilities			
Payables	10	1	1
Borrowings	10	62,434	67,356
Provisions	11	4,446	2,593
Total non-current liabilities		66,881	69,950
TOTAL LIABILITIES		97,934	98,107
Net assets		2,552,778	2,414,370
EQUITY			
Accumulated surplus	12	2,382,880	2,291,534
Revaluation reserves	12	169,898	122,836
Total equity		2,552,778	2,414,370

Dubbo Regional Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018 Accumulated surplus	IPP&E revaluation reserve	Total equity	13/5/16 to 30/6/17 Accumulated surplus	IPP&E revaluation reserve	Restated Total equity
Opening balance		2,291,534	122,836	2,414,370	–	–	–
Net result for the year prior to correction of errors and changes in accounting policies		91,346	–	91,346	2,327,941	–	2,327,941
Correction of prior period errors	12 (b)	–	–	–	(36,407)	–	(36,407)
Restated net result for the year		91,346	–	91,346	2,291,534	–	2,291,534
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9a	–	47,062	47,062	–	122,836	122,836
Other comprehensive income		–	47,062	47,062	–	122,836	122,836
Total comprehensive income (c&d)		91,346	47,062	138,408	2,291,534	122,836	2,414,370
Equity – balance at end of the reporting period		2,382,880	169,898	2,552,778	2,291,534	122,836	2,414,370

Dubbo Regional Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
59,271	Rates and annual charges		56,224	66,266
38,038	User charges and fees		58,031	57,616
4,368	Investment and interest revenue received		6,404	6,163
41,548	Grants and contributions		69,391	66,592
–	Bonds, deposits and retention amounts received		216	305
7,824	Other		5,929	8,062
Payments:				
(38,052)	Employee benefits and on-costs		(38,646)	(42,612)
(31,074)	Materials and contracts		(36,109)	(47,744)
(3,868)	Borrowing costs		(3,865)	(5,707)
(13,447)	Other		(17,825)	(19,475)
64,608	Net cash provided (or used in) operating activities	13b	99,750	89,466
Cash flows from investing activities				
Receipts:				
19,069	Sale of investment securities		220,916	88,594
711	Sale of real estate assets		4,460	4,962
1,744	Sale of infrastructure, property, plant and equipment		1,672	2,562
–	Deferred debtors receipts		864	80
Payments:				
–	Purchase of investment securities		(256,275)	(122,268)
(85,309)	Purchase of infrastructure, property, plant and equipment		(54,312)	(52,872)
–	Purchase of real estate assets		(1,210)	(860)
–	Deferred debtors and advances made		(210)	(472)
(63,785)	Net cash provided (or used in) investing activities		(84,095)	(80,274)
Cash flows from financing activities				
Receipts:				
1,500	Proceeds from borrowings and advances		–	–
Payments:				
(4,322)	Repayment of borrowings and advances		(4,652)	(5,434)
(2,822)	Net cash flow provided (used in) financing activities		(4,652)	(5,434)
(1,999)	Net increase/(decrease) in cash and cash equivalents		11,003	3,758
3,956	Plus: cash and cash equivalents – beginning of year	13a	25,752	–
–	Plus: cash transferred on amalgamation of councils		–	21,994
1,957	Cash and cash equivalents – end of the year	13a	36,755	25,752
Additional Information:				
	plus: Investments on hand – end of year	6b	197,732	162,373
	Total cash, cash equivalents and investments		234,487	188,125

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Dubbo Regional Council

Notes to the Financial Statements

for the period 1 July 2017 to 30 June 2018

Note 1. Summary of significant accounting policies (continued)

These financial statements were authorised for issue by Dubbo Regional Council on 29/10/2018. Council has the power to amend and reissue these financial statements

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.

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.

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

(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 1 July 2017.

(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 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

Dubbo Regional Council

Notes to the Financial Statements

for the period 1 July 2017 to 30 June 2018

Note 1. Summary of significant accounting policies (continued)

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

Monies and other assets received by Council

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.

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.

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.

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 and which have not been applied.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Dubbo Regional Council

Notes to the Financial Statements

for the period 1 July 2017 to 30 June 2018

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 1 July 2018

- *AASB 9 Financial Instruments*

This replaces AASB 139 Financial Instruments: Recognition and Measurement, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

Effective for annual reporting periods beginning on or after 1 July 2019

- *AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities and AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 Revenue, AASB 111 Construction Contracts and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 Contributions.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not adopted any of these standards early.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Governance	–	200	303	4,565	(303)	(4,365)	–	–	–	–
Administration	1,715	21,085	1,284	7,184	431	13,901	–	21,018	687,041	591,058
Public order and safety	2,757	1,485	4,021	4,143	(1,264)	(2,658)	1,074	1,131	10,551	11,856
Health	13	169	353	332	(340)	(163)	–	–	–	–
Environment	19,307	13,240	11,023	11,850	8,284	1,390	104	122	202,579	194,295
Community services and education	3,519	5,914	4,751	5,602	(1,232)	312	2,241	2,139	–	882
Housing and community amenities	1,445	1,671	4,157	4,366	(2,712)	(2,695)	–	221	3,356	6,068
Water supplies	30,953	28,488	18,950	19,897	12,003	8,591	121	143	307,866	291,050
Sewerage services	21,372	22,626	12,976	16,213	8,396	6,413	121	206	334,015	321,942
Recreation and culture	18,172	6,003	21,527	22,064	(3,355)	(16,061)	12,993	813	26,499	40,326
Mining, manufacturing and construction	1,184	1,170	2,034	2,155	(850)	(985)	–	–	1,012	1,997
Transport and communication	51,575	32,691	31,158	32,963	20,417	(272)	22,067	9,658	1,030,728	1,011,072
Economic affairs	15,001	14,502	9,744	9,191	5,257	5,311	2,789	708	45,581	40,598
Share of gains/(losses) in associates and joint ventures (using the equity method)	151	183	–	–	151	183	–	–	1,484	1,333
General purpose income	46,463	52,369	–	–	46,463	52,369	11,716	16,401	–	–
Total functions and activities	213,627	201,796	122,281	140,525	91,346	61,271	53,226	52,560	2,650,712	2,512,477

Dubbo Regional Council

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

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

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

Governance

Includes costs 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 compliance.

Public order and safety

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

Health

Includes immunisation, food control, health centres etc.

Environment

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

Community services and education

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

Housing and community amenities

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

Dubbo Regional Council

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

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

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

Water supplies

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

Sewerage services

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

Recreation and culture

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

Mining, manufacturing and construction

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

Transport and communication

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

Economic affairs

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	17,096	18,842
Farmland	5,764	5,527
Mining	2	2
Business	7,964	8,121
Total ordinary rates	30,826	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	5,821	6,425
Stormwater management services	–	36
Water supply services	6,364	5,701
Sewerage services	11,867	11,382
Drainage	1,393	1,491
Waste management services (non-domestic)	638	659
Total annual charges	26,083	25,694
TOTAL RATES AND ANNUAL CHARGES	56,909	59,787

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

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

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.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	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	18,515	17,470
Sewerage services	4,642	4,804
Waste management services (non-domestic)	3,229	2,381
Total specific user charges	26,386	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	2,346	2,474
Registration fees	–	13
Section 149 certificates (EPA Act)	–	54
Section 603 certificates	–	20
Other	–	13
Total fees and charges – statutory/regulatory	2,346	2,745

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	3,913	4,356
Caravan park	2,251	2,195
Cemeteries	377	466
Leaseback fees – Council vehicles	334	336
Multipurpose centre	–	24
Park rents	–	36
RMS (formerly RTA) charges (state roads not controlled by Council)	7,360	9,240
Swimming centres	–	81
Tourism	96	132
Water service connections	48	46
Caves entry fees	470	470
Other	107	–
Aquatic leisure centre	425	330
Family day care	341	414
Fodder sales 'greengrove' effluent reuse property	450	148
Old dubbo gaol	579	621
Private works	371	735
Public halls	1,672	1,618
Rainbow cottage long day care centre	640	727
Regional livestock markets	4,097	3,856
Sewer plan drafting fees	128	129
Showground	212	302
Sporting facilities	254	316
Other	1,588	1,833
Total fees and charges – other	25,713	28,411
TOTAL USER CHARGES AND FEES	54,445	55,912

Accounting policy for user charges and fees

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	214	236
– Cash and investments	6,147	6,011
– Deferred debtors	14	–
– Other	44	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	75	51
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>6,494</u>	<u>6,291</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	113	212
General Council cash and investments	3,808	3,264
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	243	228
– Section 64	41	74
Water fund operations	946	883
Sewerage fund operations	1,343	1,630
Total interest and investment revenue recognised	<u>6,494</u>	<u>6,291</u>

Accounting policy for interest and investment revenue

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Other revenues			
Rental income – other council properties		479	600
Fines		182	234
Legal fees recovery – rates and charges (extra charges)		–	132
Commissions and agency fees		8	12
Insurance claim recoveries		110	296
Sales – general		–	9
Caves / caravan park kiosk – sales		146	133
OH&S training		–	9
Other revenues from local organisations		–	197
Evocities reimbursement of expenses		–	47
StateCover WHS Incentive		215	–
Other		219	109
<u>TOTAL OTHER REVENUE</u>		<u>1,359</u>	<u>1,778</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	9,736	11,381	–	–
Financial assistance – local roads component	1,685	4,681	–	–
Other				
Pensioners' rates subsidies – general component	295	339	–	–
Total general purpose	11,716	16,401	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	121	143	–	–
– Sewerage	121	134	–	–
– Domestic waste management	104	122	–	–
Sewerage services	–	–	–	72
Bushfire and emergency services	16	656	4,933	475
Economic development	–	–	–	177
Employment and training programs	–	29	–	–
Flood restoration	839	2,598	–	–
Heritage and cultural	114	121	–	–
Library	164	251	–	–
Noxious weeds	100	84	–	–
Recreation and culture	–	–	–	441
Street lighting	196	221	–	–
Transport (roads to recovery)	2,855	4,374	–	–
Transport (other roads and bridges funding)	84	93	10,865	2,270
Local infrast. renewal scheme interest subsidy	–	–	397	583
Tourism	–	4	2,789	161
New council implementation fund	–	5,000	–	–
Stronger communities fund	–	1,000	–	9,000
Livestock markets	–	–	–	2,962
Community services	262	432	216	1,929
Family day care	1,392	1,707	–	–
Paid parental leave	72	83	–	–
Rainbow cottage long day care centre	515	547	–	–
Sporting facilities	–	–	12,715	–
Other	27	337	2,613	153
Total specific purpose	6,982	17,936	34,528	18,223
Total grants	18,698	34,337	34,528	18,223
Grant revenue is attributable to:				
– Commonwealth funding	14,342	19,140	10,574	–
– State funding	4,356	15,197	23,954	18,223
	18,698	34,337	34,528	18,223

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	–	13
S 7.12 – fixed development consent levies		–	–	–	9
S 7.11 – open space		–	–	865	1,040
S 7.11 – drainage		–	–	166	343
S 7.11 – roadworks		–	–	1,476	1,902
S 64 – water supply contributions		–	–	2,257	1,967
S 64 – sewerage service contributions		–	–	1,575	1,864
Voluntary planning agreements		–	–	136	67
Total developer contributions	21	–	–	6,475	7,205
Other contributions:					
Cash contributions					
RMS contributions (regional roads, block grant)		11,903	3,368	–	45
Oval sponsorship		–	47	–	–
Sporting facilities		–	–	25	22
Infrastructure contributions (non-cash) – water		–	–	1,011	766
Infrastructure contributions (non-cash) – sewerage		–	–	1,851	394
Infrastructure contributions (non-cash) – drainage		–	–	6,464	1,649
Infrastructure contributions (non-cash) – roadworks		–	–	8,641	6,297
Infrastructure contributions (non-cash) – land under roads		–	–	1,750	1,474
Evocities MTB sponsorship		–	14	–	–
Other		102	228	59	80
Total other contributions		12,005	3,657	19,801	10,727
Total contributions		12,005	3,657	26,276	17,932
TOTAL GRANTS AND CONTRIBUTIONS		30,703	37,994	60,804	36,155

Accounting policy for contributions

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

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

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

Dubbo Regional Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2018	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	33,385	17,279
Add: capital grants recognised in the current period but not yet spent	29,585	19,824
Less: capital grants recognised in a previous reporting period now spent	(10,867)	(3,718)
Unexpended and held as restricted assets	<u>52,103</u>	<u>33,385</u>

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	33,630	36,484
Employee termination costs (where material – other than vested leave paid)	–	74
Travel expenses	300	419
Employee leave entitlements (ELE)	3,830	4,208
Superannuation	3,770	4,154
Workers' compensation insurance	937	1,155
Fringe benefit tax (FBT)	167	259
Payroll tax	220	392
Training costs (other than salaries and wages)	516	370
Other	237	282
Total employee costs	43,607	47,797
Less: capitalised costs	(6,420)	(4,614)
TOTAL EMPLOYEE COSTS EXPENSED	37,187	43,183
Number of 'full-time equivalent' employees (FTE) at year end	453	432

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	4,268	5,150
Total interest bearing liability costs expensed	4,268	5,150

(ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	11	1,414
Total other borrowing costs		65
TOTAL BORROWING COSTS EXPENSED	5,682	5,215

Accounting policy for borrowing costs

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	18,860	25,166
Contractor and consultancy costs	13,485	13,031
– contractor and consultancy costs (internal audit BDO alliance)	65	65
Auditors remuneration ⁽²⁾	105	179
Legal expenses:		
– Legal expenses: planning and development	31	8
– Legal expenses: debt recovery	9	126
– Legal expenses: other	70	69
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	311	296
TOTAL MATERIALS AND CONTRACTS	32,936	38,940

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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.

1. Operating lease payments are attributable to:

Computers	311	296
	311	296

2. Auditor remuneration

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

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

Audit and review of financial statements	105	104
Remuneration for audit and other assurance services	105	104
Total Auditor-General remuneration	105	104

Non NSW Auditor-General audit firms:**(i) Audit and other assurance services**

Audit and review of financial statements	–	75
Remuneration for audit and other assurance services	–	75
Total remuneration of non NSW Auditor-General audit firms	–	75
Total Auditor remuneration	105	179

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,792	4,074
Office equipment		296	209
Furniture and fittings		271	226
Land improvements (depreciable)		305	378
Infrastructure:			
– Buildings – non-specialised		429	524
– Buildings – specialised		2,202	2,218
– Other structures		3,434	3,873
– Roads		9,361	12,009
– Airport runways		429	460
– Stormwater drainage		987	1,152
– Water supply network		5,067	4,543
– Sewerage network		4,902	5,952
– Swimming pools		100	118
– Other open space/recreational assets		–	151
Other assets:			
– Heritage collections		–	1
– Library books		–	1
– Other		44	55
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 14	169	154
Total gross depreciation and amortisation costs		31,788	36,098
Less: capitalised costs		(1,381)	(967)
Total depreciation and amortisation costs		30,407	35,131
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>30,407</u>	<u>35,131</u>

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

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

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(d) Depreciation, amortisation and impairment (continued)

Impairment of non-financial assets (continued)

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

Impairment of financial assets

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

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	683	877
Bad and doubtful debts	418	11
Bank charges	–	34
Contributions/levies to other levels of government		
– Other contributions/levies	–	157
Councillor expenses – councillors' fees/committee fees	244	403
Councillors' and committee expenses (incl. mayor) – other (excluding fe	147	64
Donations, contributions and assistance to other organisations (Section 356)	2,858	3,254
Election expenses	303	–
Electricity and heating	3,380	3,637
Insurance	1,814	2,161
Postage	136	214
Printing and stationery	459	480
Street lighting	1,200	1,225
Telephone and communications	410	649
Valuation fees	158	114
Vehicle registration	201	260
Water resource charge	376	371
Contributions to emergency services	1,056	1,036
Credit card merchant fees	18	36
Family day care – fee relief	1,228	1,499
Property rental	48	105
Subscription shires association	49	41
Other	883	1,428
TOTAL OTHER EXPENSES	16,069	18,056

Accounting policy for other expenses

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment			
	10		
Proceeds from disposal – plant and equipment		1,672	2,562
Less: carrying amount of plant and equipment assets sold/written off		(1,417)	(2,389)
Net gain/(loss) on disposal		255	173
Infrastructure			
	10		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(838)	(705)
Net gain/(loss) on disposal		(838)	(705)
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		4,460	4,962
Less: carrying amount of real estate assets sold/written off		(1,115)	(734)
Net gain/(loss) on disposal		3,345	4,228
Financial assets ⁽¹⁾			
	6		
Proceeds from disposal/redemptions/maturities – financial assets		220,916	88,594
Less: carrying amount of financial assets sold/redeemed/matured		(220,916)	(88,594)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		2,762	3,696

Accounting policy for disposal of assets

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

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		216	24
Cash-equivalent assets			
– Deposits at call		36,539	25,728
Total cash and cash equivalents		36,755	25,752

Accounting policy for cash and cash equivalents

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
'Held to maturity'	89,068	108,664	45,138	117,235
Total investments	89,068	108,664	45,138	117,235
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>	<u>125,823</u>	<u>108,664</u>	<u>70,890</u>	<u>117,235</u>
Held to maturity investments				
Long term deposits	85,818	94,663	41,138	99,983
NCD's, FRN's (with maturities > 3 months)	3,250	14,001	4,000	17,252
Total	89,068	108,664	45,138	117,235

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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. Assets in this category are measured at amortised cost.

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 at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. 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. Investments 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.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	125,823	108,664	70,890	117,235
attributable to:				
External restrictions (refer below)	36,282	108,664	31,910	80,392
Internal restrictions (refer below)	86,541	–	35,154	36,843
Unrestricted	3,000	–	3,826	–
	125,823	108,664	70,890	117,235

\$ '000	2018	2017
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Details of restrictions

External restrictions – other

Developer contributions – general	13,622	11,193
Developer contributions – water fund	–	178
Developer contributions – sewer fund	–	238
Specific purpose unexpended grants	38,481	21,776
Water supplies	39,548	31,526
Sewerage services	48,036	40,939
Domestic waste management	2,429	3,248
Stormwater management	2,830	3,204
External restrictions – other	144,946	112,302
Total external restrictions	144,946	112,302

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Employees leave entitlement	3,931	4,351
Financial accounting services	–	1
Human resource services	–	375
Information management services	–	1,762
Governance and risk services	–	554
Civic administration building	–	1,301
Technical support services	–	826
Business support services (technical)	–	6
Depot services	–	1,001
Wellington caves complex	–	43
Works services	–	537
Governance	2,300	429
Federal financial assistance grant (advance receipt)	5,769	5,466
Sporting facilities	–	1,312
Parks and landcare business support services	–	104
Landcare services	–	343
Horticultural services	–	765
Human environment services	–	123
Western plains cultural centre	–	1,007
Cemeteries	–	624
Regional theatre and convention centre	–	544
Cultural services	–	71
Family day care	–	276
Rainbow cottage	–	200
Social services	–	252
Old dubbo gaol	–	246
Library services	–	164
Recreation planning and programmes	–	210
Ranger services	–	15
City strategy	–	650
Building and development services	–	598
Environment and health services	–	30
Showground	–	72
City marketing and communications	–	193
Dubbo city holiday park	673	431
Property development	5,394	2,648
City development	–	189
Dubbo city regional airport	20	1,066
Livestock markets	3,973	3,183
Fire services	–	482
Other waste management services	3,737	3,762
Road network – rural roads	–	4,578
Emergency management	–	94
Road network – urban roads	–	5,431
Road network – state roads	2,756	1,312
Street lighting	–	461
Traffic management	–	126
Footpath and cycleways	–	567
Environmental sustainability services	–	15

(continued on the next page...)

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions (continued)		
Corporate development/strategic management	–	135
Animal shelter	–	463
Recreation services	–	88
Employee overheads	–	441
Stormwater	–	14
Rates and general revenue	–	8,555
Corporate overheads	–	2,286
Dubbo aquatic leisure centre	–	378
Fleet management services	10,781	10,841
Future Asset Renewal	47,207	–
Total internal restrictions	86,541	71,997
TOTAL RESTRICTIONS	231,487	184,299

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	2,536	–	1,851	–
Interest and extra charges	360	–	402	–
User charges and fees	9,833	–	10,687	–
Private works	–	–	10	–
Accrued revenues				
– Interest on investments	2,026	–	1,969	–
Deferred debtors	434	629	887	755
Government grants and subsidies	3,945	–	899	–
Net GST receivable	912	–	444	–
Due from other levels of government	29	–	158	–
Other debtors	1,737	–	937	–
Total	21,812	629	18,244	755
Less: provision for impairment				
User charges and fees	(433)	–	(46)	–
Total provision for impairment – receivables	(433)	–	(46)	–
TOTAL NET RECEIVABLES	21,379	629	18,198	755

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted receivables				
Water supply				
– Rates and availability charges	309	–	159	–
– Other	6,770	–	4,585	–
Sewerage services				
– Rates and availability charges	1,926	–	401	–
– Other	542	–	1,933	–
Total external restrictions	9,547	–	7,078	–
Unrestricted receivables	11,832	629	11,120	755
TOTAL NET RECEIVABLES	21,379	629	18,198	755

	2018	13/5/16 to 30/6/17
Movement in provision for impairment of receivables		
Balance at the beginning of the year	46	233
+ new provisions recognised during the year	419	–
– amounts already provided for and written off this year	(32)	15
– previous impairment losses reversed	–	(202)
Balance at the end of the year	433	46

Accounting policy for receivables**Recognition and measurement**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quote in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Impairment

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes 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.

Dubbo Regional Council

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

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
Inventories at cost				
Real estate for resale (refer below)	773	2,025	719	1,993
Stores and materials	1,029	–	1,078	–
Trading stock	71	–	79	–
Total inventories at cost	1,873	2,025	1,876	1,993
TOTAL INVENTORIES	1,873	2,025	1,876	1,993
(b) Other assets				
Prepayments	663	–	463	–
Shares in unlisted companies – StateCover	–	495	–	495
TOTAL OTHER ASSETS	663	495	463	495
Externally restricted assets				
Water				
Stores and materials	168	–	223	–
Trading stock	–	–	–	–
Prepayments	38	44	5	44
Total water	206	44	228	44
Sewerage				
Prepayments	12	–	–	–
Total sewerage	12	–	–	–
Total externally restricted assets	218	44	228	44
Total unrestricted assets	2,318	2,476	2,111	2,444
TOTAL INVENTORIES AND OTHER ASSETS	2,536	2,520	2,339	2,488

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		690	1,247	596	1,271
Industrial/commercial		83	778	123	722
Total real estate for resale		773	2,025	719	1,993
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		–	119	–	119
Development costs		773	1,906	719	1,874
Total real estate for resale		773	2,025	719	1,993
Movements:					
Real estate assets at beginning of the year		719	1,993	622	1,971
– Purchases and other costs		1,210	–	829	31
– Transfers in from (out to) Note 9		–	(9)	–	(7)
– WDV of sales (expense)	5	(1,115)	–	(734)	–
– Transfer between current/non-current		(41)	41	2	(2)
Total real estate for resale		773	2,025	719	1,993

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

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

Inventory held for distribution

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

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.

Dubbo Regional Council

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

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	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	26,917	–	26,917	–	134	–	–	–	(11,328)	(136)	–	–	–	15,587	–	15,587
Plant and equipment	50,387	23,962	26,425	42	6,009	(1,417)	(3,792)	–	–	45	–	–	–	52,934	25,622	27,312
Office equipment	3,084	1,774	1,310	–	680	–	(296)	–	–	–	–	–	–	3,818	2,124	1,694
Furniture and fittings	3,866	2,471	1,395	–	519	–	(271)	–	–	–	–	–	–	4,398	2,755	1,643
Land:																
– Operational land	32,258	–	32,258	2	–	–	–	–	–	148	–	–	3,137	35,545	–	35,545
– Community land	35,840	–	35,840	–	–	–	–	–	–	(149)	–	–	–	35,691	–	35,691
– Land under roads (post 30/6/08)	9,196	–	9,196	589	1,162	–	–	–	–	(1)	–	9	–	10,955	–	10,955
Land improvements – non-depreciable	1,801	–	1,801	–	–	–	–	–	–	–	–	–	–	1,801	–	1,801
Land improvements – depreciable	8,296	4,875	3,421	340	106	–	(305)	–	–	(1,094)	–	–	–	6,505	4,037	2,468
Infrastructure:																
– Buildings – non-specialised	47,822	32,189	15,633	245	–	–	(429)	–	–	(1,069)	–	–	10,227	47,360	22,753	24,607
– Buildings – specialised	132,729	66,937	65,792	1,473	3,395	–	(2,202)	–	–	1,062	–	–	23,504	151,224	58,200	93,024
– Other structures	109,723	52,674	57,049	10,930	3,932	–	(3,434)	–	–	2,958	–	–	–	131,967	60,532	71,435
– Roads	1,277,514	272,539	1,004,975	2,482	15,228	–	(9,361)	–	3,833	374	–	–	–	1,301,250	283,719	1,017,531
– Airport runways	32,743	16,804	15,939	8,314	572	–	(429)	–	–	391	–	–	–	42,580	17,793	24,787
– Bulk earthworks (non-depreciable)*	307,792	–	307,792	263	274	–	–	–	–	(27)	–	–	–	308,302	–	308,302
– Stormwater drainage	219,427	30,536	188,891	639	6,868	–	(987)	–	–	–	–	–	–	226,935	31,524	195,411
– Water supply network	336,801	101,967	234,834	869	4,281	(56)	(5,067)	–	7,495	(1)	–	4,834	–	356,343	109,154	247,189
– Sewerage network	312,092	51,496	260,596	416	4,800	(782)	(4,902)	–	–	2	–	5,360	–	322,766	57,276	265,490
– Swimming pools	6,964	4,077	2,887	–	402	–	(100)	–	–	(85)	–	–	–	6,933	3,829	3,104
– Other open space/recreational assets	6,174	3,756	2,418	–	–	–	–	–	–	(2,418)	–	–	–	–	–	–
– Quarry assets	1,997	–	1,997	–	–	–	–	–	–	–	–	–	–	1,997	–	1,997
Other assets:																
– Heritage collections	33	5	28	–	–	–	–	–	–	–	–	–	–	33	5	28
– Library books	13	13	–	–	–	–	–	–	–	–	–	–	–	13	13	–
– Other	2,395	1,157	1,238	–	–	–	(44)	–	–	–	–	–	–	2,395	1,201	1,194
Reinstatement, rehabilitation and restoration assets (refer Note 11):																
– Tip assets	1,044	675	369	–	436	–	(156)	–	–	–	–	–	–	897	831	66
– Quarry assets	465	227	238	–	591	–	(13)	–	–	–	–	–	–	1,056	240	816
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,967,373	668,134	2,299,239	26,604	49,389	(2,255)	(31,788)	–	–	–	(583)	9	47,062	3,069,285	681,608	2,387,677

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

* - Opening balance adjusted for prior period error. See Note 12(b)

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

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

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.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

Under section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all 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 recognise rural fire service assets including land, buildings, plant and vehicles.

Dubbo Regional Council

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

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	5,065	–	5,065	12,555	–	12,555
Plant and equipment	2,220	1,052	1,168	2,173	955	1,218
Office equipment	41	40	1	41	41	–
Furniture and fittings	21	18	3	20	17	3
Land						
– Operational land	2,908	–	2,908	1,614	–	1,614
– Community land	39	–	39	39	–	39
Buildings	801	400	401	8,825	2,430	6,395
Other structures	716	197	519	716	173	543
Infrastructure	355,450	108,624	246,826	327,379	99,505	227,874
Roads	3,447	558	2,889	3,447	528	2,919
Bulk earthworks	746	–	746	746	–	746
Other assets	425	1	424	425	1	424
Total water supply	371,879	110,890	260,989	357,980	103,650	254,330
Sewerage services						
WIP	8,452	–	8,452	6,809	–	6,809
Plant and equipment	2,072	1,030	1,042	1,960	937	1,023
Office equipment	99	67	32	99	66	33
Furniture and fittings	13	9	4	13	7	6
Land						
– Operational land	6,757	–	6,757	6,183	–	6,183
– Community land	–	–	–	149	–	149
Buildings	1,336	926	410	5,901	2,387	3,514
Other structures	590	418	172	590	399	191
Infrastructure	318,975	55,858	263,117	305,953	48,977	256,976
Roads	3,695	1,012	2,683	3,695	979	2,716
Bulk earthworks	830	–	830	830	–	830
Total sewerage services	342,819	59,320	283,499	332,182	53,752	278,430
Domestic waste management						
Plant and equipment	2,366	1,084	1,282	1,710	992	718
Land						
– Operational land	–	–	–	150	–	150
– Community land	–	–	–	35	–	35
– Improvements – depreciable	–	–	–	88	53	35
Buildings	–	–	–	484	74	410
Other structures	395	342	53	291	286	5
Roads	54	25	29	20	8	12
Bulk earthworks	49	–	49	49	–	49
Other assets	–	–	–	98	26	72
Total DWM	2,864	1,451	1,413	2,925	1,439	1,486
Stormwater drainage						
WIP	1,014	–	1,014	880	–	880
Plant and equipment	55	27	28	31	25	6
– Operational land	1,217	–	1,217	720	–	720
– Community land	49	–	49	31	–	31
Infrastructure	229,003	31,435	197,568	219,091	30,457	188,634
Bulk earthworks	2,405	–	2,405	2,405	–	2,405
Total other restrictions	233,743	31,462	202,281	223,158	30,482	192,676
TOTAL RESTRICTED IPP&E	951,305	203,123	748,182	916,245	189,323	726,922

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	8,819	–	4,566	–
Accrued expenses:				
– Borrowings	586	–	625	–
– Salaries and wages	952	–	1,032	–
Security bonds, deposits and retentions	1,681	–	1,465	–
Other	–	1	–	1
Total payables	12,038	1	7,688	1
Income received in advance				
Payments received in advance	328	–	770	–
Total income received in advance	328	–	770	–
Borrowings				
Loans – secured ¹	4,922	62,434	4,652	67,356
Total borrowings	4,922	62,434	4,652	67,356
TOTAL PAYABLES AND BORROWINGS	17,288	62,435	13,110	67,357

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,713	24,865	1,817	25,934
Sewer	2,169	17,490	2,208	19,429
Drainage	–	–	238	3,536
Payables and borrowings relating to externally restricted assets	3,882	42,355	4,263	48,899
Total payables and borrowings relating to restricted assets	3,882	42,355	4,263	48,899
Total payables and borrowings relating to unrestricted assets	13,406	20,080	8,847	18,458
TOTAL PAYABLES AND BORROWINGS	17,288	62,435	13,110	67,357

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 17.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

\$ '000						
(b) Changes in liabilities arising from financing activities						
Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	72,008	(4,652)	–	–	–	67,356
TOTAL	72,008	(4,652)	–	–	–	67,356

\$ '000			2018	2017
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ⁽¹⁾	200	200
Credit cards/purchase cards	600	435
Bank Guarantee	10	–
Total financing arrangements	810	635
Drawn facilities as at balance date:		
– Credit cards/purchase cards	58	38
– Bank Guarantee	10	–
Total drawn financing arrangements	68	38
Undrawn facilities as at balance date:		
– Bank overdraft facilities	200	200
– Credit cards/purchase cards	542	397
Total undrawn financing arrangements	742	597

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Payables and borrowings (continued)

Accounting policy for payables and borrowings

Payables

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

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. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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.

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	3,729	–	3,937	–
Sick leave	1,069	–	1,303	–
Long service leave	8,806	473	9,751	476
Other leave	161	–	56	–
Sub-total – aggregate employee benefits	13,765	473	15,047	476
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	3,973	–	2,117
Sub-total – asset remediation/restoration	–	3,973	–	2,117
TOTAL PROVISIONS	13,765	4,446	15,047	2,593

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	1,180	50	965	33
Sewer	–	–	113	5
Provisions relating to externally restricted assets	1,180	50	1,078	38
Total provisions relating to restricted assets	1,180	50	1,078	38
Total provisions relating to unrestricted assets	12,585	4,396	13,969	2,555
TOTAL PROVISIONS	13,765	4,446	15,047	2,593

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	7,211	8,434
	7,211	8,434

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

\$ '000							
(c) Description of and movements in provisions							
2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	3,937	1,303	10,227	–	56	15,523	
Additional provisions	2,047	4	141	–	621	2,813	
Amounts used (payments)	(2,642)	(242)	(1,474)	–	(536)	(4,894)	
Remeasurement effects	387	4	385	–	20	796	
Total ELE provisions at end of year	3,729	1,069	9,279	–	161	14,238	
Other provisions							
2018			Asset remediation			Total	
At beginning of year			2,117			2,117	
Changes to provision:							
– Revised costs			443			443	
Additional provisions			1,381			1,381	
Unwinding of discount			32			32	
Total other provisions at end of year			3,973			3,973	

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

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.

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

Close down and restoration 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.

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

(a) 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.

(b) Correction of errors relating to a previous reporting period

Nature of prior-period error

Bulk Earthworks (non-depreciable)

A review of all Council owned bulk earthworks (non-depreciable), most commonly referred to as formations, was completed during 2017-18. Bulk earthwork assets were last revalued in the financial year ending 30 June 2015, prior to amalgamation.

The review identified \$36.4 million in duplicated bulk earthwork assets which were transferred from the Former Dubbo City Council. The impact of this duplication is adjusted as a prior period error in the 30 June 2018 financial statements. This correction resulted in a \$36.4 million decrement to assets and liabilities transferred from former councils and the bulk earthworks (non-depreciable) asset class in Infrastructure, Property, Plant and Equipment.

The above error has been corrected by restating the beginning balances of the relevant affected items in the Income Statement and Statement of Financial Position for the earliest prior period presented.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000

(b) Correction of errors relating to a previous reporting period (continued)

Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Statement of Financial Position			
Property Plant & Equipment	2,335,646	(36,407)	2,299,239
Total assets	2,548,884	(36,407)	2,512,477
Total liabilities	98,107	–	98,107
Accumulated Surplus	2,327,941	(36,407)	2,291,534
Total equity	2,450,777	(36,407)	2,414,370
Income Statement			
Total income from continuing operations	201,796	–	201,796
Total expenses from continuing operations	140,525	–	140,525
Assets and liabilities transferred from former councils	2,266,670	(36,407)	2,230,263
Net result for the year	2,327,941	(36,407)	2,291,534
Statement of Comprehensive Income			
Net result for the year	2,327,941	(36,407)	2,291,534
Other comprehensive income	122,836	–	122,836
Total comprehensive income for the year	2,450,777	(36,407)	2,414,370

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	36,755	25,752
Balance as per the Statement of Cash Flows		36,755	25,752
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		91,346	61,271
Adjust for non-cash items:			
Depreciation and amortisation		30,407	35,131
Net losses/(gains) on disposal of assets		(2,762)	(3,696)
Non-cash capital grants and contributions		(19,717)	(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		(75)	(51)
Unwinding of discount rates on reinstatement provisions		1,856	(89)
Share of net (profits) or losses of associates/joint ventures		(151)	(183)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(4,021)	7,570
Increase/(decrease) in provision for doubtful debts		387	(187)
Decrease/(increase) in inventories		57	23
Decrease/(increase) in other assets		(200)	351
Increase/(decrease) in payables		4,253	(827)
Increase/(decrease) in accrued interest payable		(39)	(403)
Increase/(decrease) in other accrued expenses payable		(80)	476
Increase/(decrease) in other liabilities		(226)	294
Increase/(decrease) in employee leave entitlements		(1,285)	318
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		99,750	89,466
(c) Non-cash investing and financing activities			
Infrastructure contributions		19,717	10,580
Total non-cash investing and financing activities		19,717	10,580

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	13/5/16 to 30/6/17	2018	2017
Joint ventures	151	183	1,484	1,333
Total	151	183	1,484	1,333

Joint arrangements

(i) Joint ventures

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

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Macquarie Regional Library	Joint Venture	Equity	1,484	1,333
Total carrying amounts – material joint ventures			1,484	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 area

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Macquarie Regional Library	n/a	n/a	69%	69%	73%	73%	33%	33%

(d) Summarised financial information for joint ventures

	Macquarie Regional Library	
Statement of financial position	2018	2017
Current assets		
Cash and cash equivalents	1,930	1,653
Other current assets	71	85
Non-current assets	1,089	991
Current liabilities		
Current financial liabilities (excluding trade and other payables and provisions)	1,009	871
Non-current liabilities		
Non-current financial liabilities (excluding trade and other payables and provisions)	32	29
Net assets	2,049	1,829

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Interests in other entities

\$ '000

Joint arrangements (continued)

(d) Summarised financial information for joint ventures (continued)

	Macquarie Regional Library	
	2018	13/5/16 to 30/6/17
Reconciliation of the carrying amount		
Opening net assets (1 July)	1,829	1,562
Profit/(loss) for the period	220	267
Closing net assets	2,049	1,829
Council's share of net assets (%)	72.9%	72.9%
Council's share of net assets (\$)	1,484	1,333
Statement of comprehensive income		
Income	2,883	2,921
Interest income	45	37
Depreciation and amortisation	(331)	(313)
Other expenses	(2,376)	(2,378)
Profit/(loss) for period	221	267
Total comprehensive income	221	267
Share of income – Council (%)	68.5%	68.5%
Profit/(loss) – Council (\$)	151	183
Total comprehensive income – Council (\$)	151	183

Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

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

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

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Commitments for expenditure

\$ '000	2018	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	8,532	5,187
Other structures	5,593	3,667
Water infrastructure	2,259	413
Sewer infrastructure	233	2,797
Total commitments	16,617	12,064
These expenditures are payable as follows:		
Within the next year	12,557	9,532
Later than one year and not later than 5 years	4,060	2,532
Total payable	16,617	12,064
Sources for funding of capital commitments:		
Unrestricted general funds	9,639	8,854
Externally restricted reserves	6,978	3,210
Total sources of funding	16,617	12,064
(b) 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	132	101
Later than one year and not later than 5 years	173	83
Total non-cancellable operating lease commitments	305	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 year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

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

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

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

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

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

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$485,000.00

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

Council's expected contributions to the Fund for the next annual reporting period is \$525,000.00

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

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

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

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

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

* Plus promotional increases

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

LIABILITIES NOT RECOGNISED: (continued)

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (continued)

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

Council's additional lump sum contribution is around 1.21% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Contingencies and other liabilities/assets not recognised (continued)

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) 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 year ended 30 June 2018

Note 17. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	36,755	25,752	36,755	25,752
Investments				
– 'Held to maturity'	197,732	162,373	197,732	162,373
Receivables	22,008	18,953	22,008	18,953
Other financial assets	495	495	495	495
Total financial assets	256,990	207,573	256,990	207,573
Financial liabilities				
Payables	12,039	7,689	12,039	7,689
Loans/advances	67,356	72,008	67,356	72,008
Total financial liabilities	79,395	79,697	79,395	79,697

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 1% movement in interest rates	2,345	2,345	(2,345)	(2,345)
13/5/16to 30/6/17				
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 year ended 30 June 2018

Note 17. 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. It also encourages ratepayers to pay their rates by the due date through incentives.

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

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

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	71%	91%	57%	74%
Overdue	29%	9%	43%	26%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			1,804	1,072
< 1 year overdue			732	779
			<u>2,536</u>	<u>1,851</u>
Other receivables				
Current			18,188	12,750
0 – 30 days overdue			531	3,319
31 – 60 days overdue			481	337
61 – 90 days overdue			114	36
> 91 days overdue			591	706
			<u>19,905</u>	<u>17,148</u>

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	N/A	1,681	10,358	-	-	12,039	12,039
Loans and advances	6.10%	-	8,958	35,653	54,495	99,106	67,356
Total financial liabilities		1,681	19,316	35,653	54,495	111,145	79,395
2017							
Trade/other payables	N/A	1,465	6,224	-	-	7,689	7,689
Loans and advances	6.10%	-	9,017	35,840	63,269	108,126	72,008
Total financial liabilities		1,465	15,241	35,840	63,269	115,815	79,697

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	59,306	56,909	(2,397)	(4%)	U
User charges and fees	38,329	54,445	16,116	42%	F
There was additional income received from RMS for State Road claims that was not budgeted. Water charges and income from livestock sales exceeded budget due to harsher environment conditions.					
Interest and investment revenue	4,085	6,494	2,409	59%	F
Council's investment portfolio has continued to exceed benchmarks set. Additional, unbudgeted grant income was invested until the funds needed to be remitted					
Other revenues	6,163	1,359	(4,804)	(78%)	U
Upon merger of the Dubbo and Wellington accounting policies, it was determined that many items budgeted under "Other revenues" should have been classed as "User charges and fees"					
Operating grants and contributions	20,773	30,703	9,930	48%	F
\$10m for the Cobra and Fitzroy Street intersection was received from RMS that was not included in the original budget.					
Capital grants and contributions	25,166	60,804	35,638	142%	F
\$17m received from the Stronger Community Funding allocated to specific projects was not included in the original budget. An additional \$17m from non-cash contributions was received than originally budgeted for.					
Net gains from disposal of assets	250	2,762	2,512	1005%	F
Council received more revenue from land sales in Keswick Stage 4, releases 3A and 3B than originally estimated					
Joint ventures and associates - net profits	–	151	151	0%	F

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	38,036	37,187	849	2%	F
Borrowing costs	3,864	5,682	(1,818)	(47%)	U
Council spent more on quarry and tip restoration than originally budgeted					
Materials and contracts	32,486	32,936	(450)	(1%)	U
Depreciation and amortisation	32,749	30,407	2,342	7%	F
Other expenses	13,447	16,069	(2,622)	(19%)	U
Council had increased expenses in relation to advertising, bad and doubtful debts, street lighting and donations and contributions to local organisations than originally budgeted					

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

Cash flows from operating activities	64,608	99,750	35,142	54.4%	F
This variation has occurred due to a significant amount in capital grant funding either being originally budgeted but was received earlier than anticipated or grant funding that was not originally budgeted					
Cash flows from investing activities	(63,785)	(84,095)	(20,310)	31.8%	U
The additional grant funding received allowed council to invest additional money than originally budgeted					
Cash flows from financing activities	(2,822)	(4,652)	(1,830)	64.8%	U
Council originally budgeted an additional \$1.5m would be needed by loan funding. Due to the strong financial position of Council, this additional loan funding was not required					

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/17	–	–	15,587	15,587
Plant and equipment	30/06/14	–	27,312	–	27,312
Office equipment	30/06/14	–	1,694	–	1,694
Furniture and fittings	30/06/14	–	1,643	–	1,643
Operational land	30/06/18	–	35,545	–	35,545
Community land	30/06/11	–	–	35,691	35,691
Land under roads (post 30/06/2008)	At cost	–	–	10,955	10,955
Land improvements - non-depreciable	30/06/10	–	–	1,801	1,801
Land improvement - depreciable	30/06/08	–	–	2,468	2,468
Buildings - non-specialised	30/06/18	–	–	24,607	24,607
Buildings - specialised	30/06/18	–	–	93,025	93,025
Other structures	30/06/13	–	–	71,435	71,435
Roads	30/06/15	–	–	1,017,532	1,017,532
Airport runways/taxiways	30/06/15	–	–	24,787	24,787
Bulk earthworks	30/06/15	–	–	308,302	308,302
Stormwater drainage	30/06/15	–	–	195,411	195,411
Water supply network	30/06/17	–	–	247,188	247,188
Sewerage network	30/06/17	–	–	265,490	265,490
Swimming pools	12/05/16	–	–	3,104	3,104
Quarry assets	30/06/14	–	–	1,997	1,997
Heritage collections	30/06/07	–	–	28	28
Other assets	30/06/07	–	–	1,193	1,193
Tip restoration assets	30/06/18	–	–	66	66
Quarry restoration assets	30/06/18	–	–	816	816
Total infrastructure, property, plant and equipment		–	66,194	2,321,483	2,387,677

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
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	–	–	307,792	307,792
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		–	61,388	2,237,851	2,299,239

* - Opening balance adjusted for prior period error. See Note 12(b)

(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.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

(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.

Level 3 inputs

Buildings - specialised and non-specialised

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

Quarry assets

The quarry assets are valued on the basis of the price of acquiring the same quality material from commercial quarries that operate within the Dubbo local government area. The reason for level 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.

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.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

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.

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.

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Fair value measurement (continued)

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

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 year ended 30 June 2018

Note 19. 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	Total
Opening balance – 13/5/16	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
Transfers from/(to) another asset class	(11,464)	(149)	8	–	(1,094)	(1,069)	1,062	2,958	(9,748)
Purchases (GBV)	134	–	1,751	–	447	245	4,869	14,863	22,309
Disposals (WDV)	–	–	–	–	–	–	–	–	–
Depreciation and impairment	–	–	–	–	(305)	(429)	(2,202)	(3,434)	(6,370)
FV gains – other comprehensive income	–	–	–	–	–	10,227	23,504	–	33,731
Closing balance – 30/6/18	15,587	35,691	10,955	1,801	2,469	24,607	93,025	71,436	255,571

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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)

	Roads	Airport runways taxiways	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Swimming pools	Other open space recreational	Total
Opening balance – 13/5/16	1,003,645	15,785	307,146	188,233	183,837	194,112	2,884	2,109	1,897,751
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	307,792	188,891	234,834	260,596	2,887	2,418	2,018,332
Transfers from/(to) another asset class	4,208	391	(27)	–	7,494	(254)	(85)	(2,418)	9,309
Purchases (GBV)	17,710	8,886	537	7,506	5,149	5,217	402	–	45,407
Disposals (WDV)	–	–	–	–	(56)	(527)	–	–	(583)
Depreciation and impairment	(9,361)	(429)	–	(987)	(5,067)	(4,902)	(100)	–	(20,846)
FV gains – other comprehensive income	–	–	–	–	4,834	5,360	–	–	10,194
Closing balance – 30/6/18	1,017,532	24,787	308,302	195,410	247,188	265,490	3,104	–	2,061,813

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. 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)

	Quarry Assets	Heritage collections	Library books	Other assets	Tip restoration assets	Quarry restoration assets	Total
Opening balance – 13/5/16	1,997	29	1	1,293	518	381	4,219
Depreciation and impairment	–	(1)	(1)	(55)	(139)	(15)	(211)
Remeasurement - Income Statement	–	–	–	–	(10)	(128)	(138)
Closing balance – 30/6/17	1,997	28	–	1,238	369	238	3,870
Transfers from/(to) another asset class	–	–	–	–	–	–	–
Purchases (GBV)	–	–	–	–	436	591	1,027
Disposals (WDV)	–	–	–	–	(583)	–	(583)
Depreciation and impairment	–	–	–	(45)	(156)	(13)	(214)
Closing balance – 30/6/18	1,997	28	–	1,193	66	816	4,100

(5). Highest and best use

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

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Related party transactions

\$ '000

a. Key management personnel

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

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

Compensation:	2018
Short-term benefits	2,522
Other long-term benefits	842
Termination benefits	608
Total	<u>3,972</u>

b. Other transactions with KMP and their related parties

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

c. Other related party transactions

Nil

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	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	1,641	166	–	34	(52)	–	1,789	–
Roads	7,481	1,476	–	165	(17)	–	9,105	–
Parking	93	–	–	2	–	–	95	–
Open space	1,581	865	–	42	(388)	–	2,100	–
Voluntary planning agreements	92	136	–	–	–	–	228	–
S7.11 contributions – under a plan	10,888	2,643	–	243	(457)	–	13,317	–
S7.12 levies – under a plan	31	–	–	–	–	–	31	–
Total S7.11 and S7.12 revenue under plans	10,919	2,643	–	243	(457)	–	13,348	–
S7.11 not under plans	274	–	–	–	–	–	274	–
S64 contributions	416	3,832	–	41	(4,289)	–	–	–
Total contributions	11,609	6,475	–	284	(4,746)	–	13,622	–

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN (former Dubbo)

PURPOSE	Opening balance	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	1,641	166	–	34	(52)	–	1,789	
Roads	7,481	1,476	–	165	(17)	–	9,105	
Parking	93	–	–	2	–	–	95	
Open space	1,581	865	–	42	(388)	–	2,100	
Voluntary planning agreements	92	136	–	–	–	–	228	
Total	10,888	2,643	–	243	(457)	–	13,317	–

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Statement of developer contributions (continued)

\$ '000

S7.12 LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2012 (former Wellington)

PURPOSE	Opening balance	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	5	–	–	–	–	–	5	
Community services and education	5	–	–	–	–	–	5	
Household and community amenities	5	–	–	–	–	–	5	
Recreation and culture	6	–	–	–	–	–	6	
Transport and communication	4	–	–	–	–	–	4	
Economic affairs	6	–	–	–	–	–	6	
Total	31	–	–	–	–	–	31	–

S7.11 CONTRIBUTIONS – NOT UNDER A PLAN

(former Wellington)

PURPOSE	Opening balance	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	75	–	–	–	–	–	75	
Roads	118	–	–	–	–	–	118	
Open space	35	–	–	–	–	–	35	
Community facilities	10	–	–	–	–	–	10	
Emergency services	36	–	–	–	–	–	36	
Total	274	–	–	–	–	–	274	–

Dubbo Regional Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	7,043	11,783	38,083
User charges and fees	19,460	5,393	29,592
Interest and investment revenue	969	1,361	4,164
Other revenues	41	55	1,263
Grants and contributions provided for operating purposes	121	121	30,461
Grants and contributions provided for capital purposes	3,369	3,687	53,748
Other income			
Net gains from disposal of assets	–	–	2,762
Share of interests in joint ventures and associates using the equity method	–	–	151
Total income from continuing operations	31,003	22,400	160,224
Expenses from continuing operations			
Employee benefits and on-costs	4,878	3,588	28,721
Borrowing costs	1,633	1,012	3,037
Materials and contracts	4,381	2,017	26,538
Depreciation and amortisation	5,280	5,014	20,113
Other expenses	2,778	1,345	11,946
Net losses from the disposal of assets	50	774	(824)
Total expenses from continuing operations	19,000	13,750	89,531
Operating result from continuing operations	12,003	8,650	70,693
Net operating result for the year	12,003	8,650	70,693
Gain on local government amalgamation			
Assets and liabilities transferred from former councils	–	–	–
Net result for the year	12,003	8,650	70,693
Net result attributable to each council fund	12,003	8,650	70,693
Net operating result for the year before grants and contributions provided for capital purposes	8,634	4,963	16,945

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 2018

Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	(115)	(622)	37,492
Investments	19,500	28,658	40,910
Receivables	7,079	2,468	11,832
Inventories	168	–	1,705
Other	38	12	613
Total current assets	26,670	30,516	92,552
Non-current assets			
Investments	20,163	20,000	68,501
Receivables	–	–	629
Inventories	–	–	2,025
Infrastructure, property, plant and equipment	260,989	283,499	1,843,189
Investments accounted for using the equity method	–	–	1,484
Other	44	–	451
Total non-current assets	281,196	303,499	1,916,279
TOTAL ASSETS	307,866	334,015	2,008,831
LIABILITIES			
Current liabilities			
Payables	644	231	11,163
Income received in advance	–	–	328
Borrowings	1,069	1,938	1,915
Provisions	1,180	–	12,585
Total current liabilities	2,893	2,169	25,991
Non-current liabilities			
Payables	–	–	1
Borrowings	24,865	17,490	20,079
Provisions	50	–	4,396
Total non-current liabilities	24,915	17,490	24,476
TOTAL LIABILITIES	27,808	19,659	50,467
Net assets	280,058	314,356	1,958,364
EQUITY			
Accumulated surplus	220,889	239,415	1,922,576
Revaluation reserves	59,169	74,941	35,788
Total equity	280,058	314,356	1,958,364

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 year ended 30 June 2018

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	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	<u>27,629</u>	18.43%	13.15%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>149,910</u>			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>119,207</u>	56.57%	62.54%	> 60.00%
Total continuing operating revenue ⁽¹⁾	<u>210,714</u>			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>103,691</u>	5.52x	3.63x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>18,780</u>			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>63,718</u>	6.17x	5.79x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>10,334</u>			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>2,896</u>	4.88%	3.27%	< 10% regional & rural
Rates, annual and extra charges collectible	<u>59,376</u>			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>217,236</u>	25.79 mths	16.6 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>8,425</u>			

Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Notes 10 and 11.

(4) Refer to Note 10(b) and 11(b) – 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 year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	13.61%	10.43%	31.02%	22.04%	26.26%	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 capital grants and contributions	46.24%	53.55%	89.07%	89.37%	84.17%	87.26%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.52x	3.63x	9.22x	7.55x	14.07x	6.58x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 23a 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 year ended 30 June 2018

Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.87x	5.35x	9.39x	6.14x	10.81x	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	1.63%	3.49%	4.39%	2.08%	16.35%	3.15%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	19.63	11.77	34.38	25.37	71.82	48.47	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 23a above.

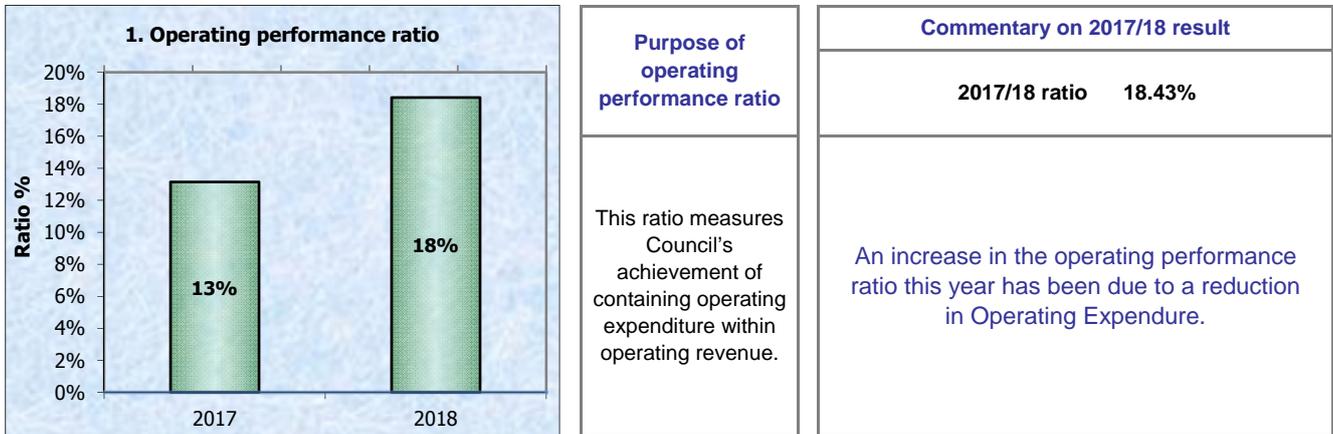
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Dubbo Regional Council

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

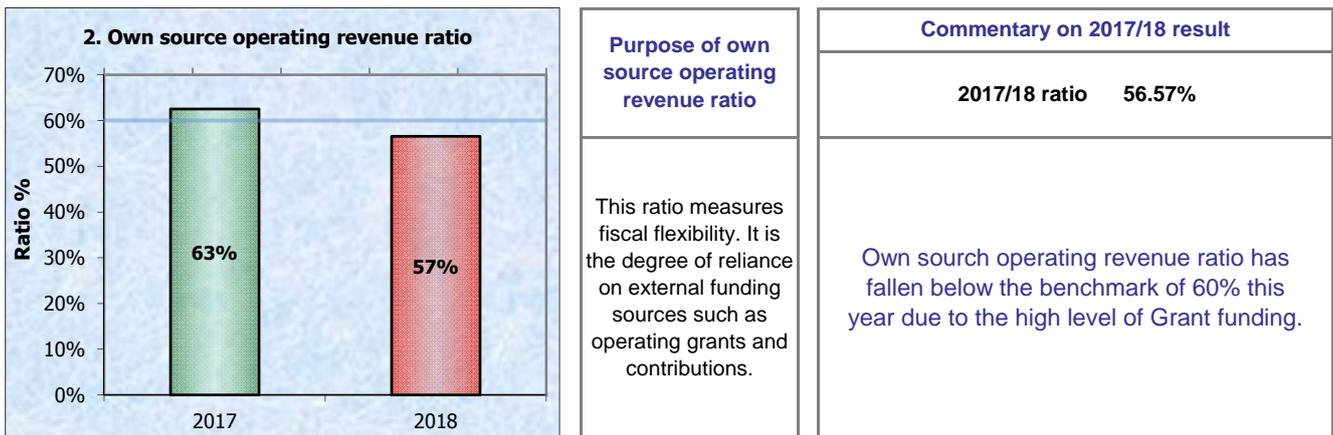
Note 23(c). Statement of performance measures – consolidated results (graphs)



Benchmark: Minimum $\geq 0.00\%$

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

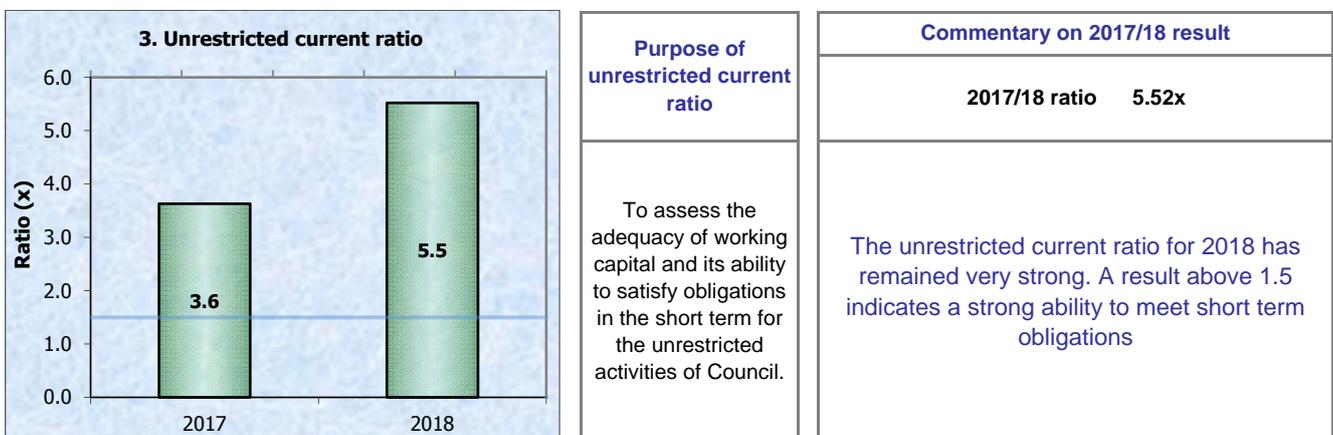
Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum $\geq 60.00\%$

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

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: Minimum ≥ 1.50

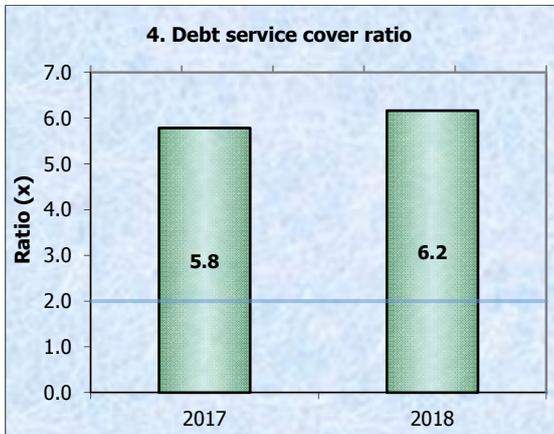
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Dubbo Regional Council

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

Note 23(c). Statement of performance measures – consolidated results (graphs)



Purpose of debt service cover ratio

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

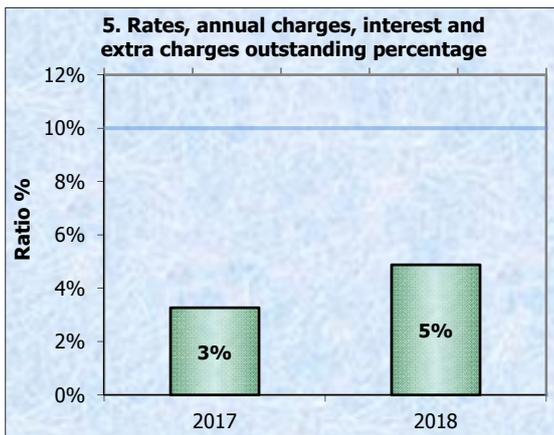
Commentary on 2017/18 result

2017/18 ratio 6.17x

This ratio result is particularly strong indicating that there is \$6.2 of cash to meet every \$1.00 of debt. The benchmark for this ratio is 2.00

Benchmark: Minimum ≥ 2.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

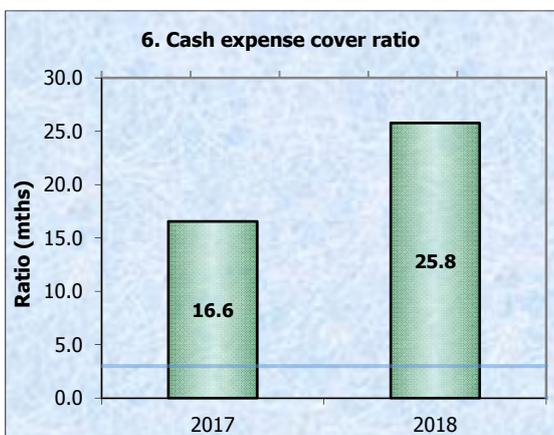
Commentary on 2017/18 result

2017/18 ratio 4.88%

Although this ratio has increased from last year a result of 5% represents an extremely strong debt recovery process.

Benchmark: Maximum $< 10.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2017/18 result

2017/18 ratio 25.79 mths

The benchmark for this ratio is 3.00. This indicates that Council is in a very strong cash position.

Benchmark: Minimum ≥ 3.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark
 Ratio is outside benchmark

Dubbo Regional Council

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

Note 24. 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 report
Dubbo Regional Council

To the Councillors of the Dubbo Regional Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Renee Meimaroglou
Director, Financial Audit Services

31 October 2018
SYDNEY

Cr Ben Shields
Mayor
Dubbo Regional Council
PO Box 81
DUBBO NSW 2830

Contact: Renee Meimaroglou
Phone no: (02) 9275 7389
Our ref: D1826226/FA1807

31 October 2018

Dear Mayor Shields

Report on the Conduct of the Audit
for the year ended 30 June 2018
Dubbo Regional Council

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

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

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

INCOME STATEMENT

Operating result

	2018	2017	Variation	Variance
	\$m	\$m	\$m	%
Rates and annual charges revenue	56.9	59.8	-2.9	 -4.8
Grants and contributions revenue	91.5	74.1	17.4	 23.5
TOTAL REVENUE	213.6	201.8	11.8	 5.8
TOTAL EXPENSES	122.3	140.5	-18.2	 12.9
Net operating result for the year	91.3	61.3	30.0	 48.9

Council’s operating result of \$91.3 million including the effect of depreciation and amortisation expense of \$30.4 million was \$30 million higher than the 2016–17 result. This was mainly due to \$24.6 million in higher capital grants during the year, lower employee benefits and on-costs by \$6 million, lower materials and contracts expense of \$6 million and a \$4 million decline in depreciation and amortisation expense compared to the prior year.

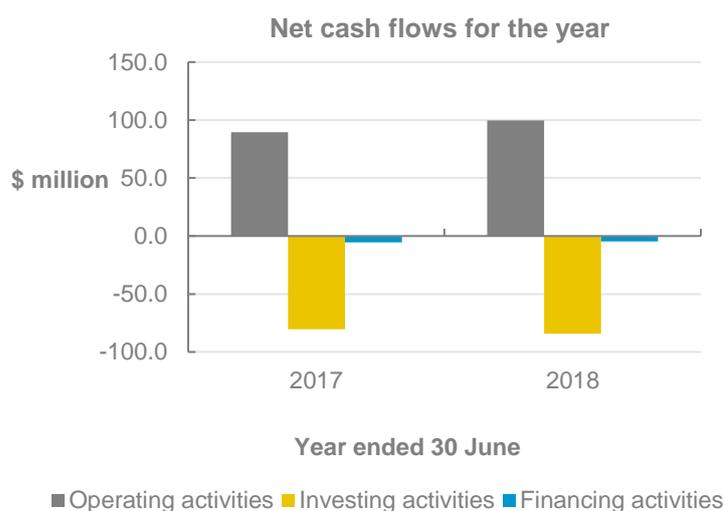
Rates and annual charges revenue were \$56.9 million in 2017-18, \$2.9 million lower when compared to the prior year. The previous financial year included 13.5 months due to the amalgamation commencing from 13 May 2016.

STATEMENT OF CASH FLOWS

The net cash inflows from operating activities increased to \$99.8 million in 2017-18 (\$89.4 million in 2016-17).

This was mainly due to lower:

- employee benefits and on-costs outflows (\$4.0 million)
- materials and contracts outflows (\$11.6 million).



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	144.9	112.3	Externally restricted balances include unexpended specific purpose grants, water, sewer, domestic waste management and stormwater management.
Internal restrictions	86.5	72.0	Balances are internally restricted due to Council policy or decision for forward plans including works programs.
Unrestricted	3.0	3.8	Unrestricted balances provide liquidity for day to day operations.
Cash and investments	234.4	188.1	

COUNCIL’S PERFORMANCE RATIOS FOR 30 JUNE 2018

I provide a summary of outcomes and analysis of the Council’s key performance ratios for the year ended 30 June 2018 below:

Performance ratio	Outcome	Reference
Operating performance ratio	Achieved	<u>1</u>
Own source operating revenue ratio	Not Achieved	<u>2</u>
Unrestricted current ratio	Achieved	<u>3</u>
Debt service cover ratio	Achieved	<u>4</u>
Rates and annual charges cover ratio	Achieved	<u>5</u>
Cash expense cover ratio	Achieved	<u>6</u>
Building and infrastructure renewals ratio	Achieved	<u>7</u>

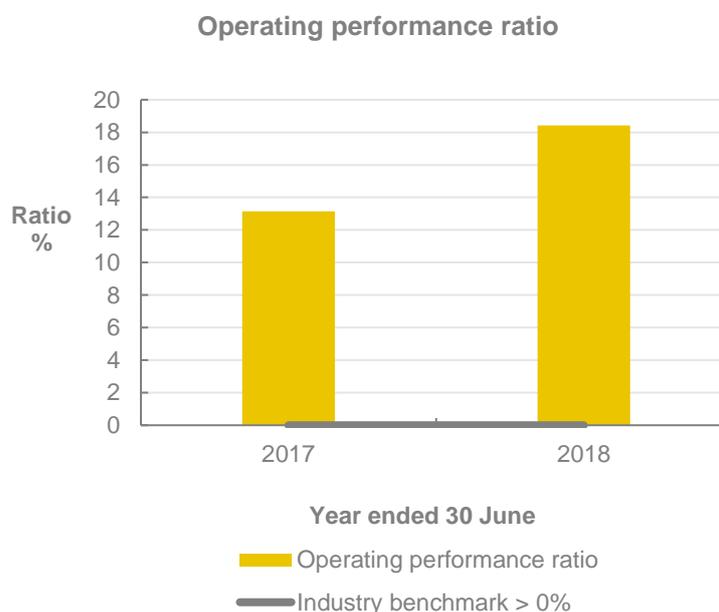
The ratios and the definitions (except for the ‘building and infrastructure renewals ratio’) are reported in Note 23(a) of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which is not audited.

PERFORMANCE RATIOS

Operating performance ratio

Council achieved a strong operating performance ratio of 18.43%. Council has exceeded the benchmark for the past 2 years.

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

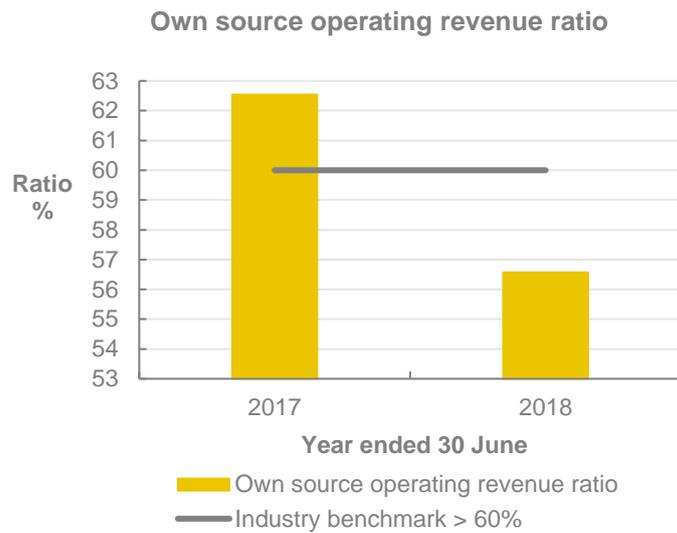


Own source operating revenue ratio

Council's own source revenue ratio did not meet the OLG benchmark of >60 per cent for 2017-18.

The increase in grants and contributions of \$17.4 million contributed to this movement.

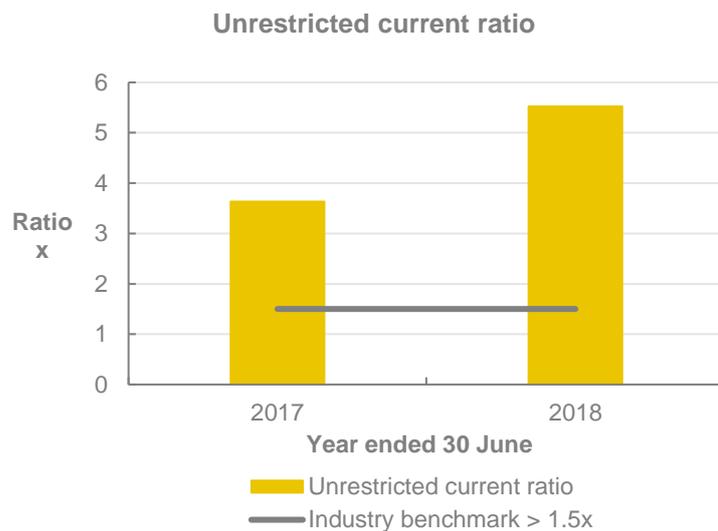
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to manage its liquidity to consistently exceed the benchmark of 1.5 times.

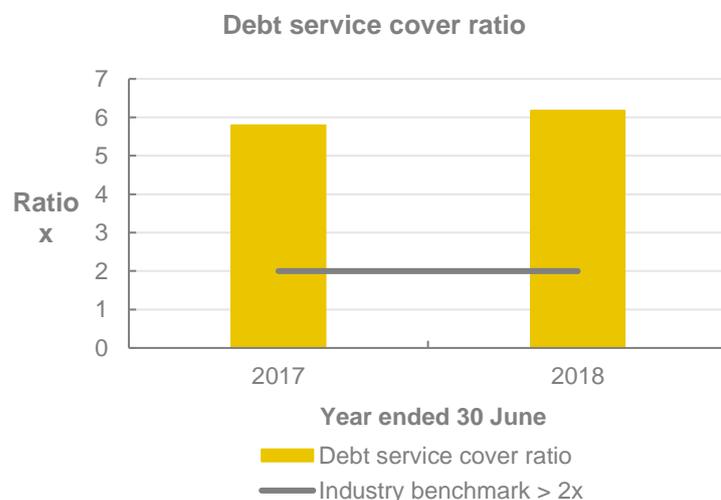
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to meet OLG's debt service cover ratio benchmark of > 2x because Council continues to repay its existing loans and has not drawn down additional loans.

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.

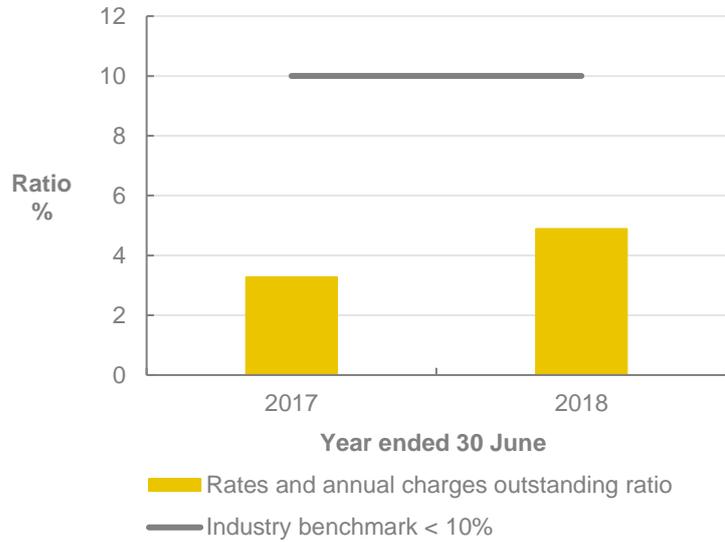


Rates and annual charges outstanding ratio

Council continues to perform well with this ratio and continues to outperform the benchmark with an effective debt recovery program.

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 regional and rural councils.

Rates and annual charges outstanding ratio

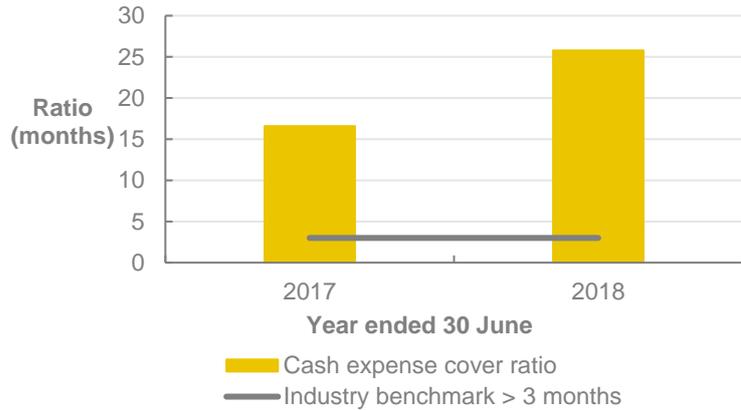


Cash expense cover ratio

Council continues to improve its liquidity. Council exceed the OLG benchmark for the past two years.

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.

Cash expense cover ratio

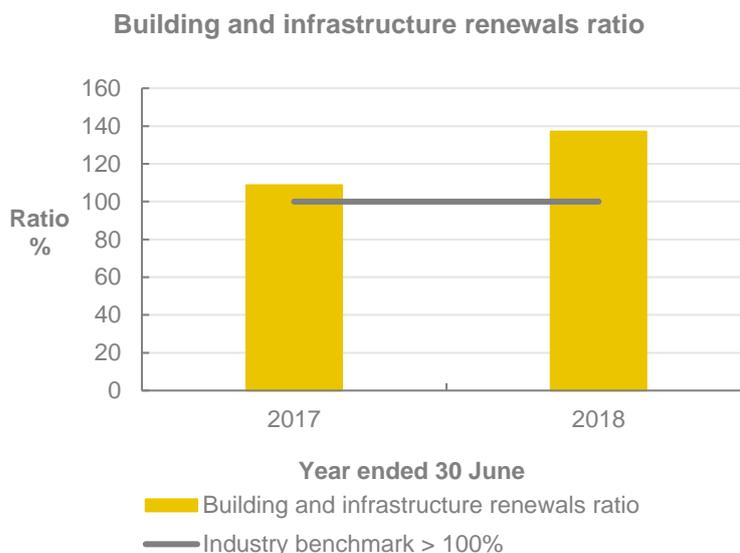


Building and infrastructure renewals ratio (unaudited)

Council has performed significant renewal works on roads over the past 2 years, which has enabled Council to exceed the industry benchmark.

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.



OTHER MATTERS

New accounting standards implemented

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

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

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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 16.

Prior period error

During the revaluation process for 2017-18, a review of bulk earthwork assets identified \$36.4 of duplicated assets. These assets were duplicated in the Former Dubbo City Council since the year ended 30 June 2015.

The error has been corrected by restating the beginning balances of relevant affected line items in the Statement of Financial Position for the earliest prior period, being 13 May 2016 and taking the adjustment through to accumulated surplus at that date. Comparatives have been changed to reflect the correction of the error.

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, Chief Executive Officer
Mr Tim Hurst, Chief Executive of the Office of Local Government

Dubbo Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2018

"Great community, great council"



Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	8
Statement of Financial Position – Sewerage Business Activity	9
Statement of Financial Position – Other Business Activities	10
3. Notes to the Special Purpose Financial Statements	13
4. Auditor’s Report	

Background

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

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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:

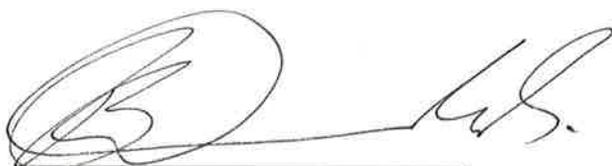
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 year, 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 29 October 2018.



Ben Shields

Mayor

29 October 2018



Annemarie Jones OAM

Deputy Mayor

29 October 2018



Michael McMahon

Chief Executive Officer

29 October 2018



Jane Bassingthwaite

Responsible Accounting Officer

29 October 2018

Dubbo Regional Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	7,043	7,654
User charges	19,460	16,816
Interest	969	909
Grants and contributions provided for non-capital purposes	121	170
Other income	41	81
Total income from continuing operations	27,634	25,630
Expenses from continuing operations		
Employee benefits and on-costs	4,878	4,770
Borrowing costs	1,633	1,916
Materials and contracts	4,381	5,068
Depreciation, amortisation and impairment	5,280	5,002
Water purchase charges	–	70
Loss on sale of assets	50	41
Calculated taxation equivalents	131	125
Other expenses	2,778	3,031
Total expenses from continuing operations	19,131	20,023
Surplus (deficit) from continuing operations before capital amounts	8,503	5,607
Grants and contributions provided for capital purposes	3,369	2,858
Surplus (deficit) from continuing operations after capital amounts	11,872	8,465
Surplus (deficit) from all operations before tax	11,872	8,465
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,551)	(1,682)
SURPLUS (DEFICIT) AFTER TAX	9,321	6,783
Plus opening retained profits	208,886	200,296
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	131	125
– Corporate taxation equivalent	2,551	1,682
Closing retained profits	220,889	208,886
Return on capital %	3.9%	3.0%
Calculation of dividend payable:		
Surplus (deficit) after tax	9,321	6,783
Less: capital grants and contributions (excluding developer contributions)	(3,369)	(2,843)
Surplus for dividend calculation purposes	5,952	3,940
Potential dividend calculated from surplus	2,976	1,970

Dubbo Regional Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	11,783	12,729
User charges	4,687	4,857
Liquid trade waste charges	33	39
Fees	673	317
Interest	1,361	1,678
Grants and contributions provided for non-capital purposes	121	141
Profit from the sale of assets	–	65
Other income	55	66
Total income from continuing operations	18,713	19,892
Expenses from continuing operations		
Employee benefits and on-costs	3,588	3,808
Borrowing costs	1,012	1,252
Materials and contracts	2,017	3,302
Depreciation, amortisation and impairment	5,014	6,144
Loss on sale of assets	774	114
Calculated taxation equivalents	242	225
Other expenses	1,345	1,594
Total expenses from continuing operations	13,992	16,439
Surplus (deficit) from continuing operations before capital amounts	4,721	3,453
Grants and contributions provided for capital purposes	3,687	2,733
Surplus (deficit) from continuing operations after capital amounts	8,408	6,186
Surplus (deficit) from all operations before tax	8,408	6,186
Less: corporate taxation equivalent (30%) [based on result before capital]	(1,416)	(1,036)
SURPLUS (DEFICIT) AFTER TAX	6,992	5,150
Plus opening retained profits	230,765	224,354
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	242	225
– Corporate taxation equivalent	1,416	1,036
Closing retained profits	239,415	230,765
Return on capital %	2.0%	1.7%
Subsidy from Council	1,808	1,922
Calculation of dividend payable:		
Surplus (deficit) after tax	6,992	5,150
Less: capital grants and contributions (excluding developer contributions)	(3,687)	(2,715)
Surplus for dividend calculation purposes	3,305	2,435
Potential dividend calculated from surplus	1,652	1,218

Dubbo Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
Income from continuing operations				
User charges	3,952	4,362	4,098	3,860
Other income	136	187	28	34
Total income from continuing operations	4,088	4,549	4,126	3,894
Expenses from continuing operations				
Employee benefits and on-costs	498	459	558	649
Borrowing costs	64	152	–	–
Materials and contracts	1,811	1,830	1,229	1,205
Depreciation, amortisation and impairment	785	826	1,295	1,280
Loss on sale of assets	–	–	–	293
Calculated taxation equivalents	119	100	12	7
Other expenses	600	254	210	197
Total expenses from continuing operations	3,877	3,621	3,304	3,631
Surplus (deficit) from continuing operations before capital amounts	211	928	822	263
Grants and contributions provided for capital purposes	10,193	284	329	2,962
Surplus (deficit) from continuing operations after capital amounts	10,404	1,212	1,151	3,225
Surplus (deficit) from all operations before tax	10,404	1,212	1,151	3,225
Less: corporate taxation equivalent (30%) [based on result before capital]	(63)	(278)	(247)	(79)
SURPLUS (DEFICIT) AFTER TAX	10,341	934	904	3,146
Plus opening retained profits	27,283	25,971	25,050	21,818
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	119	100	12	7
– Corporate taxation equivalent	63	278	247	79
Closing retained profits	37,806	27,283	26,213	25,050
Return on capital %	0.7%	4.0%	4.0%	1.3%
Subsidy from Council	833	–	–	229

Dubbo Regional Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Property Development Category 1		Dubbo City Holiday Park Category 2	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17
\$ '000				
Income from continuing operations				
User charges	–	–	1,909	1,915
Interest	123	26	–	–
Profit from the sale of assets	3,359	4,205	–	–
Other income	12	12	–	–
Total income from continuing operations	3,494	4,243	1,909	1,915
Expenses from continuing operations				
Employee benefits and on-costs	159	2	28	4
Borrowing costs	–	–	13	40
Materials and contracts	193	2,400	1,105	1,146
Depreciation, amortisation and impairment	–	–	172	200
Calculated taxation equivalents	209	297	63	62
Other expenses	1	–	186	227
Total expenses from continuing operations	562	2,699	1,567	1,679
Surplus (deficit) from continuing operations before capital amounts	2,932	1,544	342	236
Surplus (deficit) from continuing operations after capital amounts	2,932	1,544	342	236
Surplus (deficit) from all operations before tax	2,932	1,544	342	236
Less: corporate taxation equivalent (30%) [based on result before capital]	(880)	(463)	(103)	(71)
SURPLUS (DEFICIT) AFTER TAX	2,052	1,081	239	165
Plus opening retained profits	9,199	7,358	5,443	5,145
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	209	297	63	62
– Corporate taxation equivalent	880	463	103	71
Closing retained profits	12,340	9,199	5,848	5,443
Return on capital %	n/a	n/a	5.7%	5.7%

Dubbo Regional Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

Rainbow Cottage

Category 2

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
User charges	640	726
Grants and contributions provided for non-capital purposes	527	581
Total income from continuing operations	1,167	1,307
Expenses from continuing operations		
Employee benefits and on-costs	939	1,004
Materials and contracts	347	374
Depreciation, amortisation and impairment	33	35
Calculated taxation equivalents	7	7
Other expenses	26	24
Total expenses from continuing operations	1,352	1,444
Surplus (deficit) from continuing operations before capital amounts	(185)	(137)
Surplus (deficit) from continuing operations after capital amounts	(185)	(137)
Surplus (deficit) from all operations before tax	(185)	(137)
Less: corporate taxation equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(185)	(137)
Plus opening retained profits	630	760
Plus adjustments for amounts unpaid:		
- Taxation equivalent payments	7	7
Closing retained profits	452	630
Return on capital %	-13.2%	-21.4%
Subsidy from Council	222	152

Dubbo Regional Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	(115)	6,204
Investments	19,500	10,000
Receivables	7,079	4,744
Inventories	168	223
Other	38	5
Total current assets	26,670	21,176
Non-current assets		
Investments	20,163	15,500
Infrastructure, property, plant and equipment	260,989	254,330
Other	44	44
Total non-current assets	281,196	269,874
TOTAL ASSETS	307,866	291,050
LIABILITIES		
Current liabilities		
Payables	644	805
Borrowings	1,069	1,012
Provisions	1,180	965
Total current liabilities	2,893	2,782
Non-current liabilities		
Borrowings	24,865	25,934
Provisions	50	33
Total non-current liabilities	24,915	25,967
TOTAL LIABILITIES	27,808	28,749
NET ASSETS	280,058	262,301
EQUITY		
Accumulated surplus	220,889	208,886
Revaluation reserves	59,169	53,415
TOTAL EQUITY	280,058	262,301

Dubbo Regional Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	(622)	4,677
Investments	28,658	8,500
Receivables	2,468	2,334
Other	12	–
Total current Assets	30,516	15,511
Non-current assets		
Investments	20,000	28,000
Infrastructure, property, plant and equipment	283,499	278,430
Total non-current assets	303,499	306,430
TOTAL ASSETS	334,015	321,941
LIABILITIES		
Current liabilities		
Payables	231	359
Borrowings	1,938	1,849
Provisions	–	113
Total current liabilities	2,169	2,321
Non-current liabilities		
Borrowings	17,490	19,429
Provisions	–	5
Total non-current liabilities	17,490	19,434
TOTAL LIABILITIES	19,659	21,755
NET ASSETS	314,356	300,186
EQUITY		
Accumulated surplus	239,415	230,765
Revaluation reserves	74,941	69,421
TOTAL EQUITY	314,356	300,186

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Dubbo City Regional Airport		Livestock Markets	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	1	1	–	–
Investments	2,819	1,624	5,551	4,192
Receivables	87	250	332	442
Total Current Assets	2,907	1,875	5,883	4,634
Non-current assets				
Infrastructure, property, plant and equipment	41,636	26,963	20,616	20,652
Total non-current assets	41,636	26,963	20,616	20,652
TOTAL ASSETS	44,543	28,838	26,499	25,286
LIABILITIES				
Current liabilities				
Payables	231	101	88	67
Borrowings	787	163	–	–
Provisions	197	120	180	158
Total current liabilities	1,215	384	268	225
Non-current liabilities				
Borrowings	2,226	1,163	–	–
Provisions	6	8	18	11
Total non-current liabilities	2,232	1,171	18	11
TOTAL LIABILITIES	3,447	1,555	286	236
NET ASSETS	41,096	27,283	26,213	25,050
EQUITY				
Accumulated surplus	37,806	27,283	26,213	25,050
Revaluation reserves	3,290	–	–	–
TOTAL EQUITY	41,096	27,283	26,213	25,050

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

	Property Development		Dubbo City Holiday Park	
	Category 1		Category 2	
\$ '000	2018	2017	2018	2017
ASSETS				
Current assets				
Cash and cash equivalents	–	–	1	–
Investments	9,393	5,534	1,424	1,002
Receivables	–	1,111	–	–
Inventories	773	659	–	–
Total Current Assets	10,166	7,304	1,425	1,002
Non-current assets				
Inventories	2,180	1,895	–	–
Infrastructure, property, plant and equipment	–	–	6,174	4,871
Total non-current assets	2,180	1,895	6,174	4,871
TOTAL ASSETS	12,346	9,199	7,599	5,873
LIABILITIES				
Current liabilities				
Payables	6	–	9	67
Borrowings	–	–	121	117
Total current liabilities	6	–	130	184
Non-current liabilities				
Borrowings	–	–	125	246
Total non-current liabilities	–	–	125	246
TOTAL LIABILITIES	6	–	255	430
NET ASSETS	12,340	9,199	7,344	5,443
EQUITY				
Accumulated surplus	12,340	9,199	5,848	5,443
Revaluation reserves	–	–	1,496	–
TOTAL EQUITY	12,340	9,199	7,344	5,443

Dubbo Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Rainbow Cottage

Category 2

\$ '000	2018	2017
ASSETS		
Current assets		
Investments	37	199
Receivables	13	13
Total Current Assets	50	212
Non-current assets		
Infrastructure, property, plant and equipment	1,406	640
Total non-current assets	1,406	640
TOTAL ASSETS	1,456	852
LIABILITIES		
Current liabilities		
Payables	32	13
Provisions	214	197
Total current liabilities	246	210
Non-current liabilities		
Provisions	17	12
Total non-current liabilities	17	12
TOTAL LIABILITIES	263	222
NET ASSETS	1,193	630
EQUITY		
Accumulated surplus	452	630
Revaluation reserves	741	–
TOTAL EQUITY	1,193	630

Dubbo Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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	18
3	Sewerage Business Best-Practice Management disclosure requirements	20

Dubbo Regional Council

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

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (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.

Dubbo Regional Council

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

Note 1. Significant accounting policies (continued)

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.

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 Crown Lands and Water (CLAW), 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):

Dubbo Regional Council

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

Note 1. Significant accounting policies (continued)

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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 has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date.

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

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

Dubbo Regional Council

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

Note 1. Significant accounting policies (continued)

(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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.66% at 30/6/18.

(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 2018 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.

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Dubbo Regional Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	131,000
(ii)	Number of assessments multiplied by \$3/assessment	59,829
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	59,829
(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]	2,976,050
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	538,461
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	9,892,000

2018 Surplus	5,952,100	2017 Surplus	3,939,900	2016 Surplus	–
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	538,461
(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 year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

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	30,034
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)]	%	79.24%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	259,821
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	11,909
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	869
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)]	%	4.97%
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 year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	242,000
(ii)	Number of assessments multiplied by \$3/assessment	55,383
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	55,383
(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]	1,652,350
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	498,447
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	5,739,800

2018 Surplus	3,304,700	2017 Surplus	2,435,100	2016 Surplus	–
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	498,447
(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 year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

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	21,041
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	282,457
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,924
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	416
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)]	%	3.23%
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	50,251
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.48%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,285
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)]	%	4.07%
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 year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2018

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)]	%	<input type="text" value="-7.10%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="22,148"/> 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: <input type="text" value="320"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="69"/>
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	<input type="text" value="20,657"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="242"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
 - 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 report

Dubbo Regional Council

To the Councillors of the Dubbo Regional Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Dubbo regional Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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 report presents fairly, in all material respects, the financial position of the Council's declared Business Activities]as at 30 June 2018, and its financial performance for the year then ended, 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.

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

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

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

I have nothing to report in this regard.

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' Responsibilities for the Financial Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or

in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Renee Meimaroglou
Director, Financial Audit Services

31 October 2018
SYDNEY

Dubbo Regional Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

"Great community, great council"



Dubbo Regional Council

Special Schedules

for the year ended 30 June 2018

Contents

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

Background

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

Dubbo Regional Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	303	–	–	(303)
Administration	1,284	1,704	11	431
Public order and safety				
Fire service levy, fire protection, emergency services	2,362	57	2,419	114
Beach control	–	–	–	–
Enforcement of local government regulations	455	95	–	(360)
Animal control	1,204	186	–	(1,018)
Other	–	–	–	–
Total public order and safety	4,021	338	2,419	(1,264)
Health	353	13	–	(340)
Environment				
Noxious plants and insect/vermin control	565	105	–	(460)
Other environmental protection	557	1	–	(556)
Solid waste management	7,351	9,795	1,304	3,748
Street cleaning	462	–	–	(462)
Drainage	2,088	1,438	6,664	6,014
Stormwater management	–	–	–	–
Total environment	11,023	11,339	7,968	8,284
Community services and education				
Administration and education	964	214	312	(438)
Social protection (welfare)	549	87	–	(462)
Aged persons and disabled	–	–	–	–
Children's services	3,238	2,906	–	(332)
Total community services and education	4,751	3,207	312	(1,232)
Housing and community amenities				
Public cemeteries	577	378	–	(199)
Public conveniences	–	–	–	–
Street lighting	1,258	196	–	(1,062)
Town planning	2,223	861	10	(1,352)
Other community amenities	99	–	–	(99)
Total housing and community amenities	4,157	1,435	10	(2,712)
Water supplies	18,950	27,584	3,369	12,003
Sewerage services	12,976	17,685	3,687	8,396

Dubbo Regional Council

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

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	2,420	202	–	(2,218)
Museums	–	–	–	–
Art galleries	2,076	254	250	(1,572)
Community centres and halls	–	7	–	7
Performing arts venues	3,717	1,716	147	(1,854)
Other performing arts	–	–	–	–
Other cultural services	1,028	32	–	(996)
Sporting grounds and venues	4,529	285	8,240	3,996
Swimming pools	1,535	563	4,500	3,528
Parks and gardens (lakes)	4,026	364	1,046	(2,616)
Other sport and recreation	2,196	321	245	(1,630)
Total recreation and culture	21,527	3,744	14,428	(3,355)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	2,034	1,184	–	(850)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	2,034	1,184	–	(850)
Transport and communication				
Urban roads (UR) – local	7,098	(338)	13,590	6,154
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	3,625	2,348	1,524	247
Sealed rural roads (SRR) – regional	2,508	1,575	–	(933)
Unsealed rural roads (URR) – local	5,273	839	–	(4,434)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	127	–	–	(127)
Bridges on SRR – local	716	–	–	(716)
Bridges on URR – local	37	–	–	(37)
Bridges on regional roads	91	–	–	(91)
Parking areas	128	–	–	(128)
Footpaths	863	54	–	(809)
Aerodromes	3,684	4,029	10,193	10,538
Other transport and communication	7,008	17,749	12	10,753
Total transport and communication	31,158	26,256	25,319	20,417
Economic affairs				
Camping areas and caravan parks	2,882	2,408	–	(474)
Other economic affairs	6,862	9,313	3,280	5,731
Total economic affairs	9,744	11,721	3,280	5,257
Totals – functions	122,281	106,210	60,803	44,732
General purpose revenues ⁽¹⁾		46,463		46,463
Share of interests – joint ventures and associates using the equity method	–	151		151
NET OPERATING RESULT ⁽²⁾	122,281	152,824	60,803	91,346

(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

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18
		The former Dubbo City Council	The former Wellington Council	Dubbo Regional Council	The former Wellington Council	Dubbo Regional Council
Notional general income calculation ⁽¹⁾						
Last year notional general income yield	a	28,437	6,469	34,906	6,348	34,121
Plus or minus adjustments ⁽²⁾	b	392	28	420	3	378
Notional general income	c = (a + b)	28,829	6,497	35,326	6,351	34,499
Permissible income calculation						
Special variation percentage ⁽³⁾	d	0.00%	0.00%		0.00%	
Or rate peg percentage	e	2.30%	2.30%		1.50%	
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%		0.00%	
Less expiring special variation amount	g	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–
Or plus rate peg amount	i = c x e	663	149	812	95	517
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	29,492	6,646	36,138	6,446	35,016
Plus (or minus) last year's carry forward total	l	28	2	30	25	26
Less valuation objections claimed in the previous year	m	–	–	–	–	(106)
Sub-total	n = (l + m)	28	2	30	25	(80)
Total permissible income	o = k + n	29,520	6,649	36,169	6,471	34,936
Less notional general income yield	p	29,555	6,647	36,202	6,469	34,906
Catch-up or (excess) result	q = o – p	(35)	2	(33)	2	30
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	36	–	36	–	–
Less unused catch-up ⁽⁵⁾	s	–	(1)	(1)	–	–
Carry forward to next year	t = q + r – s	1	1	2	2	30

Dubbo Regional Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

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 return (FDR) to administer this process.
- (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 2 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Dubbo Regional Council

To the Councillors of Dubbo Regional Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Dubbo Regional Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

Basis for Opinion

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 2 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. 2 may not be suitable for another purpose.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

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

Renee Meimaroglou
Director, Financial Audit Services

31 October 2018
SYDNEY

Dubbo Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	3,718	3,693
b. Engineering and supervision	442	919
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	148	217
d. Maintenance expenses	1,380	1,245
– Reservoirs		
e. Operation expenses	390	48
f. Maintenance expenses	119	236
– Pumping stations		
g. Operation expenses (excluding energy costs)	81	179
h. Energy costs	304	307
i. Maintenance expenses	44	111
– Treatment		
j. Operation expenses (excluding chemical costs)	2,377	2,666
k. Chemical costs	1,303	1,311
l. Maintenance expenses	604	458
– Other		
m. Operation expenses	992	443
n. Maintenance expenses	7	13
o. Purchase of water	–	70
3. Depreciation expenses		
a. System assets	5,025	4,876
b. Plant and equipment	120	126
4. Miscellaneous expenses		
a. Interest expenses	1,638	1,916
b. Revaluation decrements	–	–
c. Other expenses	257	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	18,949	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 year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	3,824	5,299
b. Usage charges	14,592	13,325
7. Non-residential charges		
a. Access (including rates)	2,192	2,355
b. Usage charges	3,965	3,491
8. Extra charges	–	–
9. Interest income	969	909
10. Other income	2,072	81
10a. Aboriginal Communities Water and Sewerage Program	–	27
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	121	143
c. Other grants	–	–
12. Contributions		
a. Developer charges	2,257	1,967
b. Developer provided assets	1,011	766
c. Other contributions	–	125
13. Total income	31,003	28,488
14. Gain (or loss) on disposal of assets	(50)	(41)
15. Operating result	12,004	8,590
15a. Operating result (less grants for acquisition of assets)	12,004	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 year ended 30 June 2018

\$'000	2018	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	869	1,434
d. Plant and equipment	–	533
17. Repayment of debt	–	132
18. Totals	869	2,873
Non-operating funds employed		
19. Proceeds from disposal of assets	–	83
20. Borrowing utilised	–	–
21. Totals	–	83
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	17,616	17,246
b. Residential (unoccupied, ie. vacant lot)		–
c. Non-residential (occupied)	2,327	2,329
d. Non-residential (unoccupied, ie. vacant lot)		–
23. Number of ETs for which developer charges were received	355 ET	355 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 220,783	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	19,385	20,163	39,548
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	309	–	309
c. User charges	6,260	–	6,260
d. Other	510	–	510
27. Inventories	168	–	168
28. Property, plant and equipment			
a. System assets	–	259,821	259,821
b. Plant and equipment	–	1,168	1,168
29. Other assets	38	44	82
30. Total assets	<u>26,670</u>	<u>281,196</u>	<u>307,866</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	644	–	644
33. Borrowings	1,069	24,865	25,934
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	1,180	50	1,230
35. Total liabilities	<u>2,893</u>	<u>24,915</u>	<u>27,808</u>
36. NET ASSETS COMMITTED	<u>23,777</u>	<u>256,281</u>	<u>280,058</u>
EQUITY			
37. Accumulated surplus			220,889
38. Asset revaluation reserve			59,169
39. Other reserves			–
40. TOTAL EQUITY			<u>280,058</u>
Note to system assets:			
41. Current replacement cost of system assets			369,659
42. Accumulated current cost depreciation of system assets			(109,838)
43. Written down current cost of system assets			<u>259,821</u>

Dubbo Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,766	3,268
b. Engineering and supervision	259	561
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	749	776
b. Maintenance expenses	–	169
– Pumping stations		
c. Operation expenses (excluding energy costs)	120	103
d. Energy costs	196	184
e. Maintenance expenses	251	434
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	1,533	1,774
g. Chemical costs	15	65
h. Energy costs	471	590
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	423	472
– Other		
l. Operation expenses	124	196
m. Maintenance expenses	17	38
3. Depreciation expenses		
a. System assets	4,853	6,036
b. Plant and equipment	96	108
4. Miscellaneous expenses		
a. Interest expenses	1,012	1,252
b. Revaluation decrements	–	–
c. Other expenses	90	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	12,975	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 year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	15,971	12,729
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	4,857
8. Trade waste charges		
a. Annual fees	480	317
b. Usage charges	–	39
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,361	1,678
11. Other income	1,043	66
11a. Aboriginal Communities Water and Sewerage Program	–	7
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	121	134
c. Other grants	–	–
13. Contributions		
a. Developer charges	1,575	1,864
b. Developer provided assets	1,851	394
c. Other contributions	–	475
14. Total income	<u>22,402</u>	<u>22,560</u>
15. Gain (or loss) on disposal of assets	(774)	(49)
16. Operating result	<u>8,653</u>	<u>6,411</u>
16a. Operating result (less grants for acquisition of assets)	8,653	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 year ended 30 June 2018

\$'000	2018	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	416	1,030
d. Plant and equipment	–	487
18. Repayment of debt	–	214
19. Totals	416	1,973
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	16,736	16,380
b. Residential (unoccupied, ie. vacant lot)		–
c. Non-residential (occupied)	1,725	1,767
d. Non-residential (unoccupied, ie. vacant lot)		–
24. Number of ETs for which developer charges were received	336 ET	336 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 211,795	\$ 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 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	28,036	20,000	48,036
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,926	–	1,926
c. User charges	–	–	–
d. Other	542	–	542
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	282,457	282,457
b. Plant and equipment	–	1,042	1,042
30. Other assets	12	–	12
31. Total assets	30,516	303,499	334,015
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	231	–	231
34. Borrowings	1,938	17,490	19,428
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	2,169	17,490	19,659
37. NET ASSETS COMMITTED	28,347	286,009	314,356
EQUITY			
38. Accumulated surplus			239,415
39. Asset revaluation reserve			74,941
40. Other reserves			–
41. TOTAL EQUITY			314,356
Note to system assets:			
42. Current replacement cost of system assets			340,747
43. Accumulated current cost depreciation of system assets			(58,290)
44. Written down current cost of system assets			282,457

Dubbo Regional Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2018

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 FV.

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-residential 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 2018

\$'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	2017/18 Required maintenance ^a	2017/18 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	–	–	2,535	2,535	117,631	328,344	43%	38%	16%	3%	1%
	Sub-total	–	–	2,535	2,535	117,631	328,344	42.8%	37.7%	15.5%	2.9%	1.1%
Roads	Sealed roads	–	–	3,025	3,025	755,247	1,091,024	41%	28%	22%	9%	1%
	Unsealed roads	–	–	1,711	1,711	46,093	72,839	9%	18%	27%	37%	9%
	Footpaths	628	628	75	75	28,629	46,839	60%	18%	19%	3%	0%
	Other road assets	–	–	674	674	187,144	433,089	100%	0%	0%	0%	0%
	Bulk earthworks	–	–	–	–	308,719	308,719	100%	0%	0%	0%	0%
	Sub-total	628	628	5,485	5,485	1,325,832	1,952,510	62.6%	16.7%	13.8%	6.3%	0.6%
Water supply network	Water supply network	–	–	1,437	1,437	247,806	356,960	32%	40%	19%	8%	1%
	Sub-total	–	–	1,437	1,437	247,806	356,960	32.4%	40.3%	19.0%	7.5%	0.8%
Sewerage network	Sewerage network	5,918	5,918	771	771	263,867	321,133	42%	35%	11%	10%	2%
	Sub-total	5,918	5,918	771	771	263,867	321,133	42.2%	35.4%	11.2%	9.6%	1.6%

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance ^a	2017/18 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	1,384	1,384	338	338	195,411	229,312	40%	44%	8%	7%	1%
	Sub-total	1,384	1,384	338	338	195,411	229,312	39.8%	44.3%	8.1%	6.9%	0.9%
Open space/recreational assets	Swimming pools	–	–	40	40	3,104	6,933	33%	39%	27%	1%	0%
	Sub-total	–	–	40	40	3,104	6,933	33.0%	39.0%	26.7%	0.9%	0.4%
TOTAL – ALL ASSETS		7,930	7,930	10,606	10,606	2,153,651	3,195,192	53.5%	25.4%	13.9%	6.5%	0.8%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods 2017 2016	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>36,300</u>	137.07%	108.62%	>= 100%
Depreciation, amortisation and impairment	<u>26,482</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>7,930</u>	0.36%	1.00%	< 2.00%
Net carrying amount of infrastructure assets	<u>2,228,561</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>10,606</u>	100.00%	100.00%	> 100%
Required asset maintenance	<u>10,606</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>7,930</u>	0.25%	0.00%	
Gross replacement cost	<u>3,195,192</u>			

Notes

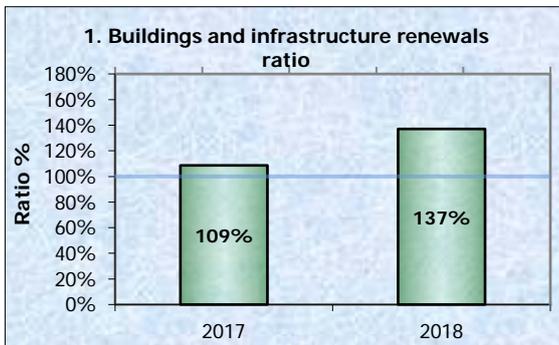
* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(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 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018



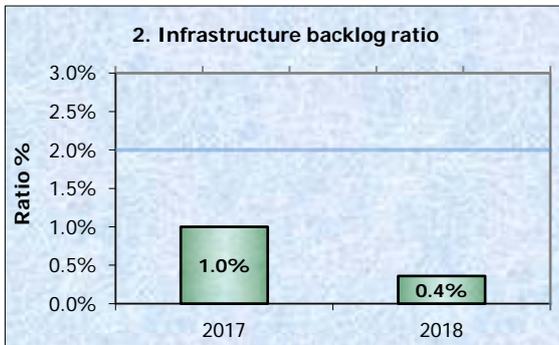
Purpose of asset renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2017/18 result	
2017/18 Ratio	137.07%
Provide some commentary of the ratio here...	

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2017/18 result	
2017/18 Ratio	0.36%
Provide some commentary of the ratio here...	

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



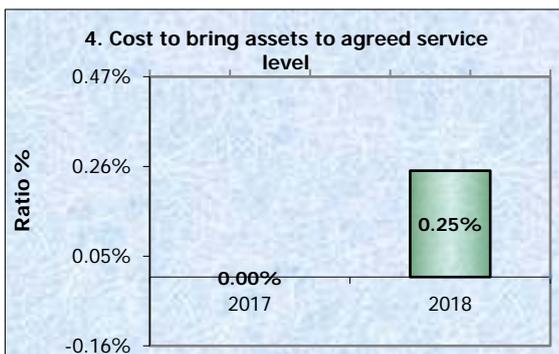
Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on 2017/18 result	
2017/18 Ratio	100.00%
Provide some commentary of the ratio here...	

Benchmark: — Minimum $> 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of agreed service level ratio

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on 2017/18 result	
2017/18 Ratio	0.25%
Provide some commentary of the ratio here...	

Dubbo Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	219.83%	149.48%	0.00%	24.48%	0.00%	32.09%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.12%	0.93%	0.00%	0.00%	2.23%	2.28%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.08%	0.00%	0.00%	0.00%	1.84%	0.00%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.